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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 49% ISSUED SHARE CAPITAL IN IDEA INTERNATIONAL HOLDINGS LIMITED**

#### **THE AGREEMENT**

The Board is pleased to announce that, on 10 December 2015 (after trading hours), the Purchaser entered into the Agreement with, inter alia, the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 49% of the issued share capital of the Target Company, at the Consideration of HK\$130,000,000, HK\$30,000,000 of which shall be payable by cash and the remaining balance of the Consideration shall be payable by a Promissory Note to be issued by the Company. The Guarantor has agreed to warrant and guarantee to the Purchaser the due and punctual performance by the Vendor of all its respective obligations under the Agreement and the transaction contemplated thereunder.

Upon Completion, the Company will indirectly hold 49% of the entire equity interest in the Operating Company through the Target Group, which will not be treated as the subsidiaries of the Company.

#### **LISTING RULES IMPLICATIONS**

As certain of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceeds 5% but all of them are below 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements but is exempted from the Shareholders' approval requirements under the Listing Rules.

\* For identification purposes only

**THE AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF A NUMBER OF CONDITIONS PRECEDENT. THEREFORE THE ACQUISITION MAY OR MAY NOT PROCEED. INVESTORS AND SHAREHOLDERS ARE ADVISED TO EXERCISE CAUTION IN DEALING IN THE COMPANY'S SECURITIES.**

The Board is pleased to announce that, on 10 December 2015 (after trading hours), the Purchaser entered into the Agreement with, inter alia, the Vendor and the Guarantor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 49% of the issued share capital of the Target Company. The principal terms of the Agreement are summarized as below:

## **THE AGREEMENT**

### **Date**

10 December 2015

### **Parties**

- (i) the Company;
- (ii) the Purchaser;
- (iii) the Vendor;
- (iv) the Guarantor; and
- (v) the Target Company.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Vendor and the Guarantor is a third party independent of the Company and its connected persons. The Group has not engaged in any previous transactions which were related to the transaction contemplated under the Agreement or with the Vendor or the Guarantor in the last 12 months which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

### **Shares to be acquired**

Pursuant to the Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, representing 49% of the issued share capital of the Target Company. Upon Completion, the Company will indirectly hold 49% of the entire equity interest in the Operating Company through the Target Group, which will not be treated as the subsidiaries of the Company.

## **Consideration and payment terms**

The total Consideration of HK\$130,000,000 payable shall be satisfied in the following manners:

- (i) a sum of HK\$30,000,000, being an initial deposit of the Consideration, shall be payable to the Vendor within five Business Days upon signing of the Agreement. The initial deposit shall be refundable to the Purchaser in the event that the conditions precedent are not satisfied or (if applicable) waived on or before the Long Stop Date and Completion does not take place in accordance with the Agreement; and
- (ii) the remaining balance of the Consideration in the sum of HK\$100,000,000 shall be satisfied by issuing a Promissory Note in favour of the Vendor (or its nominee) by the Company upon the date of Completion.

The initial deposit of the Consideration under the Agreement will be funded by the Group's internal resources and the remaining balance will be funded by the Group's internal resources and/or financing through bank borrowing and/or equity fund raising as the Directors may deem appropriate.

## **Basis of determination of the Consideration**

The Consideration for the Sale Shares was determined after arm's length negotiation between the Purchaser and the Vendor taking into account various factors, amongst others, (a) the profit guarantees of the Operating Company for the two financial years ended 31 December 2017 provided by the Vendor and the Guarantor; (b) the Group's assessment of the future prospect of the business of advertising and media related services of the Operating Company and the relevant industry in the PRC; (c) a valuation on the 49% equity interest in the Operating Company of RMB146,300,000 as of 31 October 2015 prepared by an independent valuer appointed by the Purchaser using market approach; and (d) the reasons and benefits of the Acquisition as described under the paragraph headed "Reasons and Benefits for the Acquisition" below.

Under the said valuation report, the independent valuer selected twelve companies which are engaged in similar advertising related business as the Operating Company for comparison. Amongst the twelve companies, five of them are listed and actively traded in the Stock Exchange and others are listed and actively traded in the stock exchanges in the PRC. For the purpose of assessing a fair enterprise valuation, the independent valuer applied the latest available financial data of the twelve companies and made value adjustment for the differences in scale of operations between the Operating Company and the twelve comparable companies as a group. Following taken into account of the background of the Acquisition, business of the Operating Company and the analysis on the above comparison, the independent valuer valued the 49% equity interest of the Operating Company as at 31 October 2015 at RMB146,300,000.

