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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)

DISCLOSEABLE TRANSACTION
INVOLVING ISSUE OF NEW SHARES UNDER GENERAL MANDATE
IN RESPECT OF THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF
CHINA WESTERN ENERGY HOLDINGS LIMITED

THE ACQUISITION

On 1 April 2014 (after trading hours), the Purchaser and the Vendor entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Share (representing the entire issued share capital of China Western Energy) at the consideration of not less than HK\$16,000,000 and not more than HK\$32,000,000, the final amount of which will be determined based on the audited net profit after tax of the Target Group for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33. The total Consideration will in any event not exceed HK\$32,000,000.

Pursuant to the Sale and Purchase Agreement, the Consideration shall be satisfied by the issue of Consideration Shares at the Issue Price to the Vendor. The Consideration Shares will be allotted and issued under the general mandate granted to the Directors to allot and issue up to 185,318,414 new Shares by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 September 2013.

The maximum number of the Consideration Shares represent approximately 18.27% of the existing issued share capital of the Company and approximately 15.45% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

* *for identification purposes only*

The Acquisition is subject to fulfillment of the conditions precedent as detailed in the paragraph headed “Conditions precedent” in this announcement. Upon Completion, China Western Energy will become a wholly-owned subsidiary of the Purchaser.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under the GEM Listing Rules.

SALE AND PURCHASE AGREEMENT

Date: 1 April 2014

Parties:

- (i) Vendor : Soar Ocean Holdings Limited; and
- (ii) Purchaser : City Max International Limited, a wholly-owned subsidiary of the Company
- (iii) Guarantor : Ye Xin Mei

The Guarantor is joined as a party to the Sale and Purchase Agreement to warrant and guarantee the performance of the Vendor under the Sale and Purchase Agreement.

To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner (being the Guarantor) are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Share (representing the entire issued share capital of China Western Energy). Upon Completion, China Western Energy will become a wholly-owned subsidiary of the Company and the financial results of the Target Group would be consolidated into the Group’s result upon Completion.

Consideration

The consideration for the Sale Share will be not less than HK\$16,000,000 and not more than HK\$32,000,000. The final Consideration will be determined based on the audited net profit after tax of the Target Group for the year ending 31 December 2014 multiplied by a price-earnings ratio of 5.33 but in any event shall not be less than HK\$16,000,000 or more than HK\$32,000,000.

Payment terms

Pursuant to the terms of the Sale and Purchase Agreement, the Consideration shall be settled in the following manner:

- (i) the amount of HK\$16,000,000 (the “**Initial Payment**”) will be satisfied by the Company’s allotment and issuance of 91,428,571 Consideration Shares at the Issue Price to the Vendor upon Completion; and
- (ii) the remaining balance of the Consideration (being the final Consideration less the Initial Payment) will be satisfied by the Company’s issuance and allotment of Consideration Shares at the Issue Price credited as fully paid within 30 days from the day on which the audited accounts of the Target Group for the year ending 31 December 2014 have been issued by the auditors appointed by the Company.

The mechanism of the Consideration is based on a price earning ratios of 5.33 multiplied by the net profit before tax of the Target Group for the year ending 31 December 2014, subject to the upper limit of HK\$32,000,000 (“**Upper Limit**”).

The Consideration has been negotiated between the parties on an arm’s length basis and taking into account the future growth prospects and earnings capability of the Target Group. Compared the price earning ratio of 5.33 to that of other Hong Kong listed issuers participating in similar renewable energy business in the PRC, the Directors note that there is a discount to the average price earning ratio of relevant renewable energy companies in Hong Kong where such price earning ratio ranged from approximately 16.5 to 45.4. As such, the Directors consider that the Acquisition has been made on normal commercial terms and after arm’s length negotiations. The terms of the Sale and Purchase Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and that the Acquisition is in the interest of the Company and the Shareholders.

Conditions precedent

Completion is conditional upon the following conditions having been fulfilled:

- (i) the Stock Exchange granting listing of, and the permission to deal in, the Consideration Shares;

- (ii) all necessary consents, licences and approvals from the institutions and regulators required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (iii) all necessary consents, licences and approvals from the institutions and regulators required to be obtained on the part of the Vendor in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (iv) the Purchaser having completed the due diligence review on the Target Group and being reasonably satisfied with the results; and
- (v) all the representations, warranties and undertakings given by the Vendor contained in the Sale and Purchase Agreement remain true, accurate and not misleading in all respects.

