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SOLARTECH INTERNATIONAL HOLDINGS LIMITED

蒙古礦業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 1166)

NON-LEGALLY BINDING MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF CHINA ELECT INVESTMENTS LIMITED

This announcement is made pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board announces that on 17 December 2014 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the MOU in relation to the possible acquisition by the Purchaser of the entire issued share capital of the Target from the Vendor.

The consideration for the Possible Acquisition would be determined by the parties to the MOU under the Formal Agreement and is expected to be satisfied by the Purchaser either by way of cash or by the Purchaser procuring the Company to allot and issue new Shares, convertible bonds, convertible preference shares and/or bonds of the Company or a combination of any of the above.

The Target, incorporated in the British Virgin Islands, is principally engaged in investment holding and upon completion of the transactions contemplated under the MOU, the Target Group would be engaged in the research, development, manufacture and sale of nano-zirconia powder by applying the nano related technology.

Upon completion of the transactions contemplated under the MOU, the Purchaser would be interested in the entire issued share capital of members of the Target Group and members of the Target Group would become wholly owned subsidiaries of the Company.

* *for identification purposes only*

Shareholders and potential investors of the Company shall be aware that the terms of the Possible Acquisition are subject to further negotiation between the parties to the MOU and are subject to the parties entering into the Formal Agreement. The Board wishes to emphasize that no binding agreement has been entered into by the parties to the MOU in relation to the Possible Acquisition as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. As the Possible Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If the Formal Agreement is entered into and the Possible Acquisition materializes, it will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and further announcement will be made in that regard as and when appropriate.

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MOU

Set out below are the principal terms of the MOU:

Date : 17 December 2014 (after trading hours of the Stock Exchange)

Parties : (i) Chau's Industrial Investments Limited, as the Purchaser; and
(ii) Jihui Holdings Limited, as the Vendor. As at the date of this announcement, the entire issued share capital of the Vendor is wholly and beneficially owned by Mr. Li Kai Yau.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, (i) the Vendor is an investment holding company; and (ii) the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Asset to be acquired

Pursuant to the terms of the MOU, the Purchaser intends to acquire and the Vendor intends to sell the entire issued share capital of the Target. The Target, incorporated in the British Virgin Islands, is principally engaged in investment holding and upon completion of the transactions contemplated under the MOU, would be engaged in the research, development, manufacture and sale of nano-zirconia powder by applying the nano related technology. Zirconia powder is heavily used in the production of thermal barrier coating materials to provide high temperature insulation for parts such as engine blades, gas turbines and combustors which are exposed to high operating temperatures. It is extensively used in aerospace, aviation, gas power generation, chemical and metallurgical as well as a number of other areas.

Upon completion of the transactions contemplated under the MOU, the Purchaser would be interested in the entire issued share capital of members of the Target Group and members of the Target Group would become wholly owned subsidiaries of the Company.

Consideration

The consideration for the Possible Acquisition shall be determined after arm's length negotiations between the parties to the MOU and would be agreed in the Formal Agreement.

The consideration for the Possible Acquisition is expected to be satisfied by the Purchaser either by way of cash or by the Purchaser procuring the Company to allot and issue new Shares, convertible bonds, convertible preference shares and/or bonds of the Company or a combination of any of the above. In particular, the issue price and the initial conversion price for any new Shares shall be subject to further negotiation of the Vendor and the Purchaser in the Formal Agreement.

It is intended that the cash portion of the consideration for the Possible Acquisition would be financed either by the internal resources of the Company or the net proceeds from a fund raising exercise that may be conducted by the Company should opportunities arise. The Board confirms that as at the date of this announcement, the Company has not conducted or commenced any negotiations or discussions with any third party in relation to such possible fund raising exercise.