Having considered the above, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## Conditions precedent

Completion is conditional upon satisfaction of the following conditions being satisfied or (if applicable) waived by the Purchaser on or before the Long Stop Date (except items (iii) and (iv) which cannot be waived):

- (i) the Purchaser having satisfied with and accepted the due diligence results on the Target Group (including but not limited to the legal, finance and commercial);
- (ii) the legal opinion having been issued by the PRC lawyer confirming, amongst others, that:
  - (a) the Operating Company has been duly incorporated and is validly subsisting under the PRC laws, and its register capital has been fully paid-up;
  - (b) the re-organisation of the Target Group is valid, in full force, effect and has not breached any PRC laws; and
  - (c) other matters as required by the Purchaser;
- (iii) all documents in a form and substance acceptable to the Purchaser having been provided to the Purchaser showing that the reorganisation of the Target Group having been legally completed and all necessary approvals, consents, and registration and filing procedures having been obtained/completed;
- (iv) a valuation report having been prepared by an independent valuer (according to the international standard) regarding value of the 49% equity interest in the Operating Company not less than RMB140,000,000 as of 31 October 2015; and
- (v) all warranties contained in the Agreement having remained true and accurate in all material respects at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion.

If the above conditions have not been fulfilled or waived on or before the Long Stop Date, the Agreement shall be terminated and the Vendor shall immediately upon termination of the Agreement refund the initial deposit of HK\$30,000,000 received to the Purchaser, whereupon the relevant rights and obligations under the Agreement shall have no further force and effect and no party to the Agreement shall have any liability under them (without prejudice to the rights of the parties to the Agreement in respect of any antecedent breaches).

As of the date of this Announcement, the valuation report as described in item (iv) above has been issued on 10 December 2015.

## **Guarantee**

The Guarantor has agreed to warrant and guarantee to the Purchaser the due and punctual performance by the Vendor of all its respective obligations under the Agreement and the transaction contemplated thereunder.

## **Profit guarantee**

Each of the Vendor and the Guarantor has warranted and guaranteed to the Purchaser that the audited net profit after tax of the Operating Company for the financial years ended 31 December 2016 (“**2016 Audited Profit**”) and 2017 (“**2017 Audited Profit**”) shall not be less than RMB18,000,000 (“**2016 Guaranteed Profit**”) and RMB23,000,000 (“**2017 Guaranteed Profit**”) respectively. In the event that (i) the actual 2016 Audited Profit is less than 2016 Guaranteed Profit or (ii) the actual 2017 Audited Profit is less than 2017 Guaranteed Profit, the Vendor and/or the Guarantor shall compensate the Purchaser three times of such shortfall by deducting the principal amount of the Promissory Note.

For the avoidance of doubt, if the actual 2016 Audited Profit or the actual 2017 Audited Profit is a negative figure, it shall be deemed as zero. No adjustment to the Consideration will occur if the actual 2016 Audited Profit or the actual 2017 Audited Profit is greater than the corresponding Guaranteed Profit.

The actual 2016 Audited Profit and the actual 2017 Audited Profit shall be determined according to the audited financial statements of the Operating Company for respective financial years, shall be prepared in accordance with the Hong Kong Financial Reporting Standards and reported by the auditor as agreed by the Vendor and the Purchaser within three months after the end of the relevant financial year.

## **Completion**

Completion shall take place on the fifth (5th) Business Day following the day on which all conditions set out in the section headed “Conditions precedent” above are fulfilled or waived by the Purchaser (as the case may be).

Upon Completion, the Company will indirectly hold 49% of the entire equity interest in the Operating Company through the Target Group, which will not be treated as the subsidiaries of the Company and the financial results of the Target Group will not be consolidated into the Group’s financial statement.

## **Promissory Note**

The Company has agreed to issue a Promissory Note with principal face value of HK\$100,000,000 and 24 months maturity at 6% interest per annum in favour of the Vendor (or its nominee), being the remaining balance of the Consideration, on the date of Completion. The Company may at its discretion early redeem a part of or the whole outstanding amount under the Promissory Note within the maturity period.

## INFORMATION ON THE TARGET GROUP

### Reorganisation

The Target Group is under a structure reorganisation for the purpose of the Acquisition and completion of the reorganisation is one of the conditions precedent under the Agreement.

The Target Company is a company incorporated in Cayman Islands on 15 October 2015 with limited liability, which 1,000 ordinary shares have been issued and fully paid-up making up the share capital of HK\$10. The Target Company is principally engaged in investment holding of the BVI Company.

The BVI Company is a company incorporated in the BVI on 9 October 2015 with limited liability, which one ordinary share has been issued and held by the Target Company. The BVI Company is principally engaged in investment holding of the HK Company.

The HK Company is a company incorporated in Hong Kong on 4 November 2015 with limited liability, which one ordinary share has been issued and held by the BVI Company. The HK Company will acquire the entire equity interest in the Operating Company such that the Operating Company will become an indirect wholly-owned subsidiary of the Target Company.

The Operating Company is a sino-foreign equity joint venture established in the PRC on 20 January 2004 with registered capital of RMB1,000,000 which was full paid up. The Operating Company is principally engaged in the provision of (i) advertising and media services; (ii) branding and marketing services; (iii) corporate image and strategy services; and (iv) innovation strategy services in the PRC.

It is expected that completion of the reorganisation will take place on or before 31 March 2016, upon which the Operating Company will become a wholly foreign owned enterprise and indirectly owned by the Target Company through the HK Company.

Upon Completion, the Target Group will be indirectly owned as to 49% by the Company and 51% by the Vendor respectively.

