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SOLARTECH INTERNATIONAL HOLDINGS LIMITED

榮盛科技國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

VERY SUBSTANTIAL ACQUISITION IN RELATION TO A POSSIBLE ACQUISITION OF A COPPER-GOLD-SILVER MINE IN MONGOLIA AND RESUMPTION OF TRADING

THE ACQUISITION

On 10 November 2009, the Company entered into the Agreement with the Vendor and Mr. Liu Yong as the Vendor's guarantor pursuant to which the Company has conditionally agreed to acquire from the Vendor the Sale Share. The Sale Share represents the entire issued share capital of the Target Company, which holds licences in respect of the Mine through a subsidiary.

The Consideration payable under the Agreement is HK\$1,500,000,000 (subject to adjustment as described below) and shall be satisfied by the Company at Completion by (i) payment of HK\$68,000,000 in cash; and (ii) the issuance by the Company of the Convertible Bond with a face value of HK\$1,432,000,000 (subject to adjustment as described below).

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to approval by the Shareholders at the SGM. The Vendor and Mr. Liu Yong do not hold any Shares as at the date of this announcement. No Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM regarding the Acquisition.

* For identification purpose only

A circular containing, among other things, details of the Acquisition, the increase in authorised share capital, the issuance of the Convertible Bond, and other transactions contemplated under the Agreement, financial information of the Group and the Target Group, an independent valuation report on ISE and the notice of the SGM will be despatched to Shareholders as soon as practicable in accordance with the relevant requirements of the Listing Rules.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 November 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 1 December 2009.

Reference is made to the announcement made by the Company on 14 October 2009 in relation to the entering into of the MOU with the Vendor. The Board is pleased to announce that the Company entered into the Agreement with the Vendor on 10 November 2009 in relation to the Acquisition. Details of the Agreement are set out below.

THE AGREEMENT

Date

10 November 2009

Parties

- (i) the Company as the purchaser;
- (ii) the Vendor; and
- (iii) Mr. Liu Yong as the Vendor's guarantor.

The Vendor is wholly-owned by Mr. Liu Yong and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor and Mr. Liu Yong are third parties independent of the Company and its connected persons. The Group has not engaged in any previous transactions which were related to the Acquisition or with either of the Vendor or Mr. Liu Yong in the last 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

Assets to be acquired

Pursuant to the Agreement, the Vendor has agreed to sell to the Company the Sale Share, representing the entire issued share capital of the Target Company.

Consideration

The total consideration for the Acquisition is HK\$1,500,000,000 (subject to adjustment as described below) and shall be satisfied at Completion as follows:

- (i) as to HK\$68,000,000 in cash; and
- (ii) as to HK\$1,432,000,000 (subject to adjustment as described below) by the issue of the Convertible Bond by the Company to the Vendor (or their respective nominees).

Adjustment to Consideration and Convertible Bond

If the value of ISE as determined by the Valuation Report (as defined below) shall be less than HK\$1,500,000,000, the Consideration shall be reduced by the amount in which such value of ISE falls short of HK\$1,500,000,000 (the “**Value Shortfall**”), and the principal amount of the Convertible Bond shall be reduced by an amount equal to the Value Shortfall. For the avoidance of doubt, the parties to the Agreement agree that no adjustment will be made to the Consideration if the value of ISE as determined by the Valuation Report exceeds HK\$1,500,000,000.

The cash portion of the Consideration will be financed by the net proceeds from the Placing and the Company’s internal resources. The Consideration was determined after arm’s length negotiations between the Company and the Vendor. In determining the Consideration, the Board has made reference to the preliminary valuation results on ISE prepared by BMI, an independent valuer, and the Resources Report prepared based on the Mongolian/Russian standards by CBE LLC, an independent exploration and consulting company in Mongolia, and further advice from Dr. Herman Tso, an independent consultant. The preliminary valuation result on ISE has been prepared using market approach. The market approach provides indications of value by comparing the assets subjected to valuation to similar businesses, business ownership interests and securities that have been sold in the market, with appropriate adjustments for the differences between the assets subjected to valuation and the comparable assets. Taking into account, among other things, the preliminary valuation results prepared by BMI of approximately HK\$1,580,000,000 and the discount of approximately 5.06% represented by the Consideration to such preliminary valuation, the Directors consider that the Consideration is fair and reasonable. As a condition to the Agreement, a valuation report on ISE (the “**Valuation Report**”) will be issued by BMI which will be included in the circular relating to the Acquisition to be despatched to Shareholders. The details of the professional qualifications of the personnel in charge of the valuation will also be included in the Valuation Report.

BMI has experience in the area of natural resource valuations and has performed various valuation projects on similar assets or companies engaged in similar business activities as those of the Target Company in Hong Kong, China and the Asia-Pacific region. CBE LLC was incorporated in Mongolia and is engaged in geology exploration and consultation. Set out below are the biographies of the professionals who are responsible for the preparation of the Resources Report as advised to the Company by CBE LLC:

Gombosuren Tserendondov (Msc) Project manager, exploration and resource estimates, overall and report compilation

Mr. Gombosuren is the project manager and senior geologist. He is responsible for the geology and resource estimates, report compilation of the mineral resources report. He holds a master degree in the Mongolian University of Science and Technology and is a registered consulting engineer in hydrogeology. He has more than 20 years experience in the field of exploration, geology engineering, hydrogeology, environmental impact assessment and resources estimate of gold, silver, copper and iron as well as other metal ore deposits in different geological settings. He also has the experience in exploration project management, design, exploration assessments and review in support of feasibility studies and mergers and acquisitions.

Bolor Atangerel (Msc) Geologist, geology, exploration, resource estimates and report compilation

Mr. Bolor is a geologist. He holds a master degree of science in geochemistry in the Charles University of Prague in the Czech Republic. He is a member of Mongolian National Mining Association and Mongolian Coal Association. He has more than 25 years experience in the fields of metalliferous minerals (e.g. gold, silver, copper, lead, zinc and iron) and non-metalliferous minerals (e.g. diamond and coal) for exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geochemistry, cash flow analysis, project evaluation and feasibility studies. He has been participated in the formation of geographical atlas (mapping) 1:50,000 of geological expedition held in central region of Mongolia. Mr. Bolor has been involved in the feasibility, construction, and commissioning of several mining operations and has worked on both open pit and underground mines.

