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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)

MAJOR TRANSACTION DISPOSAL OF 100% EQUITY INTEREST IN QINGHAI BAIKE

THE DISPOSAL

On 6 September 2012, the Vendor and the Purchaser entered into the Disposal Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the entire equity interest in the Target Company at a total consideration of RMB46,800,000 (equivalent to approximately HK\$57,255,000). Upon Completion, the Target Company will cease to be a subsidiary of the Company.

The Directors expect that the net proceeds from the Disposal, after deducting expenses attributable to the Disposal, will be approximately HK\$55.3 million. Such net proceeds are expected to be used as the general working capital of the Group.

LISTING RULES IMPLICATION

As the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. As at the date of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, neither the Purchaser nor its ultimate beneficial owner(s) hold any Shares and none of the Shareholders is required to abstain from voting for the resolution(s) to approve the Disposal and the transactions contemplated thereunder at the EGM.

A circular containing, among other matters, (i) details of the Disposal; (ii) further information required under the GEM Listing Rules; and (iii) a notice to convene the EGM will be despatched to the Shareholders on or before 27 September 2012.

THE DISPOSAL AGREEMENT

Date: 6 September 2012

Parties:

- (i) Vendor : China Technology Solar Power Holdings Limited, a wholly-owned subsidiary of the Company.
- (ii) Purchaser : 青海省綠色發電集團有限公司 (unofficial English translation being Qinghai Green Power Generation Group Ltd.)

The principal activities of the Purchaser are hydropower generation, wind power generation, solar energy generation and other electricity production activities. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Group and its connected persons.

Assets to be disposed of

The assets to be disposed of under the Disposal Agreement are the entire equity interest in the Target Company. As at the date of this announcement, the principal assets of the Target Company are the 10MW Geermu Power Station and the 20MW Delingha Project.

Consideration

Pursuant to the terms of the Disposal Agreement, the Consideration of RMB46,800,000 (equivalent to approximately HK\$57,255,000) shall be payable by the Purchaser in cash in the following three installments:

- (i) the first installment of RMB2,340,000 (equivalent to approximately HK\$2,863,000) being paid to the Group within 10 business days upon signing of the Disposal Agreement;

- (ii) the second installment of RMB10,000,000 (equivalent to approximately HK\$12,234,000) being paid to the Group within 5 business days upon the provision of a copy of the necessary resolution(s) passed by the Shareholders at the EGM approving the Disposal Agreement and the transactions contemplated thereunder by the Group to the Purchaser; and
- (iii) the final installment of the remaining Consideration after deducting the Relevant Balance and Liabilities and the Target Audited Loss (as defined below) being paid to the Group within 10 business days upon fulfillment (or where applicable, waiver by the Purchasers) of all the conditions as set out the paragraph headed “Conditions precedent” below before the Long Stop Date.

The Consideration has been arrived at after arm’s length negotiations between the parties with reference to the paid-up capital of US\$4 million of the Target Company.

Upon Completion, the Target Company will cease to be a subsidiary of the Company. After Completion, the Purchaser will be liable for the liabilities of the Target Company before Completion Date up to a maximum amount of RMB95,000,000. The Group agreed to settle the balance (“Relevant Balance”) if the amount of the total liabilities (including contingent liabilities) of the Target Company exceeds RMB95,000,000. Both parties agreed that the Purchaser may deduct the Consideration or the technology consultancy fee to be received by the Vendor or its subsidiary if the Group fails to settle the Relevant Balance or other legal liabilities (including but not limited to tax, safety production and compensation of damages for the third parties or employees) of the Target Company prior to Completion (the “Relevant Balance and Liabilities”). If the Relevant Balance and Liabilities exceed the Consideration and the technology consultancy fee to be received by the Target Company, the Vendor shall make up the difference within three days upon receipt of the notice from the Purchaser and make compensation for actual direct losses caused to the Purchaser. The Purchaser will engage a qualified accounting firm to audit the accounts of Target Company as at 31 August 2012 within five business days upon signing of the Disposal Agreement. The vendor agreed that if the Target Company has audited loss (“Target Audited Loss”). Such loss shall be deducted from the final installment of the Consideration.

Pursuant to a technology consultation service agreement entered into between the Vendor and the Purchaser on the date of the Disposal Agreement, the Group will receive an aggregate service fee of RMB14,210,000 (subject to confirmation from both parties) from the Purchaser for the provision of technology consultation and design services to 20MW Delingha Project. The Disposal will also enable the Group to form a strategic alliance with the Purchaser from the cooperation in 20MW Delingha Project.