Conditions precedent

The Formal Agreement is expected to contain terms and conditions which are customary for transactions similar to the MOU and is expected to include but not limited to the following conditions precedent:

- (i) the Purchaser being satisfied with the results of due diligence review on the business, financial and legal aspects of the Target Group;
- (ii) all necessary consent(s) and approval(s) required to be obtained by the Vendor, the Purchaser and the Target in relation to the Possible Acquisition having been obtained;
- (iii) there being no breach of nor potential breach of the warranties and representations by the Purchaser or the Vendor to be given in the Formal Agreement;
- (iv) the obtaining of a valuation report to be issued by a firm of valuers appointed by the Purchaser showing the value of the Target to be no less than HK\$200,000,000 by using discounted cash flow approach, such valuation report shall be in form and substance to the satisfaction of the Purchaser;
- (v) the obtaining of a legal opinion to be issued by a firm of PRC legal advisers appointed by the Purchaser and opining on the legality and validity of the establishment and continued existence of the members of the Target Group which are established in the PRC and other relevant matters (including but not limited to the Reorganisation) pertaining to the Formal Agreement, such legal opinion shall be in form and substance to the satisfaction of the Purchaser;

- (vi) the completion of the Reorganisation in the manner to the satisfaction of the Purchaser (including but not limited to the acquisition of the entire issued equity interests of the Dongguan Company); and
- (vii) the other conditions precedent that may be agreed by the parties to the MOU in the Formal Agreement.

Long stop date

The MOU shall lapse if the Formal Agreement is not entered into within 180 days from the date of the MOU or before such later date as may be agreed by the parties to the MOU.

Exclusivity period

It is also agreed that the Vendor will not within a period of 180 days after the date of the MOU (or such later date as may be agreed by the parties to the MOU) discuss or negotiate with any party other than the Purchaser in relation to the Possible Acquisition.

Legal effect

Save for the clauses relating to the due diligence, the exclusivity period, rights of use, confidentiality, notice, costs and expenses and applicable laws and jurisdiction, all other terms of the MOU are not legally binding.

Shareholders and potential investors of the Company shall be aware that the terms of the Possible Acquisition are subject to further negotiation between the parties to the MOU and are subject to the parties entering into a legally binding Formal Agreement. The Board wishes to emphasize that no binding agreement has been entered into by the parties to the MOU in relation to the Possible Acquisition as at the date of this announcement. As such, the Possible Acquisition may or may not proceed.

As the Possible Acquisition may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If the Formal Agreement is entered into and the Possible Acquisition materializes, it will constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules and further announcement will be made in that regard as and when appropriate.

UPDATE ON THE USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

Reference is made to the annual report of the Company for the year ended 30 June 2014. The Company would like to further disclose that the net proceeds of approximately HK\$16.2 million from the placing pursuant to a placing agreement dated 9 December 2013 and entered into between by the Company and Kingston Securities Limited was fully utilised as repayment of trust receipt loans of the Group.

DEFINITIONS

Unless the context requires otherwise, capitalized terms in this announcement shall have the following meanings:

“Board”	the board of Directors
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange (Stock code: 1166)
“Directors”	directors of the Company
“Dongguan Company”	Dongguan Dida Nano Materials Co., Ltd., a company established in the PRC with limited liability
“Formal Agreement”	a legally binding sale and purchase agreement that may be entered into between the Vendor and the Purchaser in relation to the Possible Acquisition
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding entered into between the Purchaser and the Vendor on 17 December 2014 in relation to the Proposed Acquisition
“Possible Acquisition”	the possible acquisition by the Purchaser of the entire issued share capital of the Target under the Formal Agreement
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Chau’s Industrial Investments Limited, a limited company incorporated in British Virgin Islands and wholly-owned by the Company
“Reorganisation”	the proposed reorganisation of the Target Group which involves: (i) the establishment by the Target of a wholly foreign owned enterprise in the PRC as its wholly owned subsidiary; (ii) the establishment by such wholly foreign owned enterprise of a PRC company as its wholly owned subsidiary; and (iii) the acquisition by such PRC company of the entire equity interests of the Dongguan Company from its existing shareholders, such reorganisation to be conducted in such manner to the satisfaction of the Purchaser

“Share(s)”	share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	China Elect Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	together, the Target, the wholly foreign owned enterprise and the PRC company as mentioned in the definition of “Reorganisation” and the Dongguan Company
“Vendor”	Jihui Holdings Limited, a company incorporated in British Virgin Islands with limited liability

On Behalf of the Board
Solartech International Holdings Limited
CHAU Lai Him
Chairman and Managing Director

Hong Kong, 17 December 2014

As at the date of this announcement, the executive Directors are Mr. Chau Lai Him, Mr. Zhou Jin Hua, Mr. Liu Dong Yang and Mr. Buyan-Otgon Narmandakh and the independent non-executive Directors are Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming.