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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities or your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Solartech International Holdings Limited (the "Company"), you should at once hand this circular and the accompanying proxy form to the purchaser or licensed securities dealer or registered institution in securities or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the shares or other securities of the Company.

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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)

**(1) PROPOSED OPEN OFFER OF  
1,574,878,250 OFFER SHARES ON THE BASIS OF  
FIVE (5) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE  
HELD ON THE RECORD DATE**

**(2) PROPOSED REFRESHMENT OF GENERAL MANDATE  
TO ALLOT AND ISSUE SHARES  
AND**

**(3) NOTICE OF SPECIAL GENERAL MEETING**

**Financial Adviser to the Company**



**KINGSTON CORPORATE FINANCE LTD.**

**Underwriter to the Open Offer**



**KINGSTON SECURITIES LTD**

**Independent Financial Adviser to the Independent Board Committee  
and the independent Shareholders**

**Nuada Limited**

*Corporate Finance Advisory*

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Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 9 to 25 of this circular. A letter from the Independent Board Committee containing its recommendation to the independent Shareholders in connection with the Open Offer and the Issue Mandate is set out on pages 26 to 27 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders, containing its advice and recommendation in connection with the Open Offer and the Issue Mandate is set out on pages 28 to 42 of this circular.

A notice convening the SGM to be held at 10:00 a.m. on Thursday, 13 March 2014 at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong is set out on pages 63 to 66 of this circular. A proxy form for use at the SGM is enclosed. Whether or not you are able to attend the SGM in person, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for the holding of the SGM of the Company or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjournment thereof, if you so wish.

Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional (see the section headed "Conditions of the Open Offer" herein) and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (see the section headed "Termination of the Underwriting Agreement" herein). Accordingly, the Open Offer may or may not proceed.

Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that, based on the expected timetable of the Open Offer, the Shares will be dealt in on an ex-entitlement basis commencing from Monday, 17 March 2014 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 14 April 2014), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

\* For identification purposes only

25 February 2014

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, capitalised terms used shall have the following meanings:*

“Announcement”	the announcement of the Company dated 21 January 2014 in relation to, among other things, the Open Offer and the Issue Mandate
“Application Form(s)”	the application form(s) for use by the Qualifying Shareholders to apply for the Offer Shares
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Ordinance”	Companies Ordinance, Chapter 32 of the Laws of Hong Kong (as amended from time to time)
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Delay Announcement”	the announcement of the Company dated 11 February 2014 in relation to, among other things, the delay in despatch of this circular
“Director(s)”	director(s) of the Company for the time being
“Existing General Mandate”	the general mandate granted by the Shareholders on 28 November 2013 authorising the Directors to allot, issue and deal with Shares up to 20% of the issued share capital of the Company as at that date
“Existing Share(s)”	existing shares of HK\$0.01 each in the share capital of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

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## DEFINITIONS

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“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming, being all of the independent non-executive Directors, to advise the independent Shareholders in respect of the Open Offer and the Issue Mandate and as to the voting on the relevant resolutions at the SGM
“Independent Financial Adviser”	Nuada Limited, a corporation licensed under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the independent Shareholders
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons within the meaning of the Listing Rules
“Issue Mandate”	the general mandate proposed to be sought at the SGM to authorise the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM
“Last Trading Day”	21 January 2014, being the last trading day for the Shares before the date of release of the Announcement
“Latest Practicable Date”	21 February 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Latest Time for Acceptance”	4:00 p.m. on Wednesday, 9 April 2014 or such later time or date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of, and payment for, the Offer Shares
“Latest Time for Termination”	4:00 p.m. on the third Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and the Underwriter, being the latest time to terminate the Underwriting Agreement
“Listing Committee”	has the meaning ascribed to this term under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“Offer Share(s)”	1,574,878,250 Shares proposed to be offered to the Qualifying Shareholders under the Open Offer for subscription on the basis of five (5) Offer Shares for every one (1) existing Share held on the Record Date and payable in full on acceptance pursuant to the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Open Offer”	the proposed offer for subscription by the Qualifying Shareholders for the Offer Shares at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and to be set out in the Prospectus
“Overseas Letter”	a letter to be issued by the Company to the Prohibited Shareholders explaining the circumstances in which the Prohibited Shareholders are not permitted to participate in the Open Offer
“Overseas Shareholders”	the Shareholders with registered addresses (as shown in the register of members of the Company on the Record Date) which are outside Hong Kong
“PRC”	People’s Republic of China
“Prohibited Shareholder(s)”	those Overseas Shareholder(s) to whom the Board, after making enquires, considers it necessary or expedient on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place not to offer the Offer Shares to them
“Prospectus”	the prospectus to be issued by the Company in relation to the Open Offer
“Prospectus Documents”	the Prospectus and the Application Form in respect of the Offer Shares to be issued by the Company in relation to the Open Offer
“Prospectus Posting Date”	Wednesday, 26 March 2014 or such later date as may be agreed between the Underwriter and the Company for the despatch of the Prospectus Documents
“Qualifying Shareholders”	the Shareholders, other than the Prohibited Shareholders, whose names appear on the register of members of the Company on the Record Date

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## DEFINITIONS

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“Record Date”	Tuesday, 25 March 2014 or such other date as may be agreed between the Company and the Underwriter for the determination of the entitlements under the Open Offer
“Registrar”	Tricor Secretaries Limited, the branch share registrar of the Company in Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held at 10:00 a.m. on 13 March 2014 for the Shareholders to consider and approve, among other things, the Open Offer, the grant of the Issue Mandate and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before such date would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the issue price of HK\$0.12 per Offer Share at which the Offer Shares are proposed to be offered for subscription
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriter”	Kingston Securities Limited, a licensed corporation to carry on business in type 1 regulated activity (dealing in securities) under the SFO
“Underwriting Agreement”	the underwriting agreement dated 21 January 2014 (as supplemented by the side letter dated 11 February 2014 to reflect the revised timetable of the Open Offer as set out in the Delay Announcement) entered into between the Company and the Underwriter in relation to the Open Offer
“Untaken Shares”	those (if any) of the Offer Shares for which applications have not been lodged for acceptance or received, as the case may be, on or before the Latest Time for Acceptance
“%”	per cent.

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## EXPECTED TIMETABLE

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Set out below is the expected timetable for the Open Offer:

2014

Latest time for lodging transfer of Shares in order to be entitled to vote at the SGM . . . . .	4:00 p.m. on Monday, 10 March
Register of members of the Company closes to determine the eligibility to vote at the SGM (both days inclusive) . . . . .	Tuesday, 11 March to Thursday, 13 March
Latest date for returning and lodging of proxy form for the SGM . . . . .	10:00 a.m. on Tuesday, 11 March
Record date for attendance and voting at the SGM . . . . .	Thursday, 13 March
SGM . . . . .	10:00 a.m. on Thursday, 13 March
Announcement of results of the SGM . . . . .	Thursday, 13 March
Register of members re-opens . . . . .	Friday, 14 March
Last day of dealing in Shares on a cum-entitlement basis . . . . .	Friday, 14 March
First day of dealing in Shares on an ex-entitlement basis . . . . .	Monday, 17 March
Latest time for lodging transfer of Shares in order to be qualified for the Open Offer . . . . .	4:00 p.m. on Tuesday, 18 March
Register of members closes to determine the eligibility of the Open Offer (both days inclusive) . . . . .	Wednesday, 19 March to Tuesday, 25 March
Record Date . . . . .	Tuesday, 25 March
Register of members re-opens . . . . .	Wednesday, 26 March
Despatch of Prospectus Documents . . . . .	Wednesday, 26 March
Latest time for acceptance of and payment for the Offer Shares . . . . .	4:00 p.m. on Wednesday, 9 April
Latest time for the Open Offer to become unconditional . . . . .	4:00 p.m. on Monday, 14 April
Announcement of the results of the Open Offer . . . . .	Tuesday, 15 April

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## EXPECTED TIMETABLE

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2014

Despatch of certificates for Offer Shares and  
refund cheques on or before ..... Wednesday, 16 April

Dealing in the Offer Shares commences..... Thursday, 17 April

All dates and times stated in this circular refer to Hong Kong dates times. Dates stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the anticipated timetable for the Open Offer will be announced as appropriate.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE AND PAYMENT FOR THE OFFER SHARES**

The latest time for acceptance of and payment for the Offer Shares will be postponed if there is:

- a tropical cyclone warning signal number 8 or above, or
  - a “black” rainstorm warning
- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Wednesday, 9 April 2014. Instead, the latest time for acceptance of and payment for the Open Offer will be extended to 5:00 p.m. on the same business day;
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Wednesday, 9 April 2014. Instead, the latest time of acceptance of and payment for the Open Offer will be rescheduled to 4:00 p.m. on the following business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

If the latest time for acceptance of and payment for the Offer Shares does not take place at the Latest Time for Acceptance in accordance with the foregoing, the dates mentioned in the section headed “Expected Timetable” in this circular may be affected. The Company will notify Shareholders by way of announcements on any change to the expected timetable as soon as practicable.



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## TERMINATION OF THE UNDERWRITING AGREEMENT

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If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or

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## TERMINATION OF THE UNDERWRITING AGREEMENT

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- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or
- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (8) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter,

any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

CHAU Lai Him (Chairman and Managing Director)  
ZHOU Jin Hua (Deputy Chairman)  
LIU Dong Yang  
BUYAN-OTGON Narmandakh

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Independent Non-Executive Directors:*

CHUNG Kam Kwong  
LO Wai Ming  
LO Chao Ming

*Head office and principal  
place of business:*

Unit 7, 2nd Floor  
Kingsford Industrial Centre  
13 Wang Hoi Road  
Kowloon Bay  
Kowloon  
Hong Kong

25 February 2014

*To the Qualifying Shareholders, and for information only, the Prohibited Shareholder(s)*

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER OF  
1,574,878,250 OFFER SHARES ON THE BASIS OF  
FIVE (5) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD  
ON THE RECORD DATE  
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT  
AND ISSUE SHARES  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among other things, the Open Offer and the Issue Mandate and the Delay Announcement.

\* *For identification purposes only*

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## LETTER FROM THE BOARD

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The Company proposes to raise approximately HK\$189 million, before expenses, by way of Open Offer of 1,574,878,250 Offer Shares at the Subscription Price of HK\$0.12 per Offer Share on the basis of five (5) Offer Shares for every one (1) Existing Share held on the Record Date. The Open Offer will not be extended to the Prohibited Shareholders.

The Open Offer will be fully underwritten by the Underwriter on the terms and subject to the conditions of the Underwriting Agreement, details of which are set out in the section headed “Underwriting Arrangement” in this circular. The Underwriting Agreement contains provisions granting the Underwriter the right, which may be exercised at any time prior to 4:00 p.m. on Monday, 14 April 2014, being the third Business Day after the Latest Time for Acceptance, to terminate the Underwriting Agreement on the occurrence of certain events. If the Underwriter terminates the Underwriting Agreement, the Open Offer will not proceed.

In addition to the Open Offer, the Company also proposed to seek a refreshment of the Existing General Mandate. Under the Existing General Mandate granted by the Shareholders at the 2013 annual general meeting of the Company held on 28 November 2013, the Directors were authorised to allot and issue up to 52,497,130 Shares. As at the Latest Practicable Date, the Existing General Mandate has been utilised as to 52,490,000 Shares, representing approximately 20.0% of the issued share capital of the Company as at the date the Existing General Mandate was approved.

In order to provide a flexible means for the Company to raise further funds through the issue of new Shares for its future business development, the Board proposes to seek a refreshment of the Existing General Mandate at the SGM for the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of the SGM.

The purpose of this circular is to provide you with, among other things, (i) further details of the Open Offer; (ii) further details of the grant of the Issue Mandate; (iii) a letter of recommendation from the Independent Board Committee of the Company to the independent Shareholders in respect of the Open Offer and the Issue Mandate; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee of the Company and the independent Shareholders on the Open Offer and the Issue Mandate; and (v) a notice convening the SGM.

### PROPOSED OPEN OFFER

The Company proposes to raise approximately HK\$189 million, before expenses, by way of Open Offer of 1,574,878,250 Offer Shares at the Subscription Price of HK\$0.12 per Offer Share on the basis of five (5) Offer Shares for every one (1) Existing Share held on the Record Date. The details are set out as follows:

#### Issue Statistics

Basis of the Open Offer:	five (5) Offer Shares for every one (1) Existing Share held on the Record Date
Subscription Price:	HK\$0.12 per Offer Share

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## LETTER FROM THE BOARD

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Number of Shares in issue as at the Latest Practicable Date:	314,975,650 Shares
Number of Offer Shares:	1,574,878,250 Offer Shares
Number of Offer Shares underwritten by the Underwriter:	All the Offer Shares, being 1,574,878,250 Offer Shares. The aggregate nominal value of the Offer Shares is HK\$15,748,782.50
Number of Shares in issue upon completion of the Open Offer:	1,889,853,900 Shares

As at the Latest Practicable Date, the Company does not have any outstanding convertible note, warrant, option, derivative or other securities convertible into or exchangeable for any Share. The Company has no intention to issue or grant any warrants, options and/or convertible securities on or before the Record Date.

Based on the above, a total of 1,574,878,250 Offer Shares will be issued upon the completion of the Open Offer, which represents 500% of the Company's issued share capital as at the Latest Practicable Date and approximately 83.33% of the Company's issued share capital as enlarged by the issue of the Offer Shares.

### Subscription Price

The Subscription Price is HK\$0.12 per Offer Share, payable in full upon application. The Subscription Price represents:

- (i) a discount of approximately 66.67% to the closing price of HK\$0.360 per Share as quoted on Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 66.76% to the average of the closing prices of approximately HK\$0.361 per Share for the last five consecutive trading days including and up to the Last Trading Day;
- (iii) a discount of 25.00% to the theoretical ex-entitlement price of approximately HK\$0.160 per Share after the Open Offer, based on the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iv) a discount of approximately 94.34% to the consolidated net tangible asset per Share of approximately HK\$2.120 as at 30 June 2013 based on the consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 and divided by the number of Shares in issue as at the Latest Practicable Date; and
- (v) a discount of approximately 47.37% to the closing price of HK\$0.228 per Share as quoted on Stock Exchange on the Latest Practicable Date.

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## LETTER FROM THE BOARD

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The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares, the financial position of the Group, the absence of excess application arrangement to Shareholders and having considered the development of the parcel of land situated on the Santai Industrial Zone and the future business development of the Group as detailed under the section headed "Reasons for the Open Offer and use of proceeds" in this circular.

The Directors noted the relatively high subscription ratio of the Open Offer, the relatively deep discount to the net tangible assets per Share as at 30 June 2013, and the discount to market price. In order to increase the attractiveness of the Open Offer to encourage the Qualifying Shareholders to take up their own entitlement, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the potential dilution and proposed discounts of the Subscription Price to the market prices and net tangible assets of the Group as at 30 June 2013 to be fair and reasonable, provided that: (i) the Open Offer would provide the required funds to the Group for future development and enhance its existing operation; (ii) the Open Offer could strengthen the capital base of the Group; (iii) the Open Offer is determined on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the growth of the Company; (iv) the inherent dilutive nature of open offer in general if the existing Shareholder did not take up his/her/its entitlements under the Open Offer; and (v) the Open Offer is offered with a deeper discount to the Subscription Price to Qualifying Shareholders would encourage them to participate in the Open Offer and to participate in the future development and future growth of the Company, we consider the possible dilution effect on the Independent Shareholders and the discount to be fair and reasonable. Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the Subscription Price, which has been set at a relatively deep discount as described above to reflect, among others, the absence of the excess application arrangement to Shareholders with an objective to lower the further investment cost of Shareholders to encourage them to take up their entitlements and to participate in the potential growth and future development of the Group, to be fair and reasonable and in the interest of the Company and the Shareholders as a whole. For further details please refer to the paragraph headed "No application for excess Offer Shares" in this letter from the Board.

As the estimated net proceeds from the Open Offer will be approximately HK\$183 million, assuming no further issue of new Shares on or before the Record Date, the net price per Offer Share will be approximately HK\$0.116.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders and will not be extended to the Prohibited Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders. To qualify for the Open Offer, the Shareholders must at the close of business on the Record Date:

- (i) be registered on the register of members of the Company; and

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## LETTER FROM THE BOARD

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(ii) not be the Prohibited Shareholders.

In order to be registered as members of the Company on the Record Date, the Shareholders must lodge any transfer of the Shares (with the relevant share certificates) for registration with the Registrar by 4:00 p.m. on Tuesday, 18 March 2014. The address of the Registrar is at Tricor Securities Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

### **Rights of the Overseas Shareholders**

If, at the close of business on the Record Date, a Shareholder's address on the register of members of the Company is in a place outside Hong Kong, that Shareholder may not be eligible to take part in the Open Offer as the Prospectus Documents will not be registered and/or filed under the applicable securities legislation of any jurisdictions other than Hong Kong.

Based on the register of members of the Company as at the Latest Practicable Date, the Company had 3 Overseas Shareholders whose addresses are in Canada, the PRC and Singapore respectively with an aggregate shareholding of less than 0.0001% of the total issued share capital of the Company.

The Company will comply with Rule 13.36(2)(a) of the Listing Rules and make enquiries regarding the feasibility of extending the Open Offer to such Overseas Shareholders. If, based on such enquiries, the Directors consider that it is necessary or expedient not to offer the Offer Shares to such Overseas Shareholders on account either of the legal restrictions under the laws of the places of their registered address or the requirements of the relevant regulatory body or stock exchange in those places, the Directors will exercise the discretion given to them under the bye-laws of the Company to exclude such Overseas Shareholders from the Open Offer and the Prohibited Shareholder will not be invited to participate in the Open Offer. Further information regarding the feasibility of extending the Open Offer to the Overseas Shareholders as at the Record Date will be set out in the Prospectus to be despatched to the Shareholders on the Prospectus Posting Date.

The Company will send the Overseas Letter together with the Prospectus, for information only, to the Prohibited Shareholders. The entitlements of the Prohibited Shareholders under the Open Offer will be taken up by the Underwriter. However, so long as the Prohibited Shareholders are independent Shareholders, they are entitled to cast their votes on all resolutions at the SGM.

### **Closure of register of members**

The register of members of the Company will be closed from Tuesday, 11 March 2014 to Thursday, 13 March 2014, both dates inclusive, to determine the eligibility of the Shareholders to vote at the SGM. The register of members of the Company will be closed from Wednesday, 19 March 2014 to Tuesday, 25 March 2014, both dates inclusive, to determine the eligibility of the Open Offer. No transfer of Shares will be registered during these periods.

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## LETTER FROM THE BOARD

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### **Status of the Offer Shares**

The Offer Shares (when allotted, fully paid and issued) will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Offer Shares. Holders of the Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the Offer Shares.

### **Fractions of Offer Shares**

Entitlement to the Open Offer will be rounded down to the nearest whole number. No fractional entitlements to the Offer Shares will be issued to the Qualifying Shareholders and no entitlements of the Prohibited Shareholders to the Offer Shares will be issued to the Prohibited Shareholders. The Offer Shares representing such fractional entitlements and entitlements of the Prohibited Shareholders will be aggregated and taken up by the Underwriter.

### **Odd lots arrangement**

There will be no odd lot arrangement in relation to and as a result of the Open Offer.

### **Certificates of the Offer Shares and refund cheques**

Subject to fulfillment of the conditions of the Open Offer, certificates for the fully-paid Offer Shares are expected to be despatched on or before Wednesday, 16 April 2014 to those entitled thereto by ordinary post at their own risk. If the Open Offer is terminated, refund cheques are expected to be despatched on or before Wednesday, 16 April 2014 by ordinary post at the respective Shareholders' own risk.

### **No application for excess Offer Shares**

After arm's length negotiation with the Underwriter, the Board has decided that the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. Given that each Qualifying Shareholder will be given equal and fair opportunity to participate in the Open Offer, the Board considers that it will put in additional effort and costs (which is estimated to be approximately HK\$200,000 to HK\$500,000) to administer the excess application procedures, which is not cost effective from the viewpoint of the Company. Notwithstanding excess application arrangement will not be made available to Qualifying Shareholders, the Board considers that a deeper discount to the Subscription Price offered to Qualifying Shareholders would encourage them to participate in the Open Offer and to participate in the future development and future growth of the Company. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter pursuant to the terms of the Underwriting Agreement.



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## LETTER FROM THE BOARD

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Notwithstanding the absence of the excess application arrangement which may prevent certain Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlements, the Company considers that the aforesaid should be balanced against the fact that the terms of the Open Offer are structured with an intention to encourage all the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares as the Subscription Price is set at a deep discount to the prevailing market price of the Shares which provides reasonable incentives to all the Qualifying Shareholders to participate in the Open Offer. On this basis, the Company considers that the absence of the excess application arrangement is acceptable.

Pursuant to the Underwriting Agreement, the Underwriter has conditionally agreed to subscribe or procure subscription for the Offer Shares which have not been taken up by the Qualifying Shareholders.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares.

No part of the securities of the Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought on any other stock exchange. Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Offer Shares to be admitted into CCASS.

Dealings in the Offer Shares (in board lots of 5,000 each) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

### **UNDERWRITING ARRANGEMENT**

#### **Underwriting Agreement**

Date:	21 January 2014 (after trading hours)
Underwriter:	Kingston Securities Limited
Total number of Offer Shares:	1,574,878,250 Offer Shares

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## LETTER FROM THE BOARD

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Total number of Offer Shares underwritten by the Underwriter: all the Offer Shares, being 1,574,878,250 Offer Shares

Underwriting commission: payable by the Company to the Underwriter at 2.5% of the aggregate Subscription Price in respect of the maximum number of Offer Shares underwritten by the Underwriter.

The Open Offer is fully underwritten by the Underwriter. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Underwriter and its ultimate beneficial owners are Independent Third Parties. As at the Latest Practicable Date, the Underwriter is interested in 21 Shares.

The Company will pay the Underwriter an underwriting commission of 2.5% of the aggregate Subscription Price in respect of the maximum number of Offer Shares underwritten by the Underwriter. The Company will also pay the Underwriter all reasonable legal fees and other reasonable out-of-pocket expenses of the Underwriter in respect of the Open Offer. The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the commission rate is fair and reasonable.

Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer. The Underwriter shall also use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be an Independent Third Party and not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors or chief executive of the Company or substantial shareholder(s) of the Company or their respective associates (as defined in the Listing Rules); and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer.

### **Undertaking**

As at the Latest Practicable Date, the Company has not received any information or undertaking provided by any substantial Shareholders of their intention to take up the Offer Shares to be offered to them.

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## LETTER FROM THE BOARD

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### Conditions of the Open Offer

The Open Offer is conditional upon:

- (1) the passing of all necessary resolutions by the independent Shareholders at the SGM to approve the Open Offer and the transactions contemplated thereunder;
- (2) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively not later than the Prospectus Posting Date of one copy of each of the Prospectus Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution of the Directors (and all other documents required to be attached thereto) and otherwise in compliance with the Listing Rules and the Companies Ordinance;
- (3) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Prohibited Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Open Offer on or before the Prospectus Posting Date;
- (4) the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked listing of and permission to deal in the Offer Shares by no later than the first day of their dealings;
- (5) if necessary, the Bermuda Monetary Authority granting consent to the issue of the Offer Shares by the Latest Time for Termination or such other time as the Underwriter may agree with the Company in writing;
- (6) the obligations of the Underwriter in the Underwriting Agreement is not terminated in accordance with its terms at or before the Latest Time for Termination; and
- (7) compliance with and performance of all undertakings and obligations of the Company under the Underwriting Agreement and the representations and warranties given by the Company under the Underwriting Agreement remaining true, correct and not misleading in all material respects.

The conditions precedent are incapable of being waived (other than condition (7) above which can be waived by the Underwriter). If the conditions precedent are not satisfied or waived in whole or in part by the Latest Time for Termination or such other date as the Company and the Underwriter may agree, the Underwriting Agreement shall terminate and no party shall have any claim against any other party for costs, damages, compensation or otherwise save for any antecedent breaches.

### Termination of the Underwriting Agreement

If, prior to the Latest Time for Termination (provided that for the purposes of the Underwriting Agreement if the date of the Latest Time for Termination shall be a Business Day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is or remains hoisted in

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## LETTER FROM THE BOARD

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Hong Kong between 9:00 a.m. and 4:00 p.m. on that day, the date of the Latest Time for Termination shall be the next Business Day on which no tropical cyclone warning signal no. 8 or above or no black rainstorm warning signal is or remains hoisted in Hong Kong between 9:00 a.m. and 4:00 p.m. on that day):

- (1) in the absolute opinion of the Underwriter, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Underwriter materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Underwriter is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the absolute opinion of the Underwriter will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of member of the Group or the destruction of any material asset of the Group; or
- (4) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (5) any other material adverse change in relation to the business or the financial or trading position or prospects of the Group as a whole whether or not ejusdem generis with any of the foregoing; or

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## LETTER FROM THE BOARD

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- (6) any matter which, had it arisen or been discovered immediately before the date of the Prospectus and not having been disclosed in the Prospectus, would have constituted, in the absolute opinion of any of the Underwriter, a material omission in the context of the Open Offer; or
- (7) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or this circular or the Prospectus Documents or other announcements or circulars in connection with the Open Offer; or
- (8) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange due to exceptional financial circumstances or otherwise,

the Underwriter shall be entitled by notice in writing to the Company, served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

The Underwriter shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (1) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriter; or
- (2) any Specified Event comes to the knowledge of the Underwriter,

any such notice shall be served by the Underwriter prior to the Latest Time for Termination.

### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and trading of cables and wires for use in household electrical appliances and electronic products, copper products and mining business.

As disclosed in the annual report of the Company for the year ended 30 June 2013, the acquisition of Santai Industrial Zone, with an area of approximately 72,000 sq.m., in Changping Town, Dongguan City, by the Group was completed in the year 2012 and the property has been held for lease and generates steady rental income for the Group. According to the management of the Company, as at the Latest Practicable Date, the rental income of Santai Industrial Zone was approximately RMB500,000 per month (or approximately HK\$640,000 per month or HK\$7.7 million per year). In light of the "Three Olds Reform" scheme implemented by the People's Government of Guangdong Province aiming to transform old towns, old factories and old villages to accompany the rapid economic and social development, the Group intends to transform the Santai Industrial Zone under the "Three Olds Reform" scheme. It is planned that the nature of the Santai Industrial Zone will be changed from industrial to commercial and residential after the transformation. It is expected that the area will become a small, hustle and bustle commercial and residential district with a touch of tranquility in the long run.

In addition, the Company intends to renovate two existing factories owned by the Group in Changping Town, Dongguan City in the PRC. Currently, the travel distance between the two factories is about 5 to 10 minutes by car. The two factories are engaging in manufacturing of cable and wires

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## LETTER FROM THE BOARD

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and copper products respectively. In order to facilitate the future development of the Group, the Board intends to host the two manufacturing facilities in one location, the other factory premises will be vacant and renovated for rental purpose. The Board considers that said transformation of land use nature and the renovation of two existing factories will maximize the return of the Group's land resources and increase the potential value of the Group's factory space and increase the production efficiency of the Group.

The Board confirmed that, as at the Latest Practicable Date, the application for the "Three Olds Reform" scheme has been submitted to the relevant regulatory body and pending for process and approval, and the concrete development plan of the Santai Industrial Zone is yet to be finalised, as to whether it will be wholly-developed by the Group or by joint venture or others. Appropriate announcement will be made as and when appropriate in accordance with the Listing Rules.

It is intended that the gross proceeds from the Open Offer will be approximately HK\$189 million. It is intended that the estimated net proceeds, after deducting the underwriting commission of 2.5% on gross proceeds and other expenses in connection with the Open Offer, are approximately HK\$183 million which are intended to be used as to: (i) approximately HK\$40 million for the developing the parcel of land situated on the Santai Industrial Zone from industrial to commercial and residential use, which costs including, but not limited to, the initial development preparation, survey, design fee and public facilities and infrastructure fee payable to the relevant regulatory bodies for the proposed transformation; (ii) approximately HK\$30 million for renovation of two factories owned by the Group in Changping Town, Dongguan City; (iii) approximately HK\$60 million for the repayment of short term loans; and (iv) the remaining proceeds of approximately HK\$53 million for general working capital of the Group.

The Board has also considered other fund raising alternatives before resolving to the Open Offer, including but not limited to bank borrowings, share placement and rights issue. In the view that borrowings would result in additional interest burden and higher gearing ratio of the Group, share placement may necessarily dilute the shareholding in the Company of the existing Shareholders, rights issue will involve extra administrative work and cost for the trading arrangements in relation to the nil-paid rights, the Board considers raising funds by way of the Open Offer is more cost effective and efficient, the Open Offer also allows the Group to strengthen its balance sheet without facing the increasing interest rates. The Board considers that the Open Offer is in the interest of the Company and the Shareholders as a whole as it offers all the Qualifying Shareholders an equal opportunity to participate in the enlargement of the capital base of the Company and enables the Qualifying Shareholders to maintain their proportionate interests in the Company and continue to participate in the future development of the Company should they wish to do so. However, those Qualifying Shareholders who do not take up the Offer Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

In view of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the Open Offer is fair and reasonable and in the interests of the Company and the Shareholders as a whole having taken into account the terms of the Open Offer.

### WARNING OF THE RISK OF DEALINGS IN THE SHARES

**Shareholders and potential investors should note that the Open Offer is conditional upon the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Open Offer may or may not proceed.**

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## LETTER FROM THE BOARD

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Shareholders and potential investors should exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

Shareholders should note that, based on the expected timetable of the Open Offer, the Shares will be dealt in on an ex-entitlement basis commencing from Monday, 17 March 2014 and that dealing in Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled. Any Shareholder or other person dealing in Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled (which is expected to be on Monday, 14 April 2014), will accordingly bear the risk that the Open Offer cannot become unconditional and may not proceed. Any Shareholder or other person contemplating selling or purchasing Shares, who is in any doubt about his/her/its position, is recommended to consult his/her/its own professional adviser.

### EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structures of the Company as at the Latest Practicable Date and immediately after the completion of the Open Offer are set out below:

Shareholders	As at the Latest Practicable Date		Upon completion of the Open Offer			
			Assuming no Qualifying Shareholders take up their respective entitlements under the Open Offer		Assuming full subscription by the Qualifying Shareholders as to their respective entitlements under the Open Offer	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Underwriter and its sub-underwriter(s) and subscriber(s) procured by the Underwriter (if any) (Note 1)	21	0.00	1,574,878,271	83.33	126	0.00
Other public Shareholders	<u>314,975,629</u>	<u>100.00</u>	<u>314,975,629</u>	<u>16.67</u>	<u>1,889,853,774</u>	<u>100.00</u>
Total	<u>314,975,650</u>	<u>100.00</u>	<u>1,889,853,900</u>	<u>100.00</u>	<u>1,889,853,900</u>	<u>100.00</u>

*Notes:*

- Pursuant to the Underwriting Agreement, the Underwriter shall not subscribe, for its own account, for such number of Untaken Shares which will result in the shareholding of it and parties acting in concert (within the meaning of the Takeovers Code) with it in the Company to exceed 19.9% of the voting rights of the Company upon the completion of the Open Offer. The Underwriter shall also use its best endeavours to ensure that each of the subscribers of the Untaken Shares procured by it (i) shall be an Independent Third Party and not acting in concert (within the meaning of the Takeovers Code) with and not connected with the Company, any of the Directors or



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## LETTER FROM THE BOARD

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chief executive of the Company or substantial shareholder(s) of the Company or their respective associates (as defined in the Listing Rules); and (ii) save for the Underwriter itself and its associates, shall not, together with any party acting in concert (within the meaning of the Takeovers Code) with it, hold 10.0% or more of the voting rights of the Company upon completion of the Open Offer.

The Company will take all appropriate steps to ensure that sufficient public float be maintained upon the completion of the Open Offer in compliance with Rule 8.08(1)(a) of the Listing Rules.

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND ISSUE SHARES**

At the 2013 annual general meeting of the Company held on 28 November 2013, the Shareholders approved, among other things, an ordinary resolution to grant to the Directors the Existing General Mandate to allot and issue up to 52,497,130 Shares, which is equivalent to 20% of the issued share capital of the Company as at the date the Existing General Mandate was approved.

As at the Latest Practicable Date, the Existing General Mandate has been utilised as to 52,490,000 Shares, representing approximately 99.99% of the Existing General Mandate, pursuant to the placing of Shares at the placing price of HK\$0.32 per Share completed on 17 December 2013 raising net proceeds of approximately HK\$16.2 million which was intended to be used for general working capital of the Group.

The Company has not made any refreshment of the Existing General Mandate since the annual general meeting of the Company held on 28 November 2013.

As mentioned in the paragraph headed “Reasons for the Open Offer and use of proceeds” in this letter from the Board, the Group intends to develop the Santai Industrial Zone from industrial use to commercial and residential use, for which a concrete development plan of the area after transformation is yet to be finalized as at the Latest Practicable Date. Should the Board thinks fit, it may further develop the area by itself or by way of joint venture or others. In order to have the flexibility to raise additional capital by issue of new Shares for the Group’s future developments as and when needed in a promptly manner, the Board wishes to seek approval from the Shareholders at the SGM to grant the Issue Mandate for the Directors to allot and issue new Shares up to 20% of the issued share capital of the Company as at the date of the SGM.

As at the Latest Practicable Date, the existing authorised share capital of the Company consists of 50,000,000,000 Shares out of which 314,975,650 Shares are issued and fully paid up. On the basis of 314,975,650 Shares in issue as at the Latest Practicable Date and assuming that no further Shares are issued or repurchased on or prior to the date of SGM, subject to the passing of the relevant ordinary resolution to approve the Issue Mandate at the SGM, the Directors will be authorised to allot and issue up to a limit of 62,995,130 Shares under the Issue Mandate.

The Issue Mandate, if granted, will remain effective until the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the date by which the next annual general meeting is required to be held; and (iii) the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) consider that the Issue Mandate will enhance the flexibility for the Company to manage its business and therefore the Issue Mandate is fair and reasonable and the granting of the Issue Mandate is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### FUND RAISING IN THE PAST 12 MONTHS

Apart from the fund raising activities mentioned below, the Company has not carried out other equity fund raising activities during the 12 months immediately preceding the date of the Announcement.

<b>Date of initial announcement</b>	<b>Fund raising activity</b>	<b>Intended use of net proceeds</b>	<b>Actual use of proceeds</b>
9 December 2013	Placing of 52,490,000 new shares under general mandate	— Approximately HK\$16.2 million for general working capital of the Group	— Approximately HK\$10.2 million has been utilised as intended and approximately HK\$6 million is currently deposited at the bank
27 May 2013	Placing of 75,000,000 new shares under specific mandate	— approximately HK\$12 million for plant and machinery and working capital of the new production lines of the Group; and — approximately HK\$9.7 million for repayment of trust receipt loans of the Group	— Fully utilised as intended
7 March 2013	Placing of 31,240,000 new shares under general mandate	— approximately HK\$12.0 million for general working capital and repayment of trust receipt loan of the Group	— Fully utilised as intended

### IMPLICATIONS UNDER THE LISTING RULES

As the proposed Open Offer will increase the issued share capital or the market capitalization of the Company by more than 50%, the Open Offer is subject to the approval of the independent Shareholders. Pursuant to Rule 7.24(5) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent

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## LETTER FROM THE BOARD

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non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolutions relating to the Open Offer. As at the Latest Practicable Date, there is no controlling Shareholder and none of the Directors (excluding the independent non-executive Directors), the chief executive of the Company or their respective associates hold any Share in the Company.

As at the Latest Practicable Date, the Underwriter is interested in 21 Shares, the Underwriter will abstain from voting at the SGM on the resolution relating to the Open Offer pursuant to Rule 2.15 of the Listing Rules.

As the proposed refreshment to the Existing General Mandate is being made prior to the Company's next annual general meeting, pursuant to Rule 13.36(4) of the Listing Rules, the refreshment of the Existing General Mandate will be subject to independent Shareholders' approval at the SGM, where any controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the grant of the Issue Mandate. As at the Latest Practicable Date, there is no controlling Shareholder and none of the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates hold any Share in the Company.

Accordingly, save for the Underwriter who is required to abstain from voting at the SGM on the resolution relating the Open Offer, none of the Shareholders are required to abstain from voting at the SGM.

### **INDEPENDENT BOARD COMMITTEE**

The Company has established an Independent Board Committee (which comprises all the independent non-executive Directors, namely Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming) to advise the independent Shareholders as to whether the terms of the Open Offer and the Issue Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser.

### **INDEPENDENT FINANCIAL ADVISER**

Nuada Limited is appointed by the Company as the Independent Financial Adviser (the appointment of which had been approved by the Independent Board Committee) to advise the Independent Board Committee and the independent Shareholders as to whether the terms of the Open Offer and the Issue Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote.

### **SGM**

A notice convening the SGM is set out on pages 63 to 66 of this circular. The SGM will be held at 10:00 a.m. on Thursday, 13 March 2014 at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong for the purpose of, considering and, if thought fit, approving the Open Offer, the grant of Issue Mandate and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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A proxy form for the SGM is enclosed with this circular. Whether or not you intend to present at the SGM, you are advised to complete the proxy form and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for holding of the SGM. The completion and delivery of a proxy form will not preclude you from attending and voting at the meeting in person at the SGM or any adjournment thereof, if you so wish.