Set out below are the financial information of the Operating Company as extracted from its accounts ended 31 December 2013 (unaudited), 31 December 2014 (audited) and its management accounts for the period from 1 January 2015 to 31 October 2015 respectively:

	<b>For the period from 1 January 2015 to 31 October 2015 (unaudited) (approximately)</b>	<b>For the financial year ended 31 December 2014 (audited) (approximately)</b>	<b>2013 (unaudited) (approximately)</b>
Net profit/(loss) before taxation	RMB4,506,553	RMB5,571,504	RMB1,998,404
Net profit/(loss) after taxation	RMB4,026,474	RMB4,178,628	RMB1,498,803

The unaudited net asset value of the Operating Company as at 31 October 2015 was approximately RMB14,420,492.

As the Target Company was a newly incorporated company and is an investment holding company, it has no material assets and liabilities on its accounts.

Upon Completion, the Company will indirectly hold 49% of the entire equity interest in the Operating Company through the Target Group, which will not be treated as the subsidiaries of the Company and the financial results of the Target Group will not be consolidated into the Group's financial statement.

### **INFORMATION ON THE GROUP**

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, trading of metallurgical grade bauxite, investment properties and mining business.

The Purchaser is an indirect wholly-owned subsidiary of the Company and is an investment holding company.

### **INFORMATION OF THE VENDOR**

The Vendor is a company incorporated in the BVI with limited liability, which is wholly owned by the Guarantor. The Vendor is principally engaged in investment holding.

### **REASONS AND BENEFITS FOR THE ACQUISITION**

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, trading of metallurgical grade bauxite, investment properties and mining business.

As disclosed in the annual report of the Company for the year ended 30 June 2015, the Group is considering reducing or eliminating existing manufacturing businesses suffering long-term losses such as the cables and wires and copper products, whilst the Group will closely monitor the economic development and investment environment in Mongolia so as to assess the risks if the Group is to continue to make an investment there.

The Group has been actively exploring other new investments and business opportunities to engage in a new line of business with growth potential and broaden its source of income. The Directors consider that advertising and media related business in the PRC has shown its growth potential especially advertising through TV, websites and instant messages. The Operating Company is acting as the agent of various provincial broadcasting networks in Guangdong Province and provided advertising and media related services for clients with famous brands in beverage, IT and motor industries. In January 2015, it has been appointed as the first class agent of Guangzhou Broadcasting Network (廣州廣播電視台). The Directors are of the view that the Acquisition provides a prime opportunity for the Group to enter into the advertising and media related business in the PRC and diversify the revenue stream of the Group. The Directors expect that the diversification of the income stream will counter balance the Group's cables and wires business, to increase the Shareholders' value and benefit the Company and the Shareholders as a whole.



In view of the above, the Directors consider that the terms of the Agreement and the Promissory Note are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Since certain of the applicable percentage ratios of the Acquisition exceed 5% but are less than 25%, the Acquisition will constitute a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

**THE AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF A NUMBER OF CONDITIONS PRECEDENT. THEREFORE THE ACQUISITION MAY OR MAY NOT PROCEED. INVESTORS AND SHAREHOLDERS ARE ADVISED TO EXERCISE CAUTION IN DEALING IN THE COMPANY'S SECURITIES.**

## **DEFINITIONS**

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

“Acquisition”	the proposed sale and purchase of the Sale Shares pursuant to Agreement
“Agreement”	the conditional sale and purchase agreement dated 10 December 2015 entered into between inter alia, the Company, the Purchaser, the Vendor and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“BVI Company”	Idea Advertising Holdings Limited 藝典廣告控股有限公司, a company incorporated in the BVI with limited liability
“Company”	Solartech International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Agreement



“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$130,000,000 being the consideration for the Acquisition
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Ms. Deng Rong, the registered legal and beneficial owner of the Vendor
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HK Company”	Idea Advertising Hong Kong Company Limited 藝典廣告香港有限公司, a company incorporated in Hong Kong with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2016 (or such other date as the Purchaser and the Vendor may agree)
“Operating Company”	廣州市藝典廣告有限公司 (for identification purpose only, in English, Guangzhou Yi Dian Advertising Company Limited), as at the date of this announcement, a sino-foreign equity joint venture established in the PRC with limited liability
“PRC”	the People’s Republic of China which, for the purpose of this announcement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Promissory Note”	means the 24 months maturity 6% interest per annum promissory note with principal face value of HK\$100,000,000 to be issued by the Company in favour of the Vendor (or its nominee)
“Purchaser”	Allied Talent Investments Limited, a company incorporated in the BVI with limited liability and an indirect wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	490 ordinary shares in the capital of the Target Company, representing 49% of its entire share capital

“Shareholders”	holders of Shares
“Shares”	ordinary shares of par value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Idea International Holdings Limited 藝典國際控股有限公司, a company incorporated in Cayman Islands with limited liability
“Target Group”	the Target Company, the BVI Company, the HK Company and the Operating Company
“Vendor”	Stylish Code Limited, a company incorporated in the BVI with limited liability and wholly owned by the Guarantor
“%”	per cent.

*For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.21. The exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 10 December 2015

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