Sharkhuu Ulaantuya, Geologist, Technical data collection

Ms. Sharkhuu is a geologist with over 20 years experience in numerous audits and due diligence studies, project evaluation and review of mining projects in Mongolia. She assisted Mr. Gombosuren and Mr. Bolor in the site visit to collect technical data regarding geology, exploration and resource. She has worked on geophysical exploration and geological survey in some metal minerals and coal projects. She holds a bachelor degree in hydrogeology and geology engineering from the Polytechnic Institute of Mongolia.

Conditions

Completion of the Agreement is conditional on the following conditions being satisfied on or before the Long Stop Date:

- (i) the Company conducting legal, financial and business due diligence in relation to the Company, ISE, the ISE Mineral Rights and the Mine and the results of such due diligence being satisfactory to the Company, including (but not limited to) obtaining formal legal opinions from Mongolian and British Virgin Islands counsel in respect of ISE, the ISE Licences and the Target Company in forms satisfactory to the Company;
- (ii) the Stock Exchange confirming it has no further comments on the announcement issued by the Company in relation to the Acquisition;

- (iii) (if necessary) the approval of the Bermuda Monetary Authority in respect of the issue of the Conversion Shares;
- (iv) the approval by the Shareholders who are allowed to vote under the Listing Rules of the matters set out in (a) and (b) below at the SGM in accordance with, as applicable, the Listing Rules and applicable law:
 - (a) the increase of the authorised share capital of the Company to such amount as shall allow the Company to allot and issue the Conversion Shares; and
 - (b) the Agreement, the Acquisition and the issue of the Convertible Bond and the Conversion Shares;
- (v) the Listing Committee of the Stock Exchange agreeing to grant (subject to allotment and matters ancillary thereto) the listing of, and permission to deal in the Conversion Shares;
- (vi) the ISE Licences remaining valid and no circumstances having arisen which would result in their revocation;
- (vii) the Valuation Report having been duly issued in a form and substance satisfactory to the Company and the Vendor; and
- (viii) the obtaining of all licences, consents, approvals, authorisations, permissions, waivers, orders or exemptions from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Agreement and the Acquisition.

The Company may waive conditions (i), (vi), and (viii) in whole or in part at any time on or before the Long Stop Date in writing. The Company and the Vendor shall use all reasonable endeavours to satisfy or procure the satisfaction of each of the conditions not already satisfied or waived as soon as possible and in any event on or before the Long Stop Date. As at the date of this announcement, condition (ii) as stated above has been satisfied.

If any of the conditions (i) remains unsatisfied on the Long Stop Date and has not been waived on or before that date; or (ii) becomes impossible to satisfy on or before the Long Stop Date and, if it is a condition which can be waived by a party to the Agreement, has not been waived within 60 Business Days of such condition becoming impossible to satisfy, the Agreement shall automatically terminate with immediate effect and each party's rights and obligations other than those specified in the Agreement shall cease immediately on termination. Such termination shall not affect the rights and obligations of the Vendor or the Company existing before termination.

Guarantee by Mr. Liu Yong

In consideration of the Company entering into the Agreement, Mr. Liu Yong, as the Vendor's guarantor, unconditionally and irrevocably guarantees to the Company the due and punctual performance and observance by the Vendor of its obligations, covenants and warranties under or pursuant to the Agreement. The Company is entitled to claim directly from Mr. Liu Yong without first claiming against the Vendor.

Completion

Completion shall take place on the fifth Business Day following the satisfaction of the conditions set out above and unless waived by the Company or at such other place or time as the Vendor and the Company shall agree.

Principal terms of the Convertible Bond

Principal amount: HK\$1,432,000,000 (subject to adjustment to the Consideration).

Interest: The Convertible Bond shall not bear any interest.

Maturity Date: The date falling on the day being the third anniversary of the date of issue of the Convertible Bond.

Unless previously converted, the Convertible Bond will mature and will be redeemed by the Company at par on the Maturity Date.

Conversion rights: Subject to the conversion restrictions (as described below), a Convertible Bond holder shall have the right at any time during the Conversion Period to convert the whole or part of the outstanding principal amount of the Convertible Bond registered in its name into Shares and provided further that any conversion shall be made in amounts of not less than a whole multiple of HK\$1,000,000 on each conversion save that if at any time the aggregate outstanding principal amount of the Convertible Bond is less than HK\$1,000,000, the whole (but not part only) of the outstanding principal amount of the Convertible Bond may be converted.

Conversion price: HK\$0.15 per Conversion Share.

At Completion, the initial conversion price of HK\$0.15 per Conversion Share shall be substituted with the price which is the higher of (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the consecutive 5 Trading Days immediately prior to the date of Completion rounded up to the nearest two decimal points and (ii) HK\$0.068.

The conversion price will be subject to the usual anti-dilution adjustments in certain events such as share consolidation, share subdivision, capitalization issue, capital distribution, rights issue and other issues of Shares and/or convertible securities.

The initial conversion price of the Convertible Bond of HK\$0.15 per Conversion Share represents:

- (i) a premium of approximately 7.14% over the closing price of the Shares of HK\$0.140 per Share as quoted on the Last Trading Day;
- (ii) a premium of approximately 7.14% over the average of the closing prices of the Shares of HK\$0.140 per Share as quoted on the Stock Exchange for the last 5 Trading Days up to and including Last Trading Day; and
- (iii) a premium of approximately 6.38% to the average of the closing prices of the Shares of HK\$0.141 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day.