### VOTING AT THE SGM

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the results of the poll will be published by the Company after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### RECOMMENDATION

The Directors (including independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) believe that the terms of the Open Offer and the Issue Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the independent Shareholders to vote in favour of all resolutions to be proposed at the SGM.

Shareholders are advised to read carefully the letter from the Independent Board Committee on pages 26 to 27 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 28 to 42 of this circular, considers that the terms of the Open Offer and the Issue Mandate are on normal commercial terms and are fair and reasonable insofar as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the independent Shareholders to vote in favour of the resolutions to approve and the Open Offer and the grant of Issue Mandate at the SGM.

### ADDITIONAL INFORMATION

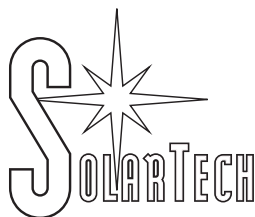
Your attention is drawn to the information set out in the appendices to this circular.

For and on behalf of the Board  
**Solartech International Holdings Limited**  
**Chau Lai Him**  
*Chairman and Managing Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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)**

25 February 2014

*To the independent Shareholders*

Dear Sir or Madam,

**(1) PROPOSED OPEN OFFER OF  
1,574,878,250 OFFER SHARES ON THE BASIS OF  
FIVE (5) OFFER SHARES FOR EVERY ONE (1) EXISTING SHARE HELD  
ON THE RECORD DATE  
(2) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT  
AND ISSUE SHARES  
AND  
(3) NOTICE OF SPECIAL GENERAL MEETING**

We refer to the circular of the Company dated 25 February 2014 (“Circular”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the independent Shareholders as to whether the terms of the Open Offer and the Issue Mandate are fair and reasonable insofar as the independent Shareholders are concerned. Nuada Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 28 to 42 of the Circular, we are of the opinion that the Open Offer and the Issue Mandate are on normal

*\* For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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commercial terms, are in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the independent Shareholders are concerned. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Open Offer and the Issue Mandate.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Chung Kam Kwong**  
*Independent non-executive*  
*Director*

**Mr. Lo Wai Ming**  
*Independent non-executive*  
*Director*

**Mr. Lo Chao Ming**  
*Independent non-executive*  
*Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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**Nuada Limited**

*Corporate Finance Advisory*

Unit 1805-08, 18/F, New Victory House  
93-103 Wing Lok Street  
Sheung Wan, Hong Kong  
香港上環永樂街 93-103 號  
樹福商業大廈 18 樓 1805-08 室

25 February 2014

*To the Independent Board Committee and  
the independent Shareholders of  
Solartech International Holdings Limited*

Dear Sirs,

**PROPOSED OPEN OFFER OF 1,574,878,250 OFFER SHARES ON THE  
BASIS OF FIVE OFFER SHARES FOR EVERY ONE EXISTING SHARE  
HELD ON THE RECORD DATE  
AND  
PROPOSED REFRESHMENT OF GENERAL MANDATE TO ALLOT AND  
ISSUE SHARES**

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the independent Shareholder in respect of the Open Offer and the refreshment of general mandate to allot and issue shares, details of which are set out in the section headed “Letter from the Board” (the “**Board Letter**”) in the Company’s circular dated 25 February 2014 to the Shareholders (the “**Circular**”), of which this letter forms part. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 21 January 2014, the Company announced, among other things, that the Company proposed to raise approximately HK\$189 million before expenses, by issuing 1,574,878,250 Offer Shares to the Qualifying Shareholders by way of an Open Offer at the Subscription Price of HK\$0.12 per Offer Share on the basis of five (5) Offer Shares for every one (1) Existing Share held on the Record Date and payable in full on acceptance. The Open Offer is fully underwritten by the Underwriter and there is no application for excess Offer Shares, i.e. the Qualifying Shareholders will not be entitled to subscribe for any Offer Shares in excess of their respective assured entitlements. The terms of the Open Offer are agreed after arm’s length negotiation between the Company and the Underwriter.

As the proposed Open Offer will increase the issued share capital or the market capitalization of the Company by more than 50%, the Open Offer is subject to the approval of the independent Shareholders. Pursuant to Rule 7.24(5) of the Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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abstain from voting in favour of the resolutions relating to the Open Offer. As at the Latest Practicable Date, there is no controlling Shareholder and none of the Directors (excluding the independent non-executive Directors), the chief executive of the Company or their respective associates hold any Share in the Company.

As at the Latest Practicable Date, only a further 7,130 Shares could be issued under the Existing General Mandate which was granted by the Shareholders to the Directors at the annual general meeting of the Company held on 28 November 2013 (“AGM”) after the completion of the placing of the Shares as set out in the Company’s announcement dated 17 December 2013 (the “Placing Announcement”). Therefore, the Board proposes to seek approval of the independent Shareholders for the grant of the Issue Mandate such that the Directors will be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the SGM. Pursuant to Rule 13.36(4) of the Listing Rules, the granting of the Issue Mandate requires the approval of the independent Shareholders at the SGM at which any of the controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors), the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution proposed for the approval of such grant, and under Rule 13.39 of the Listing Rules, any vote of the shareholders at the general meeting must be taken by way of poll. As at the Latest Practicable Date, there is no controlling Shareholder and none of the Directors and their respective associates hold any Shares in the Company.

Accordingly, save for the Underwriter who is required to abstain from voting at the SGM on the resolution relating to the Open Offer, none of the persons are required to abstain from voting at the SGM. Should any of the Directors (excluding independent non-executive Directors) and their respective associates hold any interest in the Shares at the date of the SGM, they will be required to abstain from voting in favour of the relevant resolutions.

The Independent Board Committee comprising Mr. Chung Kam Kwong, Mr. Lo Wai Ming and Mr. Lo Chao Ming (all being independent non-executive Directors) has been established to advise the independent Shareholders as to whether the terms of the Open Offer and the Issue Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser. We, Nuada Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all information, representations and opinions contained or referred to in the Circular,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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which have been provided by the Company, the Directors and the management of the Company and for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be true up to the Latest Practicable Date and should there be any material changes after the despatch of the Circular, Shareholders would be notified as soon as possible.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed in the Circular, having made all reasonable inquiries, that to the best of their knowledge, opinion expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group.

We have not considered the tax consequences on the Qualifying Shareholders arising from the subscription for, holding of or dealing in the Offer Shares or otherwise, since these are particular to their own circumstances. We will not accept responsibility for any tax effect on, or liabilities of, any person resulting from the subscription for, holding of or dealing in the Offer Shares or the exercise of any rights attaching thereto or otherwise. In particular, Qualifying Shareholders subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Open Offer and, if in any doubt, should consult their own professional advisers.

This letter is issued for the information for the Independent Board Committee and the independent Shareholders solely in connection with their consideration of the Open Offer and refreshment of general mandate to allot and issue shares and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

### A. OPEN OFFER

#### PRINCIPAL FACTORS AND REASON CONSIDERED

In arriving at our recommendation in relation to the terms of the Open Offer, we have considered the following principal factors and reasons:

#### Background information and outlook of the Group

The main business of the Group is manufacturing cables and wires, copper rods and copper wires and related product. The Group has also engaged in mining business since 2010.

The table below summarised the financial results of the Group for the two years ended 30 June 2013 as extracted from the annual report for the year ended 30 June 2013 of the Company (the “**Annual Report**”).

	For the year ended	
	30 June	
	2013	2012
	HK\$'000	HK\$'000
Turnover	601,611	612,863
Loss for the year attributable to owners of the Company	(415,071)	(106,132)



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As shown above, we note that the total turnover has decreased by 1.8% from approximately HK\$612.8 million in 2012 to approximately HK\$601.6 million in 2013. The significant increase in the loss for the year attributable to owners of the Company from approximately HK\$106.1 million in 2012 to approximately HK\$415.1 million in 2013 was mainly due to an impairment loss on mining right to conduct mining activities in the location of Nergui, Delgerkhangai soum, Dundgonbi aimag, the State of Mongolia of approximately HK\$360.6 million.

### Reason for Open Offer

Upon the full subscription of the Offer Shares and assuming no further Shares will be allotted and issued from the date hereof to the Record Date, the Company will receive gross proceeds of approximately HK\$189 million. The net proceeds under the Open Offer are expected to amount to approximately HK\$183 million (after deducting the underwriting commission of 2.5% on gross proceeds and other expenses in connection with the Open Offer).

As stated in the Board Letter, the net proceeds from the Open Offer are intended to be used as to: (i) approximately HK\$40 million for the developing a parcel of land situated at Qiao Zi Lu, Qiao Zi Village, Changping Town, Dongguan City, the PRC with a site area of 72,292 square meters (the “**Santai Industrial Zone**”) from industrial to commercial and residential use, which costs including, but not limited to, the initial development preparation, survey, design fee and public facilities and infrastructure fee payable to the relevant regulatory bodies for the proposed transformation; (ii) approximately HK\$30 million for renovation of two factories owned by the Group in Changping Town, Dongguan City; (iii) approximately HK\$60 million for the repayment of short term loans; and (iv) the remaining proceeds of approximately HK\$53 million for general working capital of the Group.

As advised by the Directors, it is the Group’s current strategy to improve the Group’s financial performance through cost control of existing business and increase its rental income by leasing out the Group’s vacant property.

According to the Annual Report, the Group owned certain interests in land, factories and residential units in Mainland China. According to the management of the Company, as at the Latest Practicable Date, the Group owned several pieces of land with factories building in Changping Town, Dongguan City. Among which, the acquisition of Santai Industrial Zone, an industrial complex located at Qiao Zi Lu, Qiao Zi Village, Changping Town, Dongguan City, the PRC with a site area of 72,292 square meters. The aforesaid acquisition was completed in June 2012 and the property has been held for lease and generates steady rental income for the Group since the completion of the acquisition. According to the management of the Company, as at the Latest Practicable Date, the rental income generated from the Santai Industrial Zone was approximately RMB500,000 per month (approximately HK\$640,000 per month and approximately HK\$7.7 million per year) and its occupancy rate has reached above 90% as at 31 December 2013. According to the amount of the rental income and the consideration for the acquisition of the Santai Industrial Zone of approximately HK\$52.7 million as stated in the Company’s announcement dated 12 December 2011, the annual rate of return of the rental income is approximately 14.6%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to maximize the return of the Group's land resources, increase the potential value of the Group's vacant factory space and increase the production efficiency, the management of the Company intends to i) transform the Santai Industrial Zone under the "Three Olds Reform" Scheme ("舊城鎮、舊廠房、舊村莊改造工作") from industrial usage to commercial and residential usage (the "**Land Use Conversion**") and develop the aforesaid land to commercial and residential building; and (ii) relocate the production base for manufacturing of cable and wires from Dongguan Qiaozi Chau's Electrical Co Ltd ("**Chau's**") to production base in Dongguan Hua Yi Brass Products Co Ltd ("**Hua Yi**").

### **Santai Industrial Zone**

According to the website of Department of Land and Resources of Guangdong Province ("廣東省國土資源廳"), the aims of Three Olds Reform is to increase the land supply to solve the problem of land shortage and improve the quality of the living environment through the redevelopment of the old town, old factories and old village in Guangdong Province.

According to the website of statistic and information of Dongguan City ("東莞市統計調查信息網"), the average selling price of residential property located in Changping Town increased from approximately RMB6776 per square meter in December 2011 to approximately RMB7186 per square meter in December 2013. The area transacted for residential property in Dongguan City increased from approximately 5.98 million square meter in year 2012 to approximately 7.54 million square meter in year 2013, represented an increase of approximately 26.1%. The value of gross domestic product of Dongguan City increased from approximately RMB473.5 billion in year 2011 to approximately RMB501.0 billion in year 2012 and that of the value for the first nine months ended 30 September 2013 was approximately RMB389.0 billion. The purchasing power of people in Dongguan City increased in the past few years. The dollar amount of retail value of consumer goods increased from approximately RMB126.6 billion in year 2011 to approximately RMB148.7 billion in year 2013.

According to the management of the Company, the application for Land Use Conversion has been submitted and is still in the process as at the Latest Practicable Date. According to the management, approximately RMB31.4 million will be used mainly for the survey and design fee and public facilities and infrastructure fee payable to relevant government authorities upon completion of application of Land Use Conversion.

