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**CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED**

**中 科 光 電 控 股 有 限 公 司\***

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8111)

**CONNECTED TRANSACTION:  
SECOND SUPPLEMENTAL AGREEMENT  
EXTENSION OF ORIGINAL TARGET PROFIT PERIOD  
IN RELATION TO THE ACQUISITION OF  
CHINA TECHNOLOGY SOLAR POWER HOLDINGS LIMITED**

On 2 September 2012, the Purchaser, Mr. Chiu, Ms. Yuen, the Vendor and the Company entered into the Second Supplemental Agreement to amend certain terms of the Revised Agreement in relation to the Original Target Profit Period.

The entering into of the Second Supplemental Agreement constitutes a connected transaction for the Company and is subject to the approval of Independent Shareholders at the EGM to be held by the Company. A circular containing details of the Second Supplemental Agreement, a letter of advice of Nuada on the Second Supplemental Agreement to advise the Independent Board Committee and the Independent Shareholders, the recommendation of the Independent Board Committee to the Independent Shareholders, together with a notice of the EGM will be despatched to Shareholders as soon as practicable within 15 business days after the publication of this announcement.

Reference is made to the announcements of the Company dated 14 December 2010 and 30 January 2012, the 2011 Circular and the 2012 Circular in relation to, among other matters, the acquisition of the entire issued share capital of the Target Company by the Purchaser, a wholly-owned subsidiary of the Company, from the Vendor and the entering into of the First Supplemental Agreement in relation to the Target Profit and the Consideration Adjustment (as defined below).

## **BACKGROUND**

Pursuant to the Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$292,000,000 (subject to the consideration adjustment).

The Agreement and the transactions contemplated thereunder, including but not limited to the purchase of the Sale Shares, the issue of the Consideration Shares and the Convertible Bonds pursuant to the Agreement, were approved by the Shareholders at the extraordinary general meeting of the Company on 31 May 2011. Completion of the Acquisition took place on 1 June 2011 and the Target Company has become a wholly-owned subsidiary of the Company since then.

On 30 January 2012, the Purchaser, Mr. Chiu, Ms. Yuen, the Vendor and the Company entered into the First Supplemental Agreement to amend certain terms of the Agreement. Pursuant to the First Supplemental Agreement, the original target profit of HK\$30,000,000 is changed to the Target Profit of HK\$40,000,000 and subject to the Consideration Adjustment. The First Supplemental Agreement and the transactions contemplated thereunder were approved by the independent Shareholders at the extraordinary general meeting of the Company on 12 March 2012.

## **THE SECOND SUPPLEMENTAL AGREEMENT**

On 2 September 2012, the Purchaser, Mr. Chiu, Ms. Yuen, the Vendor and the Company entered into the Second Supplemental Agreement to amend certain terms of the Revised Agreement. Details of the major terms of the Second Supplemental Agreement are set out below.

**Date:** 2 September 2012

**Parties:**

The Purchaser (a wholly-owned subsidiary of the Company);

The Vendor;

The Company;

Mr. Chiu; and

Ms. Yuen.

The principal activity of the Vendor is investment holding. As at the date of the Second Supplemental Agreement, the Vendor owns 103,566,038 Shares (representing approximately 11.2% of the issued share capital of the Company) and Convertible Bonds in the principal amount of HK\$107,100,000 which are convertible into 214,200,000 Shares at the conversion price of HK\$0.50 each (subject to adjustments). The Vendor is a substantial shareholder of the Company.

Each of Mr. Chiu and Ms. Yuen is an executive Director and is the ultimate beneficial owner of the Vendor holding 70% and 30% of the issued share capital of the Vendor respectively.

### **Effective date of the Second Supplemental Agreement**

The Second Supplemental Agreement shall become effective upon:

- (1) the Independent Shareholders having approved the Second Supplemental Agreement and the transactions contemplated thereunder;
- (2) the parties to the Second Supplemental Agreement having signed a supplemental escrow agreement for the purpose of effectuating the Amended Target Profit Period; and
- (3) all requisite consents, authorisations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the Second Supplemental Agreement having been obtained by the Company.

If the above conditions are not fulfilled within six months after the date of the Second Supplemental Agreement (or such later date as the parties may agree), the Second Supplemental Agreement shall terminate and cease to have any effect.