Conversion Shares:

Upon the full conversion of the Convertible Bond at the initial conversion price of HK\$0.15 per Conversion Share, an aggregate of 9,546,666,667 Conversion Shares will be issued, representing approximately 1,046.30% of the issued share capital of the Company as at the date hereof.

The Conversion Shares will in all respects rank *pari passu* with the Shares in issue.

Conversion restriction:

The Convertible Bond may not be converted to the extent that, following such conversion, a holder of the Convertible Bond, together with its Concert Parties, would directly or indirectly control or be interested in an aggregate of 29.9% or more of the issued Shares immediately following the issue of the relevant Conversion Shares (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer), or if a holder of the Convertible Bond would otherwise be obliged to make a general offer for the issued Shares under Rule 26 of the Takeovers Code.

Company's right to
require conversion:

Subject to the conversion restriction (as described above), the Company has the right to require the Convertible Bond holder to mandatorily convert any Convertible Bond remaining outstanding at the Maturity Date into Conversion Shares at the then applicable conversion price.

Voting:

A Convertible Bond holder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a Convertible Bond holder.

Listing: No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. An application will be made for the listing of and permission to deal in the Conversion Shares to be issued as a result of the exercise of the conversion rights attaching to the Convertible Bond.

Status: The Convertible Bond constitutes direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Company under the Convertible Bond shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Transferability: A Convertible Bond holder is entitled to transfer the Convertible Bond to any party other than a connected person of the Company save that the Convertible Bond holder shall not be prohibited from transferring the Convertible Bond or any part thereof to any existing direct or indirect controlling shareholder of the Convertible Bond holder or their respective associates. Save as provided above any proposed transfer to a connected person of the Company shall be subject to the prior consent of the Company, and where applicable, the prior consent of the Stock Exchange. The Convertible Bond shall only be assigned or transferred in whole or in multiples of HK\$1,000,000 of its outstanding principal amount and the Company shall facilitate any such assignment or transfer of the Convertible Bond, including making any necessary applications to the Stock Exchange for the said approval (if required).

As disclosed above, at Completion, the initial conversion price of HK\$0.15 per Conversion Share shall be substituted with the price which is the higher of (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the consecutive 5 Trading Days immediately prior to the date of Completion rounded up to the nearest two decimal points and (ii) HK\$0.068. The Company shall issue an announcement in the event that there are any changes in the initial conversion price (and any subsequent changes in the conversion price of the Convertible Bonds) in the future to comply with the relevant requirements under the Listing Rules.

The minimum possible conversion price of the Convertible Bond of HK\$0.068 per Conversion Share at Completion represents:

- (i) a discount of approximately 51.43% to the closing price of the Shares of HK\$0.140 per Share as quoted on the Last Trading Day;

- (ii) a discount of approximately 51.43% to the average of the closing prices of the Shares of HK\$0.140 per Share as quoted on the Stock Exchange for the last 5 Trading Days up to and including the Last Trading Day; and
- (iii) a discount of approximately 51.77% to the average of the closing prices of the Shares of HK\$0.141 per Share as quoted on the Stock Exchange for the last 10 Trading Days up to and including the Last Trading Day.

Assuming the Convertible Bond is fully converted at HK\$0.068 per Conversion Share, an aggregate of 21,058,823,529 Conversion Shares will be issued, representing approximately 2,308.02% of the issued share capital of the Company as at the date hereof and the shareholding of the public Shareholders will be diluted to approximately 5.26% of the enlarged issued share capital of the Company.

As disclosed in the paragraph “Consideration” above, greater than 95% of the aggregate Consideration for the Acquisition will be satisfied by the issuance of the Convertible Bond. Such payment term as agreed by the parties is similar to a vendor financing arrangement. Without such vendor financing arrangement, the Company may not have sufficient internal resources to finance the Acquisition and is unable to participate in the Mongolian mining industry. In return for the Vendor to agree such payment term, the Vendor requested the Company to provide some assurance relating to the performance of the Share price. Since the Board is not in the position to assure Share price performance at Completion, the Board reached an agreement with the Vendor to include the said one-off price reset mechanism in the terms of the Convertible Bond to assure the Vendor to a certain extent. In order to calculate the maximum dilution effect on the Shareholders, a minimum reset price is required. Taking into account the potential dilution effect on the Shareholders, the Purchaser proposed to set the minimum reset price as HK\$0.07 which is a half of the closing price of the Shares of HK\$0.140 per Share on the Last Trading Day. After further negotiation by the parties, the minimum reset price of HK\$0.068 was mutually agreed. The Board confirms that the terms of the Convertible Bond, including the one-off price reset mechanism of the conversion price, was arrived at after arm’s length negotiations between the Company and the Vendor.

In light of the fact that the Convertible Bond would not create a substantial capital expenditure of the Group immediately upon Completion, the Board considers that the terms of the Convertible Bond to be fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING OF THE COMPANY

The following chart depicts the possible effects of the Acquisition on the shareholding structure of the Company:

	As at the date of this announcement		Upon the conversion of the Convertible Bond at the initial conversion price of HK\$0.15 per Conversion Share (subject to the conversion restriction terms) (Note 2)		Upon the conversion of the Convertible Bond in full at the initial conversion price of HK\$0.15 per Conversion Share (for illustration purpose only) (Notes 2&3)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Venture Success Holdings Limited (Note 1)	134,804,297	10.27	134,804,297	7.20	134,804,297	1.24
The Vendor	–	–	559,791,281	29.90	9,546,666,667	87.92
Public Shareholders	1,177,616,065	89.73	1,177,616,065	62.90	1,177,616,065	10.84
Total	<u>1,312,420,362</u>	<u>100.00</u>	<u>1,872,211,643</u>	<u>100.00</u>	<u>10,859,087,029</u>	<u>100.00</u>

Notes:

- Venture Success Holdings Limited, a company incorporated in the British Virgin Islands, is wholly owned by Mr. Chau Lai Him who is the Chairman and Managing Director of the Company.
- At Completion, the initial conversion price of HK\$0.15 per Conversion Share shall be substituted with the price which is the higher of (i) the average of the closing prices of the Shares as quoted on the Stock Exchange for the consecutive 5 Trading Days immediately prior to the date of Completion rounded up to the nearest two decimal points; and (ii) HK\$0.068. In addition, it is a term of the Convertible Bond that the Convertible Bond may not be converted to the extent that, following such conversion, a holder of the Convertible Bond, together with its Concert Parties, would directly or indirectly control or be interested in an aggregate of 29.9% or more of the issued Shares immediately following the issue of the relevant Conversion Shares (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer), or if a holder of the Convertible Bond would otherwise be obliged to make a general offer for the issued Shares under Rule 26 of the Takeovers Code.
- This scenario is for illustration purpose only and may never happen in light of the conversion restriction clauses imposed under the terms of the Convertible Bond.

Assuming the Convertible Bond is fully converted at HK\$0.068 per Conversion Share, an aggregate of 21,058,823,529 Conversion Shares will be issued, representing approximately 2,308.02% of the issued share capital of the Company as at the date hereof and the shareholding of the public Shareholders will be diluted to approximately 5.26% of the enlarged issued share capital of the Company.

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company was incorporated in the British Virgin Islands and is wholly owned by the Vendor. It is principally engaged in investment holding and its only asset is the interest in ISE. According to the unaudited consolidated management accounts of the Target Company, it recorded a loss of approximately US\$35,229 (equivalent to approximately HK\$273,025) before and after taxation during 15 April 2009 (its incorporation date) to 30 September 2009. The net liabilities of the Target Company as at 30 September 2009 amounted to approximately US\$35,228 (equivalent to approximately HK\$273,017).

ISE and the Mine

ISE was incorporated in Mongolia and is a direct wholly-owned subsidiary of the Target Company. The principal activities of ISE were exploration and mining. ISE currently holds the ISE Exploration Licence covering an aggregate area of 3,464 hectares of which the ISE Mining Licence covering an aggregate area of 350 hectares over the Mine. The ISE Exploration Licence will be expired in 2011. Exploration works have been done and no further exploration activities are needed to be carried out by ISE. ISE has obtained the ISE Mining Licence dated 26 October 2009 which certifies that ISE has the permission to conduct minerals mining activities in the Mine for a period of 30 years. The principal activity of ISE will be the mining of copper, gold and silver. As the principal activity of ISE will not include any exploration, a technical report will not be included in the circular as Rule 18.04 is only applicable if the activities include exploration for natural resources.

The Mine is located at Nergui of Delgerkhangai soum in Dundgobi aimag, Mongolia. The Mine is about 430 kilometres southwest of Ulaanbaatar, 125 kilometres west of Mandalgovi, the capital of Dundgobi aimag and 16 kilometres away from the center of Delgerkhangai soum.

The cut-off coordinate of deposit area of the Mine is as follows:

Minerals Exploration Special Permit 14536X

Number	Degree	Longitude		Degree	Latitude	
		Minute	Second		Minute	Second
1	104	55'	30''	45	06'	10''
2	105	00'	00''	45	06'	10''
3	105	00'	00''	45	03'	00''
4	104	55'	30''	45	03'	00''

Minerals Mining Special Permit 15287A

Number	Degree	Longitude		Degree	Latitude	
		Minute	Second		Minute	Second
1	104	56'	13.5''	45	04'	37.5''
2	104	57'	54.5''	45	04'	37.5''
3	104	57'	54.5''	45	03'	46''
4	104	56'	13.5''	45	03'	46''

According to the Resources Report dated 27 October 2009 issued by CBE LLC, it is estimated that the Mine has total resources as follows.

Mongolian/Russian Resource category	Gold (tonnes)	Silver (tonnes)	Copper (tonnes)
A	0.66	16.53	9,221.82
B	1.86	74.96	105,837.25
C1	0.61	69.66	76,752.55
C2	1.06	35.19	1,251,128.49
Total = A+B+C1+C2	4.19	196.34	1,442,940.11

Note: As advised by CBE LLC and Dr. Herman Tso, when comparing the Mongolian/Russian standards with the Australian JORC Code generally, categories A and B are roughly comparable to Measured Resources; Category C1 is roughly comparable to Indicated Resources; and Category C2 is roughly comparable to Inferred Resources.

The resource data are estimates using Mongolian/Russian standards, which, although are not recognized international standards such as the Australian JORC Code, are standards accepted by the authorities of Mongolia as standard in estimating the resources of mines.

The Board understands that the Mongolian/Russian standards are primarily based on the Russian System which was approved by Gosudarstvenny Komitet Zapasam (the Russian State Commission on Mineral Reserves) of the Soviet Union in 1965. It is based principally on the degree of geological knowledge and the technical ability to extract a mineral reserve.

The Company has engaged in Dr. Herman Tso to provide his opinion on the Resources Report.

Dr. Herman Tso has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the Australian JORC Code. He has over 22 years of extensive executive and site experience in civil, geotechnical and mining engineering working with consulting engineers and contractors including in Canada, Hong Kong and China. He was the Chartered Professional member of the Institute of Materials, Minerals and Mining (UK), a board member in the Hong Kong branch of the Institute of Materials, Minerals and Mining. He was the professional member of the Canadian Institute of Mining, Metallurgy and Petroleum, the Canadian Geotechnical Society, the British Geotechnical Society and the American Geotechnical Institute. He is also a Chartered Civil Engineer and Chartered Mining Engineer.

In the opinion of Dr. Herman Tso, the observed mineral occurrences at the Mine were consistent with the mineralization described by CBE LLC. Based on Dr. Herman Tso's detailed investigation and analysis, comprising (i) discussions with CBE LLC; (ii) a study on all the geological data, documents and reports that CBE LLC adopted in order to arrive at the resources estimate and classification; and (iii) reviewing the qualifications of CBE LLC, it is his opinion that the methods adopted by CBE LLC are appropriate and resulting values outlined in the Resources Report are fair and accurate as if it is estimated under the standard of the Australian JORC Code. Dr. Herman Tso is also of the opinion that the amount and classification of the resources as stated in the Resources Report are generally in line with the Australian JORC Code: the resources of categories A and B can be roughly be comparable to Measured Resource; the resources of categories C1 can be roughly be comparable to Indicated Resource; and the resources of categories C2 can be roughly be comparable to Inferred Resource, as those terms are used under the Australian JORC Code.