We consider that there are uncertainties associated with the future prospect of the Santai Industrial Zone. The Directors are of the view that upon Land Use Conversion, the Santai Industrial Zone will have great potential and bring positive impact to the Group. However, there is uncertainty in relation to the Land Use Conversion as it is subject to the approval of the PRC government. Also, if the Group decides to develop the Santai Industrial Zone after the approval of the Land Use Conversion, the development of the Santai Industrial Zone is subject to the relevant development costs (e.g. the land premium (補地價) (which is determined by the PRC government and may be substantial in amount) and construction cost) which may be satisfied by internal resources or other fund raising exercise.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Since we cannot predict whether the aforesaid uncertainties would occur or not, we are not able to opine on it. Accordingly we would like to point out the potential uncertainties associated with the Santai Industrial Zone to the independent Shareholders as stated above.

However, given (i) the recent rising trend of the property market in Dongguan City (ii) the government policy to enhance the land reform in Dongguan City; and (iii) the recent economic development in Dongguan City, we are of the view and concur with the view of the Directors that the Land Use Conversion is justifiable.

According to the management of the Company, in case the application for the Land Use Conversion is refused by the PRC government, the Company would retain the existing usage of Santai Industrial Zone and the Company would use the proceeds from the Open Offer to renovate the existing building structure of Santai Industrial Zone as the buildings structure aged over 20 years.

### **Relocation of production base**

As stated above, in order to maximize the return of the Group's land resources, increase the potential value of the Group's vacant factory space and increase the production efficiency, the management of the Company intends to relocate the production base for manufacturing of cable and wires from Chau's to Hua Yi. According to the management of the Company, the cost for relocation is approximately HK\$30 million which are mainly (i) the renovation fee for Chau's for leasing; and (ii) the renovation fee for Hua Yi to install production facilities from Chau's.

Based on (i) the occupancy rate of Santai Industrial Zone has reached over 90% as at 31 December 2013; (ii) the economic performance of Dongguan City experienced a rising trend in the past few years; (iii) rental income generated from the lease of Santai Industrial Zone provided a steady income to the Group; (iv) the relocation of production base from two production base into one production base can save the administration and transportation cost and increase the production efficiency and increase the potential value of the Group's vacant factory space, we are of the view and concur with the view of the Directors that the relocation of production base is justifiable.

### **Repayment of short term bank loans**

According to the information provided by the management of the Company, as at the Latest Practicable Date, the amount of short term bank loans (to be payable within one year) is approximately RMB70 million (equivalent to approximately HK\$89.5 million), with interest rate ranged from approximately 5.99% to 7.00%. In order to reduce the finance costs of the Group, the Company intends to repay part of the aforesaid bank loans (i.e. approximately HK\$60 million) on time by part of the proceeds from Open Offer.

Given that the reduction of finance cost can improve the profitability of the Group, we are of the view and concur with the view of the Directors that the repayment of short term bank loans is justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the above, we are of the view and concur with the view of the Directors, the use of proceeds of Open Offer is in line with the Group's current strategy to improve the Group's financial performance through cost control of existing business and increase its rental income by leasing out the Group's vacant property.

### **Principal terms of the Open Offer**

#### *Basis of the Open Offer*

The Company proposes to raise approximately HK\$189 million, before expenses, by way of Open Offer of 1,574,878,250 Offer Shares at the Subscription Price of HK\$0.12 per Offer Share on the basis of five (5) Offer Shares for every one (1) Existing Share held on the Record Date.

#### *Subscription Price*

The Subscription Price is HK\$0.12 per Offer Share, payable in full upon application. The Subscription Price represents:

- (i) a discount of approximately 66.67% to the closing price of HK\$0.36 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 66.76% to the average of the closing price of approximately HK\$0.361 per Share for the last five consecutive trading days including and up to the Last Trading Day;
- (iii) a discount of 25.00% to the theoretical ex-entitlement price of approximately HK\$0.160 per Share after the Open Offer, based on the closing price of HK\$0.360 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (iv) a discount of approximately 94.34% to the consolidated net tangible asset per Share of approximately HK\$2.120 as at 30 June 2013 based on the consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 and divided by the number of Shares in issue as at the Latest Practicable Date.

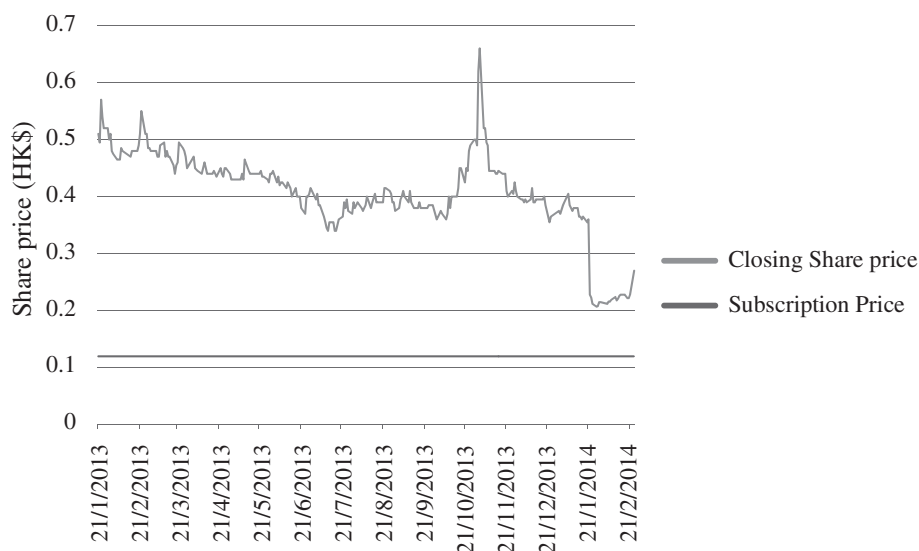
The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, the prevailing market price of the Shares, the financial position of the Group and having considered the development of the parcel of land situated on the Santai Industrial Zone, we are advised by the Directors that they would like to set the Subscription Price at a level that would attract the Qualifying Shareholders to participate in the Open Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the trading price of the Shares for the period from 21 January 2013, being the 12-month period prior to the date of the Underwriting Agreement, up to and including the date of the Underwriting Agreement (the “**Review Period**”). The chart below illustrates the daily closing price of the Shares versus the Subscription Price from 21 January 2013 to the Latest Practicable Date:



During the Review Period, the highest closing and the lowest closing prices of the Shares were HK\$0.66 on 1 November 2013 and HK\$0.34 on 11 July 2013, 16 July 2013 and 17 July 2013, respectively. The Subscription Price is less than the highest and lowest closing prices during the Review Period, representing a discount of approximately 81.82% and 64.71% to such highest and lowest closing prices of the Share during the Review Period. Besides, we note that there was a general downward trend in the trading price of the Shares from the beginning of the year, even though there was a bloom between October 2013 and November 2013, the performance of the Share price is still moving downward.

Having considered that (i) the Open Offer would provide the required funds to the Group for future development and enhance its existing operation and to reduce financial burden as stated above; (ii) the Open Offer would strengthen the capital base of the Group; (iii) the continued unsatisfactory financial and Share price performance in 2013; (iv) the Open Offer is determined on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the growth of the Company; (v) the inherent dilutive nature of Open Offer in general if the existing Shareholder did not take up his/her/its entitlements under the Open Offer; and (vi) the Open Offer is offered with a deeper discount to the Subscription Price to Qualifying Shareholders would encourage them to participate the Open Offer and to participate in the future development and future growth of the Company, we consider it is fair and reasonable for the Company to conduct the Open Offer and inevitable to set the Subscription Price at a higher discount to the prevailing market price of the Shares and the consolidated net tangible asset of the Group per Share so as to increase the attractiveness of the Open Offer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Underwriting Commission*

The underwriting commission, after arm's length negotiation between the Company and the Underwriter, is 2.5% of the aggregate Subscription Price in respect of the maximum number of Offer Shares underwritten by the Underwriter.

We have reviewed all the open offers announced by the Hong Kong listed companies in the previous three months before the date of the Underwriting Agreement which were posted on the website of the Stock Exchange and identified twelve open offers announced in these three months period and noted that the range of the underwriting commission of the aforesaid open offers is from nil to 3.5%.

Since the selected period of 3 months (i) has covered the prevailing market conditions and sentiments in the Hong Kong stock market; (ii) represented the recent structure of open offers as accepted by the other equity underwriters in Hong Kong; and (iii) can allow the Shareholders to have general understanding in other circumstances of the open offer transactions, we consider that the selected period is adequate.

The underwriting commission of the Underwriting Agreement is within the range of the aforesaid twelve open offers. Based on the above, we are of the view and concur with the view of the Directors that the underwriting commission of the Underwriting Agreement is fair and reasonable.

### *Excess Application*

There is no arrangement for the Qualifying Shareholders to apply for any Offer Shares which are in excess of his/her/its entitlement, however we note that the Company has set the Subscription Price at a considerable discount to the prevailing market price of the Shares so as to encourage the Qualifying Shareholders, who are positive to the future development of the Company, to exercise its rights to subscribe for the Offer Shares.

We consider that the absence of the excess application arrangement may not be desirable from the point of view of those Qualifying Shareholders who wish to take up additional Offer Shares in excess of their assured entitlements. However, we consider that the aforesaid should be balanced against the fact that (i) the terms of the Open Offer are structured with an intention to encourage all the Qualifying Shareholders to take up their respective assured allotment of the Offer Shares as the Subscription Price is set at a deep discount to the prevailing market price of the Shares which provides reasonable incentives to all the Qualifying Shareholders to participate in the Open Offer; (ii) the nil excess application would lower the administrative costs of the Open Offer to the Company, which is estimated to be approximately HK\$200,000 to HK\$500,000; and (iii) the absence of excess application arrangement for the Offer Shares is subject to approval by the Independent Shareholder at the SGM. As such, it is reasonable to expect that the majority of the Qualifying Shareholders who are positive about the business plans of the Company as stated above will apply for the Offer Shares and the Offer Shares available for excess application will be minimal. The absence of excess application arrangement therefore may not be considered material to the Qualifying Shareholders.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In view of the above, although it is beneficial to have excess application for the Qualifying Shareholders who wish to take up additional Offer Shares, we consider that the Open Offer has already enable the Qualifying Shareholders to maintain their proportionate interests in the Company should they so wish by applying the Offer Shares according to their shareholding in the Company, which we consider to be fair and reasonable. Therefore, the absence of the excess application arrangement is acceptable.

### **Potential dilution effect on the interests of the independent Shareholders.**

Upon completion of the Open Offer, 1,574,878,250 Shares will be issued. Qualifying Shareholders who elect to subscribe for in full their assured entitlements under the Open Offer will retain their current shareholding in the Company and their investments in the Company. Qualifying Shareholders who do not elect to subscribe for in full their assured entitlements under the Open Offer will be diluted after completion of the Open Offer by a maximum of approximately 83.3% in terms of shareholding interests and approximately 82.1% in terms of shareholding interests and approximately 78.6% in terms of net tangible assets of the Group per Share ( the net tangible assets of the Group per Share as at 30 June 2013 and adjusted by the placing of the Shares in aggregate number of 127,490,000 Shares minus the pro forma net tangible asset per Share as stated in Appendix II of the Circular divided by the net tangible assets of the Group per Share as at 30 June 2013 and adjusted by the placing of the Shares in aggregate number of 127,490,000).

However, we consider such scenario of maximum dilution is unlikely to occur since it assumes that the independent Shareholders have voted in favour of the Open Offer at the SGM which is a complete misalignment between the voting behaviour of the independent Shareholders and their subscription for the Open Offer.

Despite the dilution effect by the Open Offer of a maximum of approximately 83.3% and approximately 82.1% in terms of shareholding interests and approximately 78.6% in terms of net tangible assets of the Group per Share ( the net tangible assets of the Group per Share as at 30 June 2013 and adjusted by the placing of the Shares in aggregate number of 127,490,000 minus the pro forma net tangible asset per Share as stated in Appendix II of the Circular divided by the net tangible assets of the Group per Share as at 30 June 2013 and adjusted by the placing of the Shares in aggregate number of 127,490,000) if the Qualifying Shareholders do not elect to subscribe for in full their assured entitlements under the Open Offer having taken into account: (i) the Open Offer would provide the required funds to the Group for future development and enhance its existing operation and to reduce financial burden as stated above; (ii) the Open Offer would strengthen the capital base of the Group; (iii) the continued unsatisfactory financial and Share price performance in 2013; (iv) the Open Offer is determined on the basis that all Qualifying Shareholders have been offered the same opportunity to maintain their proportional interests in the Company and allows the Qualifying Shareholders to participate in the growth of the Company; (v) the inherent dilutive nature of Open Offer in general if the existing Shareholder did not take up his/her/its entitlements under the Open Offer; and (vi) the Open Offer is offered with a deeper discount to the Subscription Price to Qualifying Shareholders would encourage them to participate the Open Offer and to participate in the future development and future growth of the Company, we consider the possible dilution effect on the independent Shareholders to be acceptable.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Financial effect of the Open Offer

#### *Net tangible asset*

According to the unaudited pro forma financial information of the Group (the “**Pro Forma Financial Information**”) set out in Appendix II to the Circular, the audited consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 was approximately HK\$667.7 million. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company would increase to approximately HK\$850.6 million upon completion of the Open Offer.

