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Feishang Non-metal Materials Technology Limited
飛尚非金屬材料科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8331)

INSIDE INFORMATION
MEMORANDUM OF UNDERSTANDING
IN RESPECT OF THE PROPOSED ACQUISITION

This announcement is made by Feishang Non-metal Materials Technology Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 14 February 2017 (after trading hours), the Company (as the potential purchaser) and an individual (the “**Potential Vendor**”) entered into a non-legally binding memorandum of understanding (the “**MOU**”). Pursuant to the MOU, the Company intends to acquire and the Potential Vendor intends to sell certain equity interests in a limited liability company established in the People’s Republic of China (the “**PRC**”) (the “**Target Company**”) (the “**Proposed Acquisition**”). The Target Company is principally engaged in mining, processing and sale of black marble (dolerite) in the PRC, which is used in polished slabs, shaped stones and construction materials.

Major Terms of the MOU

Date:

14 February 2017 (after trading hours).

Parties:

- (i) the Company; and
- (ii) the Potential Vendor.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Potential Vendor and the Target Company (and its ultimate beneficial owners) are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Due Diligence Review

Pursuant to the MOU, the Company shall, during the period of 180 days upon signing of the MOU (inclusive of the date on which the MOU was signed) (the “**Exclusivity Period**”), have a sole and exclusive right to conduct a due diligence review on the Target Company (including but not limited to, its business status, operation qualifications, assets, liabilities, material contracts, guarantees, litigations, arbitrations, financial condition, taxation etc.). The Potential Vendor shall provide and shall procure the Target Company and its agents to provide the Company with full cooperation and assistance for the completion of the due diligence review on the Target Company.

Exclusivity

During the Exclusivity Period, the Company shall have the exclusive right to negotiate with the Potential Vendor in relation to the terms of the Proposed Acquisition. During the Exclusivity Period, the Potential Vendor shall not directly or indirectly negotiate or enter into any agreement or understanding with any other party with respect to the disposal of the Target Company or any of its businesses, or allow any other party to perform any due diligence review on the Target Company.

Formal Agreement

If the Company is satisfied with the result of the due diligence review, the Company and the Potential Vendor shall use their best endeavors to procure the execution of a legally binding formal equity transfer agreement (the “**Formal Agreement**”) in relation to the Proposed Acquisition (including specific terms relating to the consideration, payment terms, completion of transfer of equity interests etc.) within the Exclusivity Period after negotiation. The Company is entitled to nominate one of its subsidiaries as the purchaser to enter into the Formal Agreement. In case the Company is not satisfied with the result of the due diligence review, the Company shall not be obliged to enter into the Formal Agreement with the Potential Vendor in relation to the Proposed Acquisition.

Termination

The MOU will be terminated at the earlier of:

- (i) the expiry of the Exclusivity Period; or
- (ii) the date on which the Formal Agreement is entered into; or
- (iii) the date on which the Company notifies the Potential Vendor in writing to terminate the MOU before the expiry of the Exclusivity Period if the Company is not satisfied with the result of the due diligence review.

Binding Effect

Save for the provisions relating to the due diligence review, exclusivity, confidentiality, termination, legal binding effect, governing law and jurisdiction, the MOU does not constitute a legally binding agreement on the parties to the MOU.

BACKGROUND OF THE TARGET COMPANY AND REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

According to the preliminary information provided by the Target Company, the Target Company is a limited liability company established in the PRC, and is principally engaged in mining, processing and sale of black marble (dolerite). The Target Company is located in Huai An County, Hebei Province, the PRC, which is rich in black marble (dolerite) resource, and the local stone market and processing technologies in Huai An County have been developed to a certain scale, and the domestic demand and export sales of stone are stable, showing an upward trend of selling prices year on year.

To the best of the Directors' knowledge, information and belief after having made all reasonable inquiries, the Target Company has commenced mining and operation as at the date of this announcement, therefore, it is expected that the Proposed Acquisition (if materialized) can diversify the Group's business, and is in the best interest of the Company and its shareholders as a whole.

GENERAL

As at the date of this announcement, the terms and conditions of the Proposed Acquisition are still being negotiated, and, save for the MOU, no legally binding agreement has been entered into by the Company (or any of its subsidiaries). The Proposed Acquisition, if materialized, may constitute a notifiable transaction for the Company under the GEM Listing Rules. Further announcement(s) in respect of the Proposed Acquisition will be made by the Company as and when appropriate in compliance with the GEM Listing Rules.

As the Proposed Acquisition may or may not proceed, shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

By order of the Board
Feishang Non-metal Materials Technology Limited
CHEN Gongbao
Executive Director

Hong Kong, 14 February 2017

As at the date of this announcement, the executive Directors are Mr. XU Chengyin, Mr. ZHANG Pingwu and Mr. CHEN Gongbao, and the independent non-executive Directors are Mr. CHAN Chiu Hung Alex, Mr. ZHENG Shuilin and Mr. DUAN Xuechen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM 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 announcement 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 or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the day of its publication and on the Company’s website at www.fsnmmaterials.com.