Dr. Herman Tso further expressed that for any mineral classification codes (including the Australian JORC Code and the Russian standard) the boundaries between ore classes are rather flexible. In the Australian JORC Code for example, the definition of measured resource is as follows: "A 'Measured Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity." Dr. Herman Tso pointed out that in this definition the specific method of analysis are not defined and much reliance is placed on the professional judgment of the competent persons who are qualified, experienced and are members of relevant recognized professional bodies. Although the reconciliation of the Russian and the Australian JORC codes are solely based on the definitions and the understanding on the terms of the codes, there is actually a rather consistent consensus within the industry. Despite not possessing the relevant qualification to prepare resources report based on the Mongolian/Russian standards, Dr. Herman Tso issued his opinion above based on his understanding on both standards.

Accordingly, Dr. Herman Tso confirmed that after (i) his discussion with CBE LLC; (ii) his study on all the geological data, documents and reports that CBE LLC adopted in order to arrive at their concluded resource amount and classification; and (iii) reviewing the qualifications of CBE LLC, based on his understanding on the terms or definitions of both codes and other researches regarding the correlation between the two codes, he is of the view that the estimated resource amount and classification in the Resources Report is fair and reasonable and are generally in line with the Australian JORC Code.

Save for consulting CBE LLC and Dr. Herman Tso, the Company has not consulted other professionals in respect of the Resources Report. The Board considers that the professionals who are responsible for the preparation of the Resources Report as disclosed above are competent in preparing the report based on Mongolian/Russian standards. Notwithstanding the Resources Report not being prepared based on the international standards such as the Australian JORC Code, given the recognition of the Mongolian/Russian standards by the authorities in Mongolia and the amount and classification of the resources as stated in the Resources Report are generally in line with the Australian JORC Code as advised by Dr.

Herman Tso, the Board is satisfied that such information is accurate and complete in all material respects and not be misleading or deceptive and is reliable for determining the Consideration.

According to the unaudited management accounts of ISE, it recorded no profit during the period from 21 April 2008 (its incorporation date) to 31 December 2008 and a net loss of US\$35,229 (equivalent to approximately HK\$273,025) before and after taxation during 1 January 2009 to 30 September 2009 respectively. The net asset value of ISE as at 30 September 2009 amounted to approximately US\$64,771 (equivalent to approximately HK\$501,975).

Investment plans

The ISE Mining Licence has an initial period of 30 years and extendable by two successive 20 years each in accordance with the Minerals Law. Based on the Resources Report and the preliminary feasibility report provided to the Company by the Vendor, the Mine was estimated to have total resources of approximately 1,442,940.11 tonnes of copper and is associated with approximately 4.19 tonnes of gold and 196.34 tonnes of silver. The preliminary feasibility report indicated a mining plant has to be built, which is planned to be equipped with a production capacity of 5,000 tonnes of copper per annum in the first year and 30,000 tonnes of copper per annum in the second year. The expected initial set-up cost for such mining plant is approximately US\$23,000,000, equivalent to approximately HK\$178,250,000. Additional set-up cost of approximately US\$9,000,000 (equivalent to approximately HK\$69,750,000) will be required in the second year. Taking into account the existing financial resource of the Group which has audited net assets of approximately HK\$626,000,000 as at 30 June 2009 as disclosed in the 2009 annual report of the Company, the capital investment on the Mine will be financed, depending on the then circumstances, by way of shareholder's loan, equity or debt or bank financing. Further details will be available in the circular to be despatched to the Shareholders.

As at the date of this announcement, the detailed plan and time schedule for setting up the mining plant have not yet been finalised. In the event that the Company shall proceed to set up the mining plant, the Company will finance such funding requirement by internal resources, borrowings and/or net proceeds from equity financing activities from time to time. The Company shall comply with the relevant disclosure and Shareholders' approval requirement under the Listing Rules regarding the proposed fund raising activity at all times.

Management team of the mining operations

Upon Completion, the Group will retain the current management team of ISE and appoint additional suitable experts to ensure continual efficient operation of ISE. Set out below are the biographies of the management team of ISE to be appointed by the Group:

Mr. Chau Lai Him

Mr. Chau is the chairman and managing director of the Company. He has experience in the iron ore mining operation and investment in mineral resources business and is equipped with extensive business networks.

Mr. Chan Sio Keong

Mr. Chan is a senior management of the Company. He has experience in investment in resources business and has been involved in the operation of an iron ore mine in Chengde, Hebei Province, the People's Republic of China.

Mr. Battogtokh Batbold

Mr. Battogtokh graduated from the Mongolian University of Science and Technology with a master degree in mining engineering and a bachelor degree in mining technology engineering. He was a lecturer of the Mongolian University of Science and Technology and taught the courses including mining technology, blasting technology and open pit mining technology. He has more than 8 years experience in mining operations, developing efficient exploration programs, research and development of new mining techniques, especially in blasting, excavation and transportation etc.

Mr. Javzan Altankhuyag

Mr. Javzan graduated from the Mongolian University of Science and Technology with a bachelor degree in mining mechanical engineer. He has experience in exploration and development of open pit mining, such as determining the method of extraction and work as an engineer for operations improvement.

RISK FACTORS

New business segment of the Group

The Acquisition constitutes an investment in a new business sector for the Company, being mining. The new business, coupled with the regulatory environment, may pose significant challenges to the Company's administrative, financial and operational resources. Aside from the appointment of experienced experts by the Group to assist the Group to manage and operate the new mining business upon Completion, the Company does not have significant experience in the new business in Mongolia. The Board is not in a position to assure the timing and amount of any return or benefits that may be received from the new business. If any mining projects in which the Company attempts to develop does not progress as planned, the Company may not recover the funds and resources it has spent, and this may affect the Company.

Inaccurate estimations of resources and valuation of the Mine

The mineral resources of the Mine were estimated by independent technical consultants based on the result of geographical exploration. The valuation estimated by the valuer is based on, inter alia, the estimated mineral resources of the Mine as provided by the technical consultants and the estimated prices of minerals. The resource data are only estimates using Mongolian/Russian standards and are not internationally recognised standards such as the Australian JORC Code and may differ materially from the actual mining results. There are many factors, assumptions and variables beyond control that result in inherent uncertainties in estimating resource and prices of minerals. The mineral resources of the Mine estimated by the independent technical consultants may be inaccurate and have large deviation to the actual resources which in turn may affect the valuation of ISE.

As advised by Dr. Herman Tso, as with all geological occurrences, there is no absolute certainty that further economic sources of minerals will be found in the immediate vicinity. A major factor that may impact on the exploration and recovery of minerals on the properties is that the mining permit is located within a seismic zone and any development of open pit or underground mines will need to consider this risk in its design.

Fluctuations on mineral prices

The fluctuations in supply and demand of minerals are caused by numerous factors beyond the Company's control, which include but not limited to global and domestic economic and political conditions, and the growth and expansion in industries with high relevant minerals demand. There is no assurance that the international demand for minerals and products will continue to grow, or that the international demand for minerals and related products will not experience excess supply.

Significant and continuous capital investment

The mining business requires significant and continuous capital investment. As disclosed in the section "Investment plans" above, the expected initial set-up cost for such mining plant is approximately US\$23,000,000, equivalent to approximately HK\$178,250,000. Additional set-up cost of approximately US\$9,000,000 (equivalent to approximately HK\$69,750,000) will be required in the second year. Capital expenditure projects may not be completed as planned, may exceed the original budgets and may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may significantly exceed the Company's budgets because of various factors beyond the Company's control, which in turn may affect the Company's financial condition.

Renewal of ISE Mining Licences

The ISE Mining Licence may or may not be successfully renewed in 2039. If the ISE Mining Licence can not be renewed successfully, the value of the Target Company may be affected.

Laws and regulations

Mining operations and exploration activities are subject to extensive laws, governmental regulations, policies and controls. These relate to, among other things, production, development, exploration, exports, imports, taxes, royalties, labour standards, occupational health, waste disposal, protection and remediation of the environment, mine decommissioning and reclamation, mine safety, toxic substances, transportation safety and emergency response and other matters. ISE is required to conclude an agreement and work in cooperation with local administrative bodies on issues of environmental protection, infrastructure development in relation to its mine development and mine use and employment. There can be no assurance that the relevant government will not change such laws and regulations or impose additional or more stringent laws or regulations. Failure to comply with the relevant laws and regulations in the projects may adversely affect the Company.

ISE's operation may be affected in varying degrees by government regulations with respect to restriction on production, price controls, export controls, income taxes, expropriation of property, environmental legislations, labour legislation, mine safety, and annual fees to maintain mineral properties in good standing. There can be no assurance that the laws in the country protecting foreign investments will not be amended or abolished.

Country and political risk

The Company is entering a new business in Mongolia, in which the Company does not have any business presence. There can be a risk relating to the likelihood that changes in the business environment will occur which may affect the profitability of doing business in Mongolia. The Company also noted that the recent resignation of the Mongolian Prime Minister Bayar Sanjaa may bring political uncertainty in Mongolia. These changes of political and economic conditions in Mongolia may adversely affect the Company.

There can be no assurance that ISE minerals assets will not be deemed of national or strategic importance, in such case it may be subject to nationalisation, or confiscation, whether legitimate or not, by relevant government authority and body. Government policy may change to discourage foreign investment, renationalisation of mining industries may occur or other government limitations, restrictions or requirements not currently foreseen may be implemented.

In this regard, the Parliament has passed a new Minerals Law that among other things empowers the Parliament to designate mineral deposits that have a potential impact on national security, economic and social development or deposit that have a potential of producing more than 5% of the country's gross domestic products as deposit of strategic importance. The state may take up to a 50% interest in investment made and to be made by a license holder in a minerals deposit of strategic importance depending on how the proven reserves are determined through funding sources other than the state budget. Therefore, the Parliament may designate the Mine as a strategic deposit and take up to a 50% interest in it under the Minerals Law, if the ISE mineral deposits meet with the requirements of a strategic important deposit. The actual percentage of the state's share shall be determined by an agreement on deposit use in consideration of the amount of investment made by the state. The actual impact on the Group's profit sharing, ownership, nor the management in ISE will depend on the negotiation between ISE and the government. The Minerals Law does not provide an exact timeframe for the negotiation and it is possible that the negotiation time can take up to 3 years or longer. Any material progress and the result of such negotiation will be disclosed by way of announcement by the Company in accordance with the Listing Rules.

The Mongolian Government has also passed a law that imposes a windfall profits tax of 68% when the market price of gold exceeds US\$850 per ounce or copper exceeds US\$2,600 per ton. Recently, the Parliament passed the Law on Terminating the Windfall Profit Tax and this law shall go into effect from 1 January 2011. Therefore, the ISE mineral deposit shall be subject to the windfall profit tax until 2011.

The foregoing uncertainties and changes in government regulations and policies and practices may have an adverse impact on ISE's future cash flow, earnings, results of operations and financial conditions.

Environmental policies risk

The mining operations produce significant amounts of waste water and solid waste materials. Therefore, the Company will be subject to significant and extensive safety and environmental protection laws and regulations in Mongolia. Accordingly to the preliminary feasibility report, ISE will reserve 33% of the operating profit as the cost of compliance with relevant environmental policies. This amount could be changed during the following years depending on the activities of ISE. As confirmed by the governor of Delgerkhangaï soum in which the Mine is located, ISE is currently in compliance with relevant environmental regulations. If the Company fails to comply with current or future environmental laws and regulations, the Company may be required to pay penalties or fines or take corrective actions, any of which may have a material adverse effect on the Company's business operations and financial condition.