Upon completion of the Open Offer, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2013 would decrease from approximately HK\$3.56 to approximately HK\$0.48.

### Recommendation

Taking into account the factors and reasons as mentioned under the section headed “Principal factors and reasons considered” above, which including:

- (i) background information and outlook of the Group;
- (ii) the Open Offer would provide the required funds to the Group for investment and future development and would strength the capital base of the Group;
- (iii) the Subscription Price is fair and reasonable;
- (iv) the underwriting commission of the Open Offer is fair and reasonable;
- (v) the absence of the excess application arrangement is acceptable; and
- (vi) the financial effect to the Open Offer,

we consider that, on balance, the Open Offer and the Underwriting Agreement, which are not in the Company’s ordinary and usual course of business, are on normal commercial term, fair and reasonable so far as the independent Shareholders are concerned and the Open Offer and the entering of the Underwriting Agreement is in the interests of the Company and the independent Shareholders as a whole and would advise the Independent Board Committee to recommend to the independent Shareholder to vote in favour of the resolution to approve the Open Offer and the Underwriting Agreement to be proposed at the SGM and we recommend the independent Shareholders to vote in favour of the ordinary resolution in this regard at the SGM.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### B. REFRESHMENT OF EXISTING GENERAL MANDATE

#### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the grant of the Issue Mandate, we have taken into consideration the following principal factors and reasons:

#### **Background information of the grant of the Issue Mandate**

The main business of the Group is manufacturing cables and wires, copper rods and copper wires and related product. The Group has also engaged in mining business since 2010.

The Directors were authorised to allot and issue up to 52,497,130 new Shares under the Existing General Mandate which was granted to the Directors at the AGM.

As set out in the Placing Announcement, an aggregate of 52,490,000 new Shares (the “**Placing Shares**”) were issued under the Existing General Mandate (the “**Placing**”). Since all of the Placing Shares were issued under the Existing General Mandate, the Existing General Mandate has been substantially utilized to the extent that only 7,130 Shares remain issuable under the Existing General Mandate as at the Latest Practicable Date.

Given that the Existing General Mandate has been substantially utilized as a result of the Placing, the Board proposes to seek approval of the independent Shareholders for the proposed grant of the Issue Mandate such that the Directors will be granted the authority to allot, issue and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of passing the relevant resolution at the SGM.

As at the Latest Practicable Date, the Company had 314,975,650 Shares in issue. On the basis that no Share would be issued be/or repurchased by the Company, no share option of the Company would be exercised from the Latest Practicable Date up to the date of the SGM, the Issue Mandate would allow the Directors to allot, issue and deal with up to 62,995,130 new Shares, representing 20% of the total issued share capital of the Company as at the date of the SGM.

#### **Reasons for the proposed grant of the Issue Mandate**

With reference to the Board Letter, the Board would like to provide flexibility for the Company to manage its business.

Given that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises, we are of the view and concur with the view of the Directors that the grant of Issue Mandate for the Directors to allot, issue and deal with new Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the SGM is justifiable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Fund raising activities in the past twelve months

Set out below are the fund raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date according to the Directors:

Date of announcement	Capital raising activity	Net proceeds raised (approximately)	Proposed use of proceeds	Actual use of the net proceeds
9 December 2013	Placing of 52,490,000 new Shares under general mandate	HK\$16.2 million	Approximately HK\$16.2 million for general working capital of the Group	Approximately HK\$14.2 million has been utilized as intended and approximately HK\$2 million is currently deposited at the bank
27 May 2013	Placing of 75,000,000 new Shares under specific mandate	HK\$21.7 million	— Approximately HK\$12 million for plant and machinery and working capital of the new production lines of the Group; and  — approximately HK\$9.7 million for repayment of trust receipt loans of the Group	Fully utilized as intended
7 March 2013	Placing of 31,240,000 new Shares under general mandate	HK\$12.0 million	Approximately HK\$12.0 million for general working capital and repayment of trust receipt loan of the Group	Fully utilized as intended

Apart from the aforesaid fund raising activities, the Company announced to raise approximately HK\$183 million (after expense) by the Open Offer on 21 January 2014.

### Flexibility in financing

As advised by the Directors, the Group does not obviate the possibilities of further issuing capital should there be investor(s) indicating interests in the business of the Company in the future although there were no such investors as at the Latest Practicable Date. As further advised by the Directors, the Company did not have any plan to utilize the Issue Mandate as at the Latest Practicable Date.

As discussed in the foregoing, we consider that the grant of Issue Mandate would provide the Company with the necessary flexibility to fulfil any possible funding needs for future business development and/or investment decisions although the Company did not have any plan to utilize the Issue Mandate as at the Latest Practicable Date. In addition, the proceeds from the Open Offer would

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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be utilized for developing the Company's business plans as stated in the section headed "Reason for the Open Offer" above. The grant of Issue Mandate would provide the Company with the flexibility as allowed under the Listing Rules to allot and issue new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments in the future as and when such opportunities arise. Furthermore, the additional amount of equity which may be raised after the grant of Issue Mandate would provide the Group with more financing options when assessing and negotiating potential investments in a timely manner. Given the financial flexibility available to the Company as discussed above, we are of the opinion that the grant of Issue Mandate is in the interests of the Company and the Shareholders as a whole.

### Other financing alternatives

We have enquired into the Directors and the Directors confirmed that apart from equity financing, the Group will also consider debt financing, such as bank borrowings, to be other possible fund raising alternatives available to the Group. However, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with banks. Given that debt financing will usually incur interest burden on the Group, the Directors consider debt financing to be relatively uncertain and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

The Directors confirmed that they would exercise due and careful consideration when choosing the best financing method available to the Group. With this being the case, along with the fact that the grant of Issue Mandate will provide the Company an additional alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development, we are of the view that the grant of Issue Mandate is in the interests of the Company and the Shareholders as a whole.

### Potential dilution to shareholding of the existing public Shareholders

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon full utilization of the Issue Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date on which the Issue Mandate (if granted) is exercised in full):

	Shareholding in the Company as at the Latest Practicable Date		Shareholding in the Company upon full utilization of the Issue Mandate	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Public Shareholders	314,975,650	100.00	314,975,650	83.33
Shares to be issued under the Issue Mandate	—	—	62,995,130	16.67
Total	314,975,650	100.00	377,970,780	100.00

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The table above illustrates that the shareholdings of the existing public Shareholders would decrease from approximately 100.00% as at the Latest Practicable Date to approximately 83.33% upon full utilization of the Issue Mandate (assuming that no other Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date on which the Issue Mandate (if granted) is exercised in full). Such potential dilution to shareholdings of the existing public Shareholders represents a dilution of approximately 16.67%.

Taking into account that the grant of the Issue Mandate (i) would provide an alternative to increase the amount of capital which may be raised under the Issue Mandate; (ii) would provide more options of financing to the Group for further development of its business as well as in other potential future investments as and when such opportunities arise; (iii) the shareholding interests of all the Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the Issue Mandate, we are of the opinion that the potential dilution of the shareholdings of the existing public Shareholders as just mentioned is justifiable.

### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that the proposed grant of the Issue Mandate is fair and reasonable so far as the independent Shareholders are concerned and is in the interests of the Company and the independent Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the proposed grant of the Issue Mandate and we recommend the independent Shareholders to vote in favour of the ordinary resolution in this regard.

Yours faithfully,  
For and on behalf of  
**Nuada Limited**

**Kevin Chan**  
*Director*

**Kevin Wong**  
*Vice President*

**1. SUMMARY OF FINANCIAL RESULTS**

Financial information of the Group for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, including the notes thereto, have been published in the annual reports of the Company for the years ended 30 June 2011 (pages 22 to 96), 30 June 2012 (pages 26 to 100) and 30 June 2013 (pages 30 to 102) respectively, which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at [www.1166hk.com](http://www.1166hk.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

**2. INDEBTEDNESS STATEMENT**

As at the close of business on 31 December 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had total outstanding borrowings of approximately HK\$123,704,000, comprising secured bank loans and secured trust receipt loans of approximately HK\$89,652,000 and HK\$33,812,000 respectively, and obligations under finance leases of approximately HK\$240,000.

The Group's certain items of property, plant and equipment, prepaid lease payments for land and deposits and bank balances with an aggregate carrying value of approximately HK\$182,869,000 as at 31 December 2013 are pledged to banks to secure general banking facilities granted to the Group. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

Save as aforesaid above and apart from intra-group liabilities and normal trade bills payables arising in the ordinary course of business, at the close of business on 31 December 2013, the Group did not have any other outstanding indebtedness, loan capital, bank overdrafts and liabilities under acceptance (other than normal trade bills) or other similar indebtedness, debentures, mortgages, charges or loans or acceptance credits or hire purchase or finance lease commitment, guarantees or contingent liabilities.

The Directors confirm that, save as disclosed therein, there has not been any material change in the indebtedness, contingent liabilities and commitments of the Group since 31 December 2013.

**3. WORKING CAPITAL STATEMENT**

The Directors, after due and careful enquiry, are of the opinion that after taking into account of the financial resources available to the Group including the Group's internally generated funds, the currently available bank and other facilities and the estimated net proceeds from the Open Offer and in the absence of unforeseen circumstances, the Group will have sufficient working capital for its present requirements in the next twelve months from the date of this circular.

**4. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**5. FINANCIAL AND TRADING PROSPECT OF THE GROUP**

As mentioned in the annual report 2013, the Group's turnover for the financial year ended 30 June 2013 was approximately HK\$601.6 million, representing a decrease of approximately 1.8% as compared to approximately HK\$612.9 million for the year ended 30 June 2012. The loss attributable to owners of the Company for the year ended 30 June 2013 was approximately HK\$415.1 million as compared to loss attributable to the owners of the Company of approximately HK\$106.1 million for the year ended 30 June 2012.

**Cable and Wires**

The turnover of the cables and wires business for the year ended 30 June 2013 was approximately HK\$201.4 million, representing a decrease of approximately 2.1% as compared to approximately HK\$205.8 million for the year ended 30 June 2012. During the financial year 2013, while the overall global economy was on track for a mild recovery, the economy of the PRC maintains its growth at a stable yet reduced pace. With the Group's effort to reduce costs and increase efficiency, the overall profit margins for this business segment have been improved.

The Group owned certain interests in land, factories and residential units in the PRC, including the Santai Industrial Zone with an area of approximately 72,000 sq.m., in Changping Town, Dongguan City, which generates steady rental income for the Group.

In light of the "Three Olds Reform" scheme implemented by the People's Government of Guangdong Province aiming to transform old towns, old factories and old villages to accompany the rapid economic and social development, the Group intends to make an application to transform the Santai Industrial Zone under the "Three Olds Reform" scheme. It is planned that the nature of the Zone will be changed from industrial to commercial and residential after the transformation. By then, it will become a small, hustle and bustle commercial and residential district with a touch of tranquility. The Group is proactively preparing for the project.

**Copper Rod Business**

The turnover of the copper rod business for the year ended 30 June 2013 was approximately HK\$397.3 million, representing a decrease of approximately 2.4% as compared to approximately HK\$407.1 million for the year ended 30 June 2012. In the financial year 2013, the international copper prices dropped significantly, with the 3-month London Metal Exchange copper price falling from approximately US\$7,600 at the beginning of the year to approximately US\$7,000 at the end of the year. The Group was cautious towards its inventory and deployed most of the capacity of its copper rod business in Dongguan to provide processing services for customers.

**Mining**

The Group has been engaging in mining business since 2010. For the year ended 30 June 2013, the State of Mongolia implemented the new Foreign Investment Act, including the prohibition of mineral exploration and mining operations in headwaters, reservoir preservation areas and forest regions. A new draft minerals act is also in the course of consultation for revision, which focuses on the regulations governing mineral resources in order to control or impose limited restrictions on the prosperous mining industry. The Group expects that the time required to obtain necessary approval for developing copper mine projects would increase in the future.

The Group currently has two copper mine projects under development, which are located in Dundgobi Aimag and Bayan-Ulgii Aimag.

For the copper mine project in Dundgobi Aimag, the subsidiary of the Company in Mongolia has completed the necessary environmental impact evaluation report and quarry extraction planning report before mining. It has to further carry out hydrogeological works in the mining area. Those works include impact evaluation of topography, climate, characteristics of surface water, characteristics of water aquifer and aquiclude, geological structure and fault belt on deposit water filling. The Group will also seek suitable partners to cooperate in the development and construction of Dundgobi Aimag copper mine project.