### ***Amendments to the Revised Agreement***

The parties to the Second Supplemental Agreement have agreed to amend certain terms of the Revised Agreement. The major terms under the Revised Agreement which are subject to amendments are:

- (1) The Vendor and the Guarantors have guaranteed to the Purchaser and the Company that the PAT recorded in the ordinary course of business for the Original Target Profit Period shall not be less than the Target Profit of HK\$40,000,000 for the Original Target Profit Period.

- (2) In the event that the Target Profit could not be achieved, the Consideration shall be adjusted downwards by reducing the principal amount of the Tranche II Convertible Bonds in accordance with the following formula (“**Consideration Adjustment**”) as follows. The principal amount of the Tranche II Convertible Bonds will be adjusted to HK\$0 if the PAT is equivalent to or less than HK\$15,000,000 or a loss:

$$\begin{array}{l} \text{The adjusted} \\ \text{principal amount} \\ \text{of the Tranche II} \\ \text{Convertible Bonds} \end{array} = \begin{array}{l} \text{the original principal amount} \\ \text{of the Tranche II Convertible} \\ \text{Bonds of HK\$50,000,000} \end{array} - \begin{array}{l} 2 \text{ X (Target Profit of} \\ \text{HK\$40,000,000 for the Original} \\ \text{Target Profit Period – PAT for} \\ \text{the Original Target Profit Period)} \end{array}$$

Under the Second Supplemental Agreement, it is proposed that the Original Target Profit Period will be deferred to cover the period of 12 months ending on 31 March 2013. In accordance with the Second Supplemental Agreement, the original terms of the Revised Agreement as set out above will be amended as follows:

- (1) The Vendor and the Guarantors have guaranteed to the Purchaser and the Company that the PAT recorded in the ordinary course of business for the Amended Target Profit Period shall not be less than the Target Profit of HK\$40,000,000 for the Amended Target Profit Period.
- (2) In the event that the Target Profit could not be achieved, the Consideration shall be adjusted downwards by reducing the principal amount of the Tranche II Convertible Bonds in accordance with the Consideration Adjustment as follows. The principal amount of the Tranche II Convertible Bonds will be adjusted to HK\$0 if the PAT is equivalent to or less than HK\$15,000,000 or a loss:

$$\begin{array}{l} \text{The adjusted} \\ \text{principal amount} \\ \text{of the Tranche II} \\ \text{Convertible Bonds} \end{array} = \begin{array}{l} \text{the original principal amount} \\ \text{of the Tranche II Convertible} \\ \text{Bonds of HK\$50,000,000} \end{array} - \begin{array}{l} 2 \text{ X (Target Profit of} \\ \text{HK\$40,000,000 for the Amended} \\ \text{Target Profit Period – PAT for} \\ \text{the Amended Target Profit} \\ \text{Period)} \end{array}$$

## **REASONS FOR THE SECOND SUPPLEMENTAL AGREEMENT**

The Target Group is principally engaged in (i) solar energy generation and (ii) related power system integration business in the PRC.

At present, the Target Company has three subsidiaries, namely Qinghai Baike, Qinghai Hongke New Energy Integration Technology Co., Ltd. and Shanxi Baike New Energy Technology Development Co., Ltd.

## **Power system integration business**

System integration refers to the optimization of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. The Target Group shall source equipment and products from different vendors based on the scale and capacity of the respective power stations and subsequently carry out integration of the separated equipment, functions and information into a connected, unified and coordinated system. System integration enables the utilization of resources at their best so to enhance optimization of performance of the entire system and achieve centralized, high efficiency, balanced performance, substitutable and available for maintenance, as well as low cost management. The Target Group also offers subsequent system management services to the power stations.

As mentioned in the 2011 Circular and the 2012 Circular, the Target Group has secured and signed two agreements for the provision of one-off system integration services for biomass energy, thermal power and solar energy generation companies and projects. In view of the fact that the contracting parties to the two agreements are still in the process of obtaining the necessary licences from the respective governmental authorities, the Target Group has not yet commenced such system integration services as at the date of the Second Supplemental Agreement. As such, the Vendor proposes and the Company agrees to defer the Original Target Profit Period to the Amended Target Profit Period.