Completion risk

Completion of the Acquisition is subject to satisfaction of the conditions as mentioned above, not all of which are within the control of the Company. In particular, there is no assurance that the Shareholders who are allowed to vote under the Listing Rules at the SGM will approve the Acquisition, the Agreement, the issue of the Convertible Bond and the Conversion Shares and the increase of authorised share capital of the Company, and if such approval were granted, there is no assurance that such approval will not be or be proposed to be revoked. Should any of the above happen, the Acquisition may not complete.

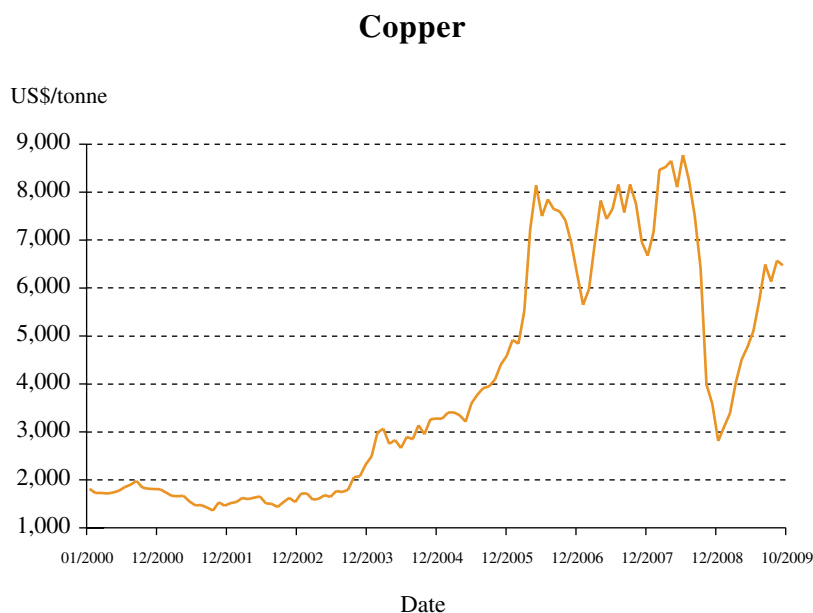
Risk relating to uncertain interpretation of the Mongolian laws and regulations and legal proceedings in Mongolia

The business and operations of the Target Company are governed by Mongolian laws and regulations. In the course of constructing and operating the project, legal disputes may arise from, among others, the Group's relationships with its third party contractors, workers on the Mine, the local community, health and safety issues, environmental impacts, land titles and resettlement of people residing in the area that will be affected by the Mine. In the event of a dispute arising at ISE's operations, the Target Company may be subject to the exclusive jurisdiction of Mongolian courts. Legal proceedings in Mongolia are often a protracted and uncertain process. Decisions of courts in Mongolia on matters of Mongolian law are not mandatorily or customarily binding on lower courts or in the same court in any subsequent case. Depending on the government agency or how an application or case is presented to an agency, the Group may receive less favourable interpretations of laws and regulations than our competitors. In the event that the Group is involved in any legal proceedings, there may be uncertainties as to the outcome of such proceedings. In addition, any protracted legal proceedings may cause substantial costs to be incurred and significant management time to be spent, resulting in diversion of resources as well as management attention. Furthermore, the Group may also be hindered or prevented from enforcing its rights with respect to any agreement with a Mongolian governmental agency, as there can be no assurance that a particular governmental agency, entity or instrumentality will comply with the provisions of the agreements.

INFORMATION ON THE GROUP AND REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacture and trading of cables and wires for use in household electrical appliances and electronic products, copper products, connectors and terminal and wire harness. The Directors have been seeking suitable investment opportunities from time to time to broaden the Group's source of income.

Copper is a good conductor of both heat and electricity and is widely used in power and electrical applications. According to the Annual Data 2009 published by Copper Development Association, an industry association found by the international copper producers, Mongolia and China are the major copper ores producer in Asia. Set out below is the price graph of Grade A copper from January 2000 to October 2009 extracted from the website of the London Metal Exchange:



Source: website of London Metal Exchange

The above illustration shows the price of copper quoted on the London Metal Exchange rebounding in 2009. According to an article named "POLL-Long-term lead, copper price forecasts up sharply" published on Reuters in October 2009, demand for copper is primarily driven by the application in power and construction in China, which is the world's largest consumer account for more than 30% of annual global consumption estimated at about 16 million tonnes.

Gold is a precious metal which is principally used in jewellery and industry. Set out below is the price graph of gold from January 2000 to October 2009 extracted from the website of the World Gold Council:

Gold price, dollar per ounce, London PM fix



Source: *website of the World Gold Council*

The above illustration shows the price of gold on a rising trend over the years. According to the Second Quarter 2009 Gold Demand Trends report published by the World Gold Council, an industry association of the world’s gold mining companies, gold demand in greater China in the second quarter of 2009 was up 9% on the levels of 2008, equivalent to a 12% rise in US dollars value terms. Net retail investment was up a very strong 35% on year-earlier levels, while jewellery demand posted a more modest 4% rise.

The Board is of the view that investing in the production of copper and the associated gold and silver will be a good opportunity of the Group to take advantage of the rising trend of the prices of these minerals and broaden the Group’s source of income. The Board considers that the Acquisition will be a good opportunity for the Group to enter into this promising industry. Although the copper produced from the Mine may not be directly useable as the raw materials for the existing copper business of the Group, the Board is confident that its experience in the copper business will contribute the success of the new copper mining business.