For the copper mine project in Bayan-Ulgii Aimag, the Group owned a 10% equity interest of the project. The development of the project has been progressing slowly.

The global mining industry entered into a downturn since the third quarter of 2012. According to the latest statistics released by the Mongolian Ministry of Economic Development, direct foreign investments of the State of Mongolia decreased by approximately 43% during the first half of 2013, among which direct investments in geology, mining and petroleum industries decreased by a third.

**Prospects**

With a slow recovery in the global economy and the steady improvement in US economy and employment for the year ended 30 June 2013, the PRC economy is expected to remain a moderate growth. The foremost economic task for the PRC government is the reform of domestic economic structures to increase reliance on domestic demand rather than on exports. Accordingly, the Group remains optimistic towards the prospects of the PRC market, and will continue to base its businesses of manufacturing and trading of cables, wires and copper products in the PRC.

In the second half of 2012, Dongguan Xin Bao Precision Chemical Company Limited, a subsidiary of the Group, began using molecular distillation technology to produce biodiesel (fatty acid methyl ester), which is a renewable energy. The project applies waste oil and greases as raw materials for production, which complies with China's relevant requirements to vigorously develop the recycling and low-carbon economy as well as building a resource-efficient and environmentally friendly society. The project is one of the major renewable energy projects encouraged and supported by the State and enjoys tax incentives such as consumption tax relief and preferential enterprise

income tax provided by the State to the industry. As prices of petrochemical diesel are rising due to a shortage of supply in the current market, profit margins for biodiesel are becoming higher as a result. This project has officially commenced production in the second quarter of 2013 with an expected annual output of up to 50,000 tons in the future.

In the face of a mild recovery of the global economy, the Group will continue to effectively devise measures for further cost control, market expansion and allocation of existing resources to stabilize the returns of its existing businesses. The Group is also optimistic about its new business in production of biodiesel and believes that this business will provide reasonable returns in long-term to the Group and the Shareholders as a whole.



## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

### (A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets (the “Unaudited Pro Forma Financial Information”) of the Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group as if the Open Offer had taken place on 30 June 2013.

The Unaudited Pro Forma Financial Information of the Group has been prepared for illustrative purpose only, based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Open Offer actually taken place on 30 June 2013 or any future date.

The Unaudited Pro Forma Financial Information of the Group is prepared based on the audited consolidated net tangible assets of the Group derived from the consolidated statement of financial position of the Group as at 30 June 2013, as extracted from the published annual report of the Company for the year ended 30 June 2013 and is adjusted for the effect of the Open Offer.

Consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 (Note 1) <i>HK\$'000</i>	Estimated net proceeds from the Open Offer (Note 2) <i>HK\$'000</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company after the Open Offer <i>HK\$'000</i>	Consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2013 (Note 3) <i>HK\$</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2013 (Note 4) <i>HK\$</i>
Based on the Subscription Price of HK\$0.12 per Offer Share	667,664	182,977	850,641	3.56
		0.48		

(1) The consolidated net tangible assets attributable to owners of the Company as at 30 June 2013 is based on the consolidated net assets attributable to owners of the Company of approximately HK\$1,494,321,000 as at 30 June 2013 after deducting mining right and exploration and evaluation assets of approximately HK\$803,210,000 and HK\$23,447,000 respectively.

(2) The estimated net proceeds from the Open Offer are approximately HK\$182,977,000 calculated based on 1,574,878,250 Offer Shares to be issued at the Subscription Price of HK\$0.12 per Offer Share, and after the deduction of the estimated direct legal and professional costs of approximately HK\$6,008,000.

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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- (3) The calculation of consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2013 is based on the consolidated net tangible assets attributable to owners of the Company of approximately HK\$667,664,000 and 187,486,000 Shares in issue as at 30 June 2013.
- (4) The calculation of unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as at 30 June 2013 is based on the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company after the Open Offer of approximately HK\$850,641,000; and 1,762,364,250 Shares in issue immediately following the completion of the Open Offer which comprise the 187,486,000 Shares in issue as at 30 June 2013 and the 1,574,878,250 Offer Shares<sup>(Note)</sup> to be issued to the Qualifying Shareholders on the basis of five Offer Shares for every one existing Share of the Company held on the Record Date.

*Note:* Subsequent to 30 June 2013, the Company completed placements of shares in the aggregate number of 127,490,000 Shares, resulting in a total number of issued Shares of approximately 314,976,000 Shares on the Record Date. Accordingly, the number of Offer Shares to be issued to the qualifying Shareholders on the basis of five Offer Shares for one existing Share on the Record Date is 1,574,878,250.

- (5) Save as disclosed above, no adjustment has been made to reflect any trading results or other transaction of the Group entered into subsequent to 30 June 2013.

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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*The following is the text of an accountants' report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the Unaudited Pro Forma Financial Information of the Group.*

### **(B) ASSURANCE REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**



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香港干諾道中111號  
永安中心25樓

25 February 2014

The Board of Directors  
Solartech International Holdings Limited  
No. 7, 2nd Floor  
Kingsford Industrial Centre  
13 Wang Hoi Road  
Kowloon Bay, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Solartech International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2013 and related notes as set out on Section A of Appendix II to the circular issued by the Company dated 25 February 2014 (the “Circular”) (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed open offer (the “Open Offer”) on the Group’s consolidated net tangible assets attributable to the owners of the Company as at 30 June 2013 as if the Open Offer had taken place as at 30 June 2013. As part of this process, information about the Group’s financial position as at 30 June 2013 has been extracted by the Directors from the Group’s consolidated financial statements for the year ended 30 June 2013, on which an audit report has been published.

**Directors' Responsibility for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 29(1) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Listing rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Open Offer on unadjusted financial information of the Group as if transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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## APPENDIX II    UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

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The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,  
**BDO Limited**  
*Certified Public Accountants*  
Hong Kong

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein of this circular misleading.

**2. SHARE CAPITAL**

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately upon completion of the Open Offer (assuming no further issue of Shares from the Latest Practicable Date up to completion of the Open Offer) was and will be as follows:

**As at the Latest Practicable Date**

*Authorised:* *HK\$*

<u>50,000,000,000</u> Shares	<u>500,000,000.00</u>
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*Issued and fully paid:* *HK\$*

<u>314,975,650</u> Shares in issue as at the Latest Practicable Date	<u>3,149,756.50</u>
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**Immediately after completion of the Open Offer**

*Authorised:* *HK\$*

<u>50,000,000,000</u> Shares	<u>500,000,000.00</u>
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*Issued and fully paid:*

314,975,650 Shares in issue as at the Latest Practicable Date	3,149,756.50
<u>1,574,878,250</u> Offer Shares to be issued pursuant to the Open Offer	<u>15,748,782.50</u>

<u>1,889,853,900</u> Shares following the completion of the Open Offer	<u>18,989,539.00</u>
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All issued Shares rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital. The Offer Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the Shares then in issue.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or Offer Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

As at the Latest Practicable Date, the Company did not have any outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into Shares and rights over Shares.

As at the Latest Practicable Date, there was no arrangement under which future dividends are waived or agreed to be waived.

### **3. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at the Latest Practicable Date, none of the Directors or chief executives of the Company or their respective associates had any personal, family, corporate and other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, so far as was known to the Directors, none of the Directors was a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### 4. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed to the Company under provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Shareholder	Capacity	Long position/short position	Number of Shares interested	Approximate percentage of the issued share capital of the Company as enlarged by the issue of the Offer Shares	Notes
The Underwriter	Beneficial owner	Long position	1,574,878,271	83.33%	1
Galaxy Sky Investments Limited	Interest in controlled corporation	Long position	1,574,878,271	83.33%	1
Kingston Capital Asia Limited	Interest in controlled corporation	Long position	1,574,878,271	83.33%	1
Kingston Financial Group Limited	Interest in controlled corporation	Long position	1,574,878,271	83.33%	1
Active Dynamic Limited	Interest in controlled corporation	Long position	1,574,878,271	83.33%	1
Ms. Chu Yuet Wah	Interest in controlled corporation	Long position	1,574,878,271	83.33%	1

*Note:*

- The 1,574,878,271 Shares are the Offer Shares which the Underwriter is interested under the Underwriting Agreement on the assumption of no acceptance by the Qualifying Shareholders under the Open Offer. The Underwriter is a wholly-owned subsidiary of Galaxy Sky Investments Limited, which is wholly owned by Kingston Capital Asia Limited. Kingston Capital Asia Limited is wholly owned by Kingston Financial Group Limited. Active Dynamic Limited owns 40.24% interest in Kingston Financial Group Limited. Ms. Chu Yuet Wah owns 100% interest in Active Dynamic Limited.

#### 5. INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.



As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### **6. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation, other than statutory compensation.

#### **7. COMPETING INTEREST**

As at the Latest Practicable Date, none of the Directors and his respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses.

#### **8. LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

#### **9. EXPERTS AND CONSENTS**

The following are the qualifications of the expert who has given opinion and advice, contained in this circular:

<b>Name</b>	<b>Qualifications</b>
BDO Limited	Certified Public Accountants
Nuada Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, BDO Limited and Nuada Limited have given their written consent to the issue of this circular with the inclusion therein of their report and references to its name in the form and context in which they appear in this circular.

As at the Latest Practicable Date, BDO Limited and Nuada Limited (i) were not interested, either directly or indirectly, in any assets which have been acquired or disposed of by or leased to any member of the Group or were proposed to be acquired or disposed of by or leased to any member of

the Group since 30 June 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up; and (ii) did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

#### **10. EXPENSES**

The expenses in connection with the Open Offer, including financial advisory fees, underwriting commission, printing, registration, translation, legal and accountancy charges are estimated to be approximately HK\$6 million, which are payable by the Company.

#### **11. MATERIAL CONTRACTS**

The following contracts (not being contracts in the ordinary course of business) have been entered into by the members of the Group within the two years immediately preceding the Latest Practicable Date:

- (i) the Underwriting Agreement;
- (ii) the side letter supplemental to the Underwriting Agreement entered into between the Company and the Underwriter on 11 February 2014 to reflect the revised timetable of the Open Offer as set out in the Delay Announcement;
- (iii) the placing agreement entered into between the Company and Kingston Securities Limited (the "Placing Agent") on 9 December 2013 pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 52,490,000 Shares at a price of HK\$0.32 per Share. The placing was completed on 17 December 2013 and a total of 52,490,000 Shares were placed. Details of the placing were set out in the announcement of the Company dated 9 December 2013;
- (iv) the placing agreement entered into between the Company and the Placing Agent on 27 May 2013 pursuant to which the Placing Agent agreed to place, on a best effort basis, a maximum of 75,000,000 Shares at a price of HK\$0.30 per Share. The placing was completed on 9 August 2013 and a total of 75,000,000 Shares were placed. Details of the placing were set out in the circular of the Company dated 10 June 2013;
- (v) the placing agreement entered into between the Company and the Placing Agent on 7 March 2013 pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 31,240,000 Shares at a price of HK\$0.40 per Share. The placing was completed on 20 March 2013 and a total of 31,240,000 Shares were placed. Details of the placing were set out in the announcement of the Company dated 7 March 2013;

- (vi) the placing agreement entered into between the Company and the Placing Agent on 29 November 2012 pursuant to which the Placing Agent agreed to place, on a best effort basis, a maximum of 17,650,000 Shares at a price of HK\$0.375 per Share. The placing was completed on 10 December 2012 and a total of 17,650,000 Shares were placed. Details of the placing were set out in the announcement of the Company dated 29 November 2012; and
- (vii) the placing agreement entered into between the Company and the Placing Agent on 22 March 2012 pursuant to which the Placing Agent agreed to place, on a best effort basis, a maximum of 880,000,000 Shares at a price of HK\$0.07 per Share. The placing was completed on 25 May 2012 and a total of 880,000,000 Shares were placed. Details of the placing were set out in the circular of the Company dated 17 April 2012.