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled and/or (where applicable) waived:

- (i) the passing of the necessary resolution(s) by the Shareholders at the EGM approving the Disposal Agreement and the transactions contemplated thereunder;
- (ii) the passing of resolution(s) by the shareholder of the Vendor approving, amongst others, the Disposal contemplated under the Disposal Agreement;
- (iii) necessary approval in relation to the Disposal being obtained from the Department of Commerce of Qinghai Province (青海省商務廳); and
- (iv) the Vendor and the Purchaser having completed the necessary procedures in relation to the Disposal as required by the relevant Administration for Industry and Commerce.

The parties agreed that the above conditions (iii) and (iv) should be fulfilled after the satisfaction of the above conditions (i) and (ii).

The Purchaser may waive the above conditions (iii) and (iv) by notice in writing to the Vendor. Each of the parties has undertaken to work on a best endeavor basis so as to speed up the Completion. In the event that any of the above conditions is not fulfilled and/or waived (where applicable) within 45 days upon signing of the Disposal Agreement (i.e. 21 October 2012) (“Long Stop Date”) (or any other date as may be agreed by the Purchaser), the Disposal Agreement shall be terminated automatically and cease to have any effect, and neither party to the Disposal Agreement shall have any obligations and liabilities towards each other thereunder. The Group agreed to refund the payment received from the Purchaser together with the accrued interests (calculated with reference to benchmark lending rate published by the People’s Bank of China by that time and from the date when the Company receives the Consideration) to the Purchaser within 2 business days upon the termination of the Disposal Agreement. Neither party to the Disposal Agreement shall have any claim against the other save and except any antecedent breach. The Vendor may unilaterally terminate the Disposal Agreement and claim for compensation for loss caused by the equity transfer of the Target Company if the Purchaser fails to pay any of the installments of the Consideration in accordance with the Disposal Agreement.

Completion

Completion shall take place on a day when all legal procedures in relation to the change and registration of equity transfer of the Target Company are completed.

Upon Completion, the Target Company will cease to be a subsidiary of the Company.

BACKGROUND INFORMATION ON THE TARGET GROUP

The Target Company was established in the PRC in July 2009 with limited liability and is wholly-owned by the Vendor as at the date of this announcement. The Target Company is principally engaged in solar energy generation in the PRC. As at the date of this announcement, the principal assets of the Target Company are the 10MW Geermu Power Station and the 20MW Delingha Project.

According to the unaudited accounts of the Target Company, the unaudited loss (both before and after taxation and extraordinary items) of the Target Company for the year ended 31 March 2011 was approximately RMB3.9 million (equivalent to approximately HK\$4.8 million). According to the audited accounts of the Target Company, the audited loss (both before and after taxation and extraordinary items) of the Target Company for the year ended 31 March 2012 was approximately RMB4.0 million (equivalent to approximately HK\$4.9 million). As at 31 March 2012, the audited net asset value of the Target Company was approximately RMB19.0 million (equivalent to approximately HK\$23.2 million).

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in (i) sales of self-service automatic teller machine (“ATM”) systems and printing systems; (ii) provision of hardware and software technical support services; (iii) solar energy generation; and (iv) power system integration business in the PRC.

The Group acquired the entire issued share capital of the Vendor in December 2010, details of which were set out in the circular of the Company dated 16 May 2011. Having taken into account of the sizable capital expenditure required for future construction and development of 10MW Geermu Power Station and 20MW Delingha Project, the Directors consider that the Disposal represents a prime opportunity for the Group to realise its investment and reserve its financial resources for the system integration business and solar energy generation projects with smaller capacity. The proceeds from the Disposal will bring an immediate cash flow to the Group, which will in turn improve the working capital and strengthen the financial position of the Group.

On the date of the Disposal Agreement, a technology consultation service agreement was entered into between the Vendor and the Purchaser pursuant to which the Group will receive an aggregate service fee of RMB14,210,000 (subject to confirmation from both parties) from the Purchaser for the provision of technology consultation and design services to 20MW Delingha Project. The Disposal will also enable the Group to form a strategic alliance with the Purchaser from the cooperation in 20MW Delingha Project.