## **Solar energy generation business**

As disclosed in the 2011 Circular and the 2012 Circular, the Target Group was approved to be engaged in the business of provision of solar energy of up to 1,000MW in the Qinghai Province. The Target Group has also entered into an investment agreement for the construction of a Large Solar Photovoltaic Power Station in the desert connected to the grid at Geermu of 200MW (“**Geermu Agreement**”) and an investment agreement for the construction of a Solar Photovoltaic Power Station connected to the grid at Delingha of 100MW (“**Delingha Agreement**”).

The Development and Reform Commission of the Qinghai Province had granted approval in December 2010 for the construction of solar photovoltaic power station with the capacity of 10MW under the Geermu Agreement and the Development and Reform Commission of the Qinghai Province had granted approval on 6 December 2011 for the construction of solar photovoltaic power station with the capacity of 20MW under the Delingha Agreement.

On 28 December 2011, the Target Group has completed the construction of a 10MW solar photovoltaic power plant in 青海省格尔木東出口光伏園區 (unofficial English translation being Geermu East Exit Solar Power District, Qinghai province) (“**Qinghai Geermu Power Plant**”) and passed the grid integration inspection tests with the consent of 青海省電力公司 (unofficial English translation being Qinghai Province Electric Company). On 30 December 2011, the Target Group has received the notification from 青海省發展和改革委員會 (unofficial English

translation being Qinghai Province Development and Reform Committee) (“Committee”) that the Qinghai Geermu Power Plant has passed the inspection test of the Committee, and has conformed with the normal operation requirements for, and has officially commenced, grid integrated power generation. Pursuant to the relevant regulations of the PRC, from the date of commercial operation of the Qinghai Geermu Power Plant, the unit selling price of electricity shall be set at RMB1.15/KWh (inclusive of tax). Up to 30 June 2012, the total grid electricity generation volume of the Qinghai Geermu Power Plant has reached 5,142,400/KWh.

At present, the Company is considering disposing of its interests in Qinghai Baike, which is principally engaged in solar energy generation business under the Geermu Agreement, for a cash consideration, so that the cashflow of the Target Group could be improved and the Group is able to concentrate its resources for the system integration business and the solar energy generation business under the Delingha Agreement and other potential opportunities of solar energy generation business. As at the date of this announcement, the Company is in negotiation with an Independent Third Party on a possible sale of 100% interest in Qinghai Baike. As at the date of this announcement, no definitive agreement regarding such possible sale had been signed by the parties. Further announcement will be made by the Company as and when required under the GEM Listing Rules.

Based on the unaudited consolidated management accounts of the Target Company, the Target Company recorded a consolidated net loss of approximately HK\$5.1 million from 1 June 2011 to 31 March 2012 which was mainly attributable to staff costs and interest expenses. The projects currently undertaken by the Target Group are capital intensive and have been financially supported by Mr. Chiu, an executive Director and one of the ultimate beneficial owners of the Vendor, by way of director’s loans which are non-interest bearing starting from July 2011 in order to speed up the progress of the business operations of the Target Group so as to meet the Target Profit requirement under the Revised Agreement. Having considered the business agreements secured for the power system integration business as mentioned above, the continuous financial support offered by Mr. Chiu, and the potential cash inflow resulting from the possible disposal of Qinghai Baike, the operating arm of the solar energy generation business under the Geermu Agreement, extending the Original Target Profit Period will enable the Group to capture the profit attributable to the developing power system integration business of the Target Group in the future and to generate synergy effect by building up long term relationship with Mr. Chiu. As such, the Vendor proposes and the Company agrees to defer the Original Target Profit Period to the Amended Target Profit Period.

In view of the foregoing, the Directors consider the Second Supplemental Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save for Mr. Chiu and Ms. Yuen who have abstained from voting at the Board meeting to approve the Second Supplemental Agreement, the Directors (excluding the independent non-executive Directors whose view will be formed after they have received the advice of Nuada, the