## 12. CORPORATE INFORMATION OF THE COMPANY AND PARTIES INVOLVED IN THE OPEN OFFER

<b>Board of Directors</b>	<b>Executive Director</b>	<b>Address:</b>
	Mr. Chau Lai Him	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
	Mr. Zhou Jin Hua	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
	Mr. Liu Dong Yang	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
	Mr. Buyan-Otgon Narmandakh	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong

<b>Board of Directors</b>	<b>Independent non-executive Directors</b>	<b>Address:</b>
	Mr. Chung Kam Kwong	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
	Mr. Lo Wai Ming	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
	Mr. Lo Chao Ming	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
<b>Authorised representatives</b>	Mr. Chau Lai Him Ms. Chan Kam Yee, Shirley	<b>Address:</b> Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong
<b>Registered office</b>	Clarendon House 2 Church Street Hamilton HM 11 Bermuda	
<b>Head office and principal place of business in Hong Kong</b>	Unit 7, 2nd Floor Kingsford Industrial Centre 13 Wang Hoi Road Kowloon Bay Kowloon Hong Kong	

<b>Principal share registrar and transfer office in Bermuda</b>	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street Hamilton HM11 Bermuda
<b>Branch share registrar and transfer office in Hong Kong</b>	Tricor Secretaries Limited 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong
<b>Auditor</b>	BDO Limited 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
<b>Principal bankers</b>	Bank of China Limited No. 72, Guantai Road, Dongguan, Guangdong, China  China CITIC Bank Corporation Limited 1st Floor, Nan Feng Center, Hongfu Road, Nan Cheng District, Dongguan, Guangdong, China  DBS Bank (Hong Kong) Limited 16th Floor, The Center, 99 Queen's Road Central, Central, Hong Kong
<b>Website</b>	<a href="http://www.1166hk.com">www.1166hk.com</a>
<b>Legal advisers to the Company in relation to the Open Offer</b>	As to Hong Kong law: Herbert Smith Freehills 23rd Floor, Gloucester Tower 15 Queen's Road Central Hong Kong

### 13. BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

#### Executive Directors

**Mr. CHAU Lai Him**, aged 62, is the chairman and managing Director of the Group and the founder of the Group. Mr. Chau has been appointed as an executive Director since November 1996. He is responsible for the overall management, strategic planning and business development of the Group. He has more than 30 years' experience in the cable and wire industry and extensive experience in the mining industry.

**Mr. ZHOU Jin Hua**, aged 56, joined the Group in 1986 and is the deputy chairman of the Company and the general manager of the Group's Dongguan manufacturing facilities. Mr. Zhou has been appointed as an executive Director since November 1996. He is responsible for the day-to-day operations of the Group's Dongguan manufacturing facilities including production, sales and marketing and business development. He has more than 25 years' experience in the manufacturing of cable and wire products.

**Mr. LIU Dong Yang**, aged 39, joined the Group in September 1995 and has been appointed as an executive Director since January 2010. Mr. Liu is the deputy general manager of Shanghai Chau's Electrical Company Limited and is responsible for the financial matters for the trading and manufacturing operations in Shanghai. He holds a professional diploma in international finance from Hunan Finance and Economics College, a bachelor degree in business administration from the Renmin University of China. He is a member of the Chinese Institute of Certified Public Accountants. He has more than 15 years' experience in finance and accounting.

**Mr. BUYAN-OTGON Narmandakh**, aged 39, has been appointed as an executive Director since July 2010 and has focused on resources and investments and finance in Mongolia. He holds a diploma in economics and accounting from the Mongolian State University of Agriculture, a graduate diploma in public administration from the Government of Mongolia Academy of Management and a degree of M.B.A. in accounting from the National University of Mongolia. He has extensive experience in banking and finance in Mongolia.

#### **Independent Non-executive Directors**

**Mr. CHUNG Kam Kwong**, aged 56, has been appointed as an independent non-executive Director since March 2003. Mr. Chung is a practising Certified Public Accountant in Hong Kong, a fellow certified public accountant of the Hong Kong Institute of Certified Public Accountants, a member of CPA Australia and a supervisory council member of the Macau Society of Certified Practising Accountants. He holds a bachelor degree in economics from the University of Hull, United Kingdom and a post graduate diploma of financial management from the University of New England, Australia. Mr. Chung has extensive experience in accounting and financial management and is an independent non-executive director of Truly International Holdings Limited (stock code: 732) which is listed on the main board of the Stock Exchange.

**Mr. LO Wai Ming, Paulus**, aged 61, has been appointed as an independent non-executive Director since January 2000. Mr. Lo is the president of Greater China Asset Management Limited. He is also the director and general manager of SW China Strategic Holdings Limited. He has over 30 years' extensive experience in capital investment, consumer marketing, infrastructure investment and management, business development and corporate finance. He holds a bachelor degree in Social Sciences (Hons) and a master degree in business administration from the Chinese University of Hong Kong. He is a member of the Chartered Institute of Marketing and the Chartered Management Institute of the United Kingdom.

**Mr. LO Chao Ming**, aged 49, has been appointed as an independent non-executive Director since November 2006. He is the general manager of Sunf Pu Technology Co., Ltd., a company incorporated in Taiwan, Republic of China. He has more than 25 years' experience in the cable and wire industry.

#### Senior Management

**Ms. LAM Sui Lan**, Miranda, aged 44, rejoined the Group in March 2004 and is the assistant to managing director of Chau's Electrical Co., Ltd. She holds a bachelor's degree of arts, major in business administration from the University of Northumbria at Newcastle, the United Kingdom and a higher diploma in business studies from the City University of Hong Kong. She has more than 15 years' experience in sales and marketing in the field of cable and wire products.

**Mr. CHAU Chi Ho**, aged 33, rejoined the Group in August 2010. He is the assistant finance manager of Chau's Electrical Company Limited ("Chau's") and is a director of Santai Electronics Limited ("Santai"). He is responsible for accounting and financial management of Chau's and Santai's and their subsidiaries in Dongguan. He holds a bachelor's degree in Business Administration from the California State Polytechnic University Pomona, United States and has extensive experience in auditing, finance and accounting experience. He is the son of Mr. Chau Lai Him.

**Mr. ZHOU Qi Qin**, aged 49, joined the Group in November 1988 and is the operations manager of Dongguan Qiaozi Chau's Electrical Co., Ltd. He is responsible for the production operations of the Dongguan Qiaozi manufacturing facilities. He has more than 20 years' experience in manufacturing management.

**Mr. YUAN Hai Xiang**, aged 46, joined the Group in March 1985 and is the operations manager of Dongguan Hua Yi Brass Products Company Limited ("Dongguan Hua Yi"). He is responsible for materials control, production planning, purchasing, warehouse management and customer services of the Dongguan Hua Yi manufacturing facilities. He has more than 25 years' experience in operations management.

#### 14. MISCELLANEOUS

- (i) Ms. Chan Kam Yee, Shirley, the company secretary of the Company, is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.
- (ii) As at the Latest Practicable, there was no restriction affecting the remittance of profits or repatriation of capital of the Company into Hong Kong from outside of Hong Kong.
- (iii) The English text of this circular shall prevail over their respective Chinese texts in the case of inconsistency.

**15. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong during normal business hours on any weekday other than public holidays, from the date of this circular up to and including the date of SGM:

- (i) the bye-laws of the Company;
- (ii) the letter from the Independent Board Committee;
- (iii) the annual reports of the Company for the years ended 30 June 2012 and 2013;
- (iv) the unaudited pro forma statement of consolidated net tangible assets of the Group, the text of which is set out in Appendix II to this circular;
- (v) the assurance report from BDO Limited on the compilation of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this circular;
- (vi) the letter from Independent Financial Adviser;
- (vii) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix;
- (viii) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix; and
- (ix) this circular.



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## NOTICE OF SGM

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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)**

#### **NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Solartech International Holdings Limited (the “Company”) will be held at 10:00 a.m. on Thursday, 13 March 2014 at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong (the “SGM”) for the purpose of considering and, if thought fit, passing with or without amendment the following resolutions as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

1. **“THAT:**

- (a) the underwriting agreement dated 21 January 2014 and the side letter dated 11 February 2014 (a copy of the agreement and side letter have been produced to the SGM marked “A” and initialled by the chairman of the SGM for the purposes of identification) (collectively, the “Underwriting Agreement”) both entered into between the Company and Kingston Securities Limited (the “Underwriter”) and the transactions contemplated thereunder be and are hereby approved, confirmed, and ratified, and that the directors of the Company (the “Directors”) be and are hereby authorised to do all such acts and things, execute all such documents as they in their absolute discretion consider necessary or expedient to give effect to the Underwriting Agreement and the implementation of all transactions contemplated thereunder;
- (b) subject to the fulfilment of the conditions of the Underwriting Agreement, the issue, by way of open offer (the “Open Offer”), of 1,574,878,250 new ordinary shares of par value of HK\$0.01 each (the “Shares”) in the issued share capital of the Company (the “Offer Shares”) to be issued at a price of HK\$0.12 per Offer Share (the “Subscription Price”) to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on the date by reference to which entitlements under the Open Offer will be determined (other than those Shareholders with registered addresses outside Hong Kong in respect of whom the Board of Directors, after making relevant enquiries, considers their exclusion from the Open

\* *For identification purposes only*

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## NOTICE OF SGM

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Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or any requirements of the relevant regulatory body or stock exchange in that place (the “Prohibited Shareholders”) in the proportion of five Offer Shares for every one existing Share then held and otherwise pursuant to and in accordance with the terms and conditions set out in the circular issued by the Company dated 25 February 2014 be and is hereby approved;

- (c) the Directors be and are hereby authorised to allot and issue the Offer Shares pursuant to or in connection with the Open Offer and, in particular, the Directors be and are hereby authorised to make such exclusions or other arrangements in relation to Prohibited Shareholders as the Directors deem necessary or expedient having regard to any legal restrictions under the laws of, or any requirements of the relevant regulatory body or stock exchange in, any place outside Hong Kong, and the Offer Shares shall not be issued to the Prohibited Shareholders;
- (d) the arrangements for the disposal of Offer Shares not validly applied for by shareholders by way of the subscription of such Offer Shares by the Underwriter or such subscribers as procured by the Underwriter pursuant to the Underwriting Agreement be and are hereby approved; and
- (e) the Directors be and are hereby authorised to sign and execute such documents and do all such acts and things incidental to the Open Offer or as they consider necessary, desirable, or expedient in connection with the implementation of or giving effect to the Open Offer, the Underwriting Agreement and the transactions contemplated thereunder.”

2. **“THAT:**

- (a) subject to paragraph (c) of this resolution, the exercise by the board of Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares or securities convertible into Shares, or options, warrants or similar rights to subscribe for any Shares, and to make or grant offers, agreements, and options which would or might require the exercise of such powers, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which would or might require the exercise of such powers after the expiry of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval granted in paragraph (a) of this resolution, otherwise than pursuant to:
  - (i) a Rights Issue (as hereinafter defined);

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## NOTICE OF SGM

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- (ii) an issue of Shares pursuant to the exercise of the rights of subscription or conversion attaching to any warrants issued by the Company or any securities which are convertible into Shares;
- (iii) an issue of Shares as scrip dividend or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company; or
- (iv) an issue of Shares by the exercise of options granted under any share option scheme of the Company or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares;

shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the approval granted in paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purpose of this resolution,

“**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable laws to be held; or
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to the shareholders of the Company whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

For and on behalf of the Board  
**Solartech International Holdings Limited**  
**Chau Lai Him**  
*Chairman and Managing Director*

Hong Kong  
25 February 2014

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## NOTICE OF SGM

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*Notes:*

- (1) A member entitled to attend and vote at the SGM is entitled to appoint one or more (if he holds more than one share) proxies to attend and, subject to the provisions of the bye-laws of the Company, vote instead of him. A proxy needs not be a member of the Company. If more than one proxy is appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed. In order to be valid, the form of proxy must be deposited with the head office and principal place of business of the Company in Hong Kong at Unit 7, 2nd Floor, Kingsford Industrial Centre, 13 Wang Hoi Road, Kowloon Bay, Kowloon, Hong Kong together with any power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority, not less than 48 hours before the time appointed for holding the SGM or adjournment thereof.
- (2) For determining the qualification as members of the Company to attend and vote at the SGM, the register of members of the Company will be closed from Tuesday, 11 March 2014 to Thursday, 13 March 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify as members to attend and vote at the SGM, investors are required to lodge all transfers of shares accompanied by the relevant share certificates with the Company's Branch Share Registrar in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:00 p.m. on Monday, 10 March 2014.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
- (4) Delivery of the form of proxy will not preclude a member from attending and voting in person at the SGM and in such event, the form of proxy shall be deemed to be revoked.
- (5) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose, seniority will be determined by the order in which the names stand in the register of members.
- (6) The Directors of the Company as at the date of this notice are Messrs. Chau Lai Him, Zhou Jin Hua, Liu Dong Yang and Buyan-Otgon Narmandakh being the executive Directors, and Messrs. Chung Kam Kwong, Lo Wai Ming and Lo Chao Ming being the independent non-executive Directors.