In view of the above, the Board considers that the terms and conditions of the Disposal are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The estimated net proceeds from the Disposal, after deducting expenses attributable to the Disposal, are estimated to be approximately HK\$55.3 million. Such net proceeds are expected to be used as general working capital of the Group.

POSSIBLE FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company. As a result, the financials of the Target Group will be not be consolidated into the financial statements of the Group subsequent to the Completion.

The Group expects to record an unaudited gain from the Disposal of approximately HK\$1.0 million, which is calculated by reference to, (i) the net proceeds from the Disposal of approximately HK\$55.3 million; (ii) the net asset value of the Target Company as at 31 March 2012 of approximately RMB19.0 million (equivalent to approximately HK\$23.2 million); (iii) the difference of approximately RMB5.8 million (equivalent to approximately HK\$7.1 million between the total liabilities of the Target Company as at 31 March 2012 of approximately RMB100.8 million and the maximum liabilities borne by the Purchaser of RMB95 million; and (iv) goodwill derecognized on the Disposal of approximately HK\$24 million. It is expected that the total liabilities of the Group will decrease upon Completion.

Shareholders should note that the actual gain/(loss) from the Disposal will be calculated on the basis of the relevant figures as at the date of the Completion and therefore would be different from the aforesaid amount.

BUSINESSES OF THE REMAINING GROUP

Following the Disposal, the Remaining Group will continue to engaged in (i) sales of self-service ATM systems and printing systems; (ii) provision of hardware and software technical support services; (iii) solar energy generation; and (iv) power system integration business in the PRC.

Based on the existing solar photovoltaic power stations and investments from the cooperators, the Remaining Group will expand its system integration services and technology consultancy services for more solar photovoltaic power generation projects in the PRC with reliance upon its advance system integration technologies. The Directors are of the view that the power system integration business will faster the capital turnover and strengthen the profitability of the Remaining Group. In addition, the Remaining Group will continue its investment in solar energy generation projects with smaller capacity.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined under Rule 19.07 of the GEM Listing Rules in respect of the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction on the part of the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. As at the date of this announcement, to the best knowledge, information and belief of the Directors and having made all reasonable enquiries, neither the Purchaser nor its ultimate beneficial owner(s) hold any Shares and none of the Shareholders is required to abstain from voting for the resolution(s) to approve the Disposal and the transactions contemplated thereunder at the EGM.

A circular containing, among other matters, (i) details of the Disposal; (ii) further information required under the GEM Listing Rules; and (iii) a notice to convene the EGM will be despatched to the Shareholders on or before 27 September 2012.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“10MW Geermu Power Station”	the completed first phase of 10MW of Geermu Agreement
“20MW Delingha Project”	the first phase of Delingha Agreement which is under construction and had obtained approval from the Development and Reform Commission of the Qinghai Province on 6 December 2011 for the construction of solar photovoltaic power station with the capacity of 20MW
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	China Technology Solar Power 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 Disposal
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules

“Consideration”	the consideration of RMB46,800,000 payable by the Purchaser for the entire equity interest in the Target Company under the Disposal Agreement, details of which are set out in the paragraph headed “Consideration” of this announcement
“Delingha Agreement”	an investment agreement entered into between the Vendor and the Economic and Development Reform Commission of Delingha Municipal in December 2011 for the construction of a solar photovoltaic power station connected to the grid at Delingha with designed power generation capacity of 100MW
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire equity interest in the Target Company by the Vendor to the Purchaser pursuant to the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement entered into between the Vendor and the Purchaser in respect of the Disposal on 6 September 2012
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and, if though fit, approve the Disposal Agreement and the transactions contemplated thereunder
“Geermu Agreement”	an investment agreement entered into between Qinghai Baike and the Development and Reform Commission of Geermu Municipal on 2 March 2010 for the construction of solar photovoltaic power stations in the desert connected to the grid at Geermu with designed power generation capacity of 200MW
“GEM”	The Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Purchaser”	青海省綠色發電集團有限公司 (unofficial English translation being Qinghai Green Power Generation Group Ltd.), the purchaser named under the Disposal Agreement
“Remaining Group”	the Group excluding the Target Company
“Share(s)”	existing ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Qinghai Baike”	Qinghai Baike Solar Power Co., Ltd* (青海百科光電有限責任公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Vendor as at the date of this announcement
“Vendor”	China Technology Solar Power Holdings Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.8174 to HK\$1.

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

Hong Kong, 6 September 2012

* *For identification purpose only*

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.

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