The Board is aware of the risk associated with the Acquisition as set out in the paragraph headed “Risk factors” above. By adopting the appropriate strategy and investment plan in the Mine and appointing appropriate and experienced experts to manage the new mining business, the Board is of the view that the Group can reduce the possible impacts of most of the risks associated with the Acquisition. In addition, as the Consideration is determined based on a valuation prepared with reference to the pricing of other reported similar transactions, the inherent risks (such as the fluctuation of copper, gold and silver price in the world market and recoverability of the resources) related to acquisitions of similar nature has been, to a considerable extent, incorporated in the valuation. As the Consideration represents a discount of approximately 5.06% to the indicative valuation, the Directors consider that the Consideration is fair and reasonable.

Based on the above, the Directors consider that the terms of the Acquisition are fair and reasonable and that the Acquisition is in the interests of the Company and Shareholders as a whole.

It is the intention of the Company to continue with its existing businesses. As at the date of this announcement, there is no agreement, understanding, negotiation nor intention to dispose of or downsize the Group's existing businesses. However, for the interests of the Shareholders, the Company will from time to time deploy its resources in line(s) of business that generates profit and downsize and/or dispose of its loss-making line(s) of business in future.

The Company has no present intention to change the composition of the Board following Completion and the Board confirms that the Company does not intend to nominate Mr. Liu Yong and/or his nominees to be Director(s). Save for the appointment of experts as disclosed in "Management team" above, the Board does not intend to make any changes in the existing senior management of the Group.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules and is subject to approval by Shareholders. The SGM will be convened to seek approval from the Shareholders for the Acquisition and the transactions contemplated under the Agreement. No Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM regarding the Acquisition.

GENERAL

A circular containing, among other things, details of the Acquisition, the increase in authorised share capital, the issuances of the Convertible Bond and the transactions contemplated under the Agreement, financial information of the Group and the Target Group, the Valuation Report and the notice of the SGM will be despatched to Shareholders as soon as practicable.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 November 2009 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 1 December 2009.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Share by the Company from the Vendor pursuant to the Agreement
“Agreement”	the sale and purchase agreement dated 10 November 2009 entered into among the Company, the Vendor and Mr. Liu Yong in relation to the Acquisition

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BMI”	BMI Appraisals Limited, an independent valuation firm
“Board”	the board of Directors
“Business Day(s)”	the day(s) (not being a Saturday, Sunday or a public holiday) on which banks are open for general banking business in Hong Kong and Mongolia
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Agreement
“Concert Parties”	persons acting in concert within the meaning of the Takeovers Code
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	the consideration payable in respect of the Acquisition pursuant to the Agreement, subject to adjustment
“Conversion Period”	the period commencing from the date immediately following the date of issue of the Convertible Bond up to 4:00 p.m. (Hong Kong time) on the day immediately prior to and exclusive of the Maturity Date
“Conversion Share(s)”	the new Share(s) which shall be issued and allotted to the holder(s) of the Convertible Bond upon exercise of the conversion rights attached to the Convertible Bond
“Convertible Bond”	the 3-year zero coupon unsecured convertible bond in the aggregate principal amount of HK\$1,432,000,000 (subject to the adjustment to be issued by the Company to the Vendor forming part of 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 People’s Republic of China
“ISE”	Ikh Shijir Erdene LLC, a company incorporated in Mongolia with limited liability and is wholly owned by the Target Company

“ISE Exploration Licence”	the Minerals Exploration Special Permit 14536X issued by the Geological and Mining Cadastre Division of the Mineral Resources Authority of Mongolia covering an aggregate area of 3,464 hectares at the mining area located in a place named Nergui of Delgerkhantai soum in Dundgobi aimag, Mongolia, currently held by ISE
“ISE Licences”	the ISE Exploration Licence and the ISE Mining Licence
“ISE Mineral Rights”	all the mineral rights attached to the ISE Licences which are held by ISE
“ISE Mining Licence”	the Minerals Mining Special Permit 15287A issued by the Geological and Mining Cadastre Division of the Mineral Resources Authority of Mongolia covering an aggregate area of 350 hectares of the mining area located in a place named Nergui of Delgerkhantai soum in Dundgobi aimag, Mongolia, currently held by ISE
“Last Trading Day”	10 November 2009, being the last day of trading in the Shares on the Stock Exchange immediately prior to the suspension of trading pending publication of this announcement
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the day falling on the expiry of 6 months after the date of the Agreement
“Maturity Date”	the date falling on the day being the third anniversary of the date of issue of the Convertible Bond
“Mine”	the copper-gold-silver mine located in a place named Nergui of Delgerkhantai soum in Dundgobi aimag, Mongolia, which is subject to the ISE Exploration Licence and the ISE Mining Licence
“Minerals Law”	the Minerals Law of Mongolia which was adopted by the Parliament on 8 July 2006 and became effective on 26 August 2006
“Mongolia”	The State of Mongolia
“MOU”	the memorandum of understanding dated 14 October 2009 entered into by the Company and the Vendor in relation to the possible acquisition of the Sale Share

“Parliament”	the parliament of Mongolia
“Placing”	the placing of 400,000,000 new Shares as announced by the Company on 15 October 2009 and was completed on 20 November 2009
“Resources Report”	a mineral resources report of the Mine dated 27 October 2009 prepared based on the Mongolian/Russian Standards by CBE LLC
“Sale Share”	the one issued share of US\$1 nominal value in the capital of the Target Company constituting the entire issued share capital of the Target Company
“SGM”	the special general meeting of the Company to be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Acquisition and the transactions contemplated under the Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Target Company”	Sun Progress Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the Vendor
“Target Group”	the Target Company and ISE
“Trading Day”	any day on which the Stock Exchange is open for securities trading generally
“Vendor”	Winner Progress Limited, a company incorporated in the British Virgin Islands and is directly wholly owned by Mr. Liu Yong
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent

For the purpose of this announcement, unless otherwise indicated, an exchange rate of US\$1=HK\$7.75 has been used. The usage of this exchange rate is for illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged or converted at the above rates or at any other rate at all.

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

Hong Kong, 30 November 2009

As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Jin Rong, Mr. Ho Pang Cheng Vincent and Mr. Lam Chi Ming Francis and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.