“2012 Circular”	the circular of the Company dated 22 February 2012 containing details of, among other matters, the First Supplemental Agreement
“Acquisition”	the acquisition of the entire issued share capital of Target Company by the Purchaser pursuant to the Agreement, which was completed on 1 June 2011
“Agreement”	the conditional sale and purchase agreement dated 13 December 2010 entered into among the Purchaser, the Company, the Vendor and the Guarantors in relation to the Acquisition
“Amended Target Profit Period”	a period of 12 months ending on 31 March 2013
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China Technology Solar Power Holdings Limited (formerly known as Soluteck Holdings Limited), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition pursuant to the terms of the Agreement which took place on 1 June 2011
“connected person(s)”	having the same meaning ascribed thereto in the GEM Listing Rules
“Consideration”	HK\$292,000,000, being the aggregate consideration for the sale and purchase of the Sale Shares (subject to the consideration adjustment)
“Consideration Shares”	133,000,000 new Shares allotted and issued by the Company to the Vendor (or its nominee(s)) in accordance with the terms and conditions of the Agreement upon Completion
“Convertible Bonds”	collectively the Tranche I Convertible Bonds and the Tranche II Convertible Bonds
“Director(s)”	the director(s) of the Company



“EGM”	an extraordinary general meeting to be convened by the Company for the purposes of considering, and if thought fit, approving, among other things, the Second Supplemental Agreement and the transactions contemplated thereunder
“First Supplemental Agreement”	the first supplemental agreement dated 30 January 2012 entered into among the Purchaser, the Company, the Vendor and the Guarantors to amend certain terms of the Agreement
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Chiu and Ms. Yuen, the ultimate beneficial owners of the Vendor holding 70% and 30% of the issued share capital of the Vendor respectively, each of them was an Independent Third Party at the time of entering into of the Agreement and presently an executive Director
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors for the purpose of advising the Independent Shareholders regarding the Second Supplemental Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who have no interest in the Second Supplemental Agreement and the transactions contemplated thereunder
“Independent Third Party(ies)”	independent third party who is independent of and not connected with the Company and the connected person of the Company
“Mr. Chiu”	Mr. Chiu Tung Ping, an executive Director
“Ms. Yuen”	Ms. Yuen Hing Lan, an executive Director
“MW”	megawatt(s)

“Nuada”	Nuada Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Second Supplemental Agreement, a licensed corporation under the SFO licensed to carry on Type 6 regulated activity (advising on corporate finance)
“Original Target Profit Period”	a period of 12 months ending on 30 September 2012
“PAT”	the audited consolidated net profit after tax of the Target Group
“PRC”	the People’s Republic of China, for the purposes of this announcement and for geographical reference only, excludes Taiwan, the Macau Special Administrative Region and Hong Kong (unless otherwise indicated)
“Purchaser”	City Max International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Qinghai Baike”	青海百科光電有限責任公司 (Qinghai Baike Solar Power Co., Ltd.*), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Target Company
“Revised Agreement”	the Agreement as amended and revised by the First Supplemental Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	2 ordinary shares of US\$1.00 each in the share capital of the Target Company, representing the entire issued share capital of the Target Company
“Second Supplemental Agreement”	the second supplemental agreement dated 2 September 2012 entered into among the Purchaser, the Company, the Vendor and the Guarantors to amend certain terms of the Revised Agreement
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)

“Shares”	the ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Technology Solar Power Holdings Limited, a company incorporated in the BVI with limited liability, now being a wholly owned subsidiary of the Company and was wholly owned by the Vendor before Completion
“Target Group”	Target Company and its subsidiaries
“Target Profit”	the amount of HK\$40,000,000, being the amount guaranteed by the Vendor and the Guarantors to the Purchaser and the Company pursuant to the Revised Agreement as the minimum audited consolidated net profit after tax of the Target Group in the ordinary course of business
“Tranche I Convertible Bonds”	the Convertible Bonds in the principal amount of HK\$113,100,000 issued by the Company to the Vendor (or its nominee(s)) upon Completion
“Tranche II Convertible Bonds”	the Convertible Bonds in the principal amount of up to HK\$50,000,000 issued by the Company to the Vendor (or its nominee(s)) upon Completion
“Vendor”	Good Million Investments Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Guarantors

By order of the Board  
**China Technology Solar Power Holdings Limited**  
**Chiu Tung Ping**  
*Chairman*

Hong Kong, 2 September 2012

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Chiu Tung Ping (*Chairman*)  
Yuen Hing Lan  
Hou Hsiao Bing  
Hou Hsiao Wen  
Hu Xin

*Independent non-executive Directors:*

Tam Kam Biu, William  
Zhou Jing  
Yang Guocai

*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](http://www.hkgem.com) for at least 7 days from the date of its publication.*

\* *for identification purposes only*