The Purchaser has the right to waive all of the above conditions in part or in full, except for condition (i). The Vendor shall use its best endeavours to procure the fulfillment of the conditions (iii) to (v) above.

If the conditions have not been satisfied or waived on or before 30 June 2014, or such later date as the Vendor and the Purchaser may agree, the Sale and Purchase Agreement shall cease and determine (save and except certain clauses under the Sale and Purchase Agreement which will continue to have full force and effect) and thereafter neither party to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion

Upon fulfillment or waiver of all conditions precedent set out in the Sale and Purchase Agreement, Completion shall take place on the Completion Date or such other date as agreed by parties to the Sale and Purchase Agreement in writing.

Consideration Shares

A maximum of 182,857,142 Consideration Shares will be issued at the Issue Price which represents:

- (a) represents a premium of approximately 10.76% over the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (b) represents a premium of approximately 10.76% over the average closing price of approximately HK\$0.158 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The maximum number of the Consideration Shares represent approximately 18.27% of the existing issued share capital of the Company as at the date of this announcement and represent approximately 15.45% of the Company's issued share capital as enlarged by the issue of the Consideration Shares. The Consideration Shares will be issued pursuant to the general mandate granted to the Directors to allot and issue up to 185,318,414 new Shares by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 23 September 2013.

An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares, when allotted and issued upon Completion, will rank pari passu in all respects with the existing Shares in issue.

CHANGE IN SHAREHOLDING STRUCTURE OF THE COMPANY

The following illustrates the Company's shareholding structure, assuming there is no further change to the share capital of the Company: (i) as at the date this announcement; (ii) immediately upon the issuance and allotment of the Consideration Shares for the Initial Payment; and (iii) immediately upon the issuance and allotment of the Consideration Shares for the remaining Consideration up to its Upper Limit:

Shareholders	As at the date of this announcement		Immediately after the allotment and issuance of the Consideration Shares for the Initial Payment		Immediately after the allotment and issuance of the Consideration Shares for the remaining Consideration up to the Upper Limit	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Good Million Investments Limited ⁽¹⁾	177,766,038	17.76	177,766,038	16.28	177,766,038	15.02
China Technology Development Group Corporation	57,313,962	5.73	57,313,962	5.25	57,313,962	4.84
Mr. Hou Hsiao Bing	131,150,000	13.10	131,150,000	12.01	131,150,000	11.08
Mr. Hou Hsiao Wen	25,370,000	2.53	25,370,000	2.32	25,370,000	2.14
Vendor	-	-	91,428,571	8.37	182,857,142	15.45
Public	609,192,072	60.88	609,192,072	55.77	609,192,072	51.47
	<u>1,000,792,072</u>	<u>100.00</u>	<u>1,092,220,643</u>	<u>100.00</u>	<u>1,183,649,214</u>	<u>100.00</u>

Note:

- Mr. Chiu Tung Ping and Ms. Yuen Hing Lan, both being executive Directors, held 70% and 30% interest in the entire issued share capital of Good Million Investments Limited.

INFORMATION ON THE TARGET GROUP

China Western Energy is an investment holding company incorporated in the BVI on 11 April 2011 with limited liability and is wholly-owned by the Vendor. Apart from its 100% shareholding interest in Gansu Zhongke, China Western Energy does not have any business operation since its incorporation.

Gansu Zhongke is a wholly-foreign owned enterprise established in the PRC on 23 October 2012. Gansu Zhongke has a registered capital of US\$30,000 and is principally engaged in renewable energy engineering, research and development and consulting services.

The following is a summary of the unaudited financial results of the Target Group (based on PRC generally accepted accounting principles):

	Year ended 31 December	
	2012	2013
	RMB	RMB
Net (loss)/profit before tax	(23,190)	520,670
Net (loss)/profit after tax	(23,190)	389,720

As at 31 December 2013, the unaudited net asset value of the Target Group was approximately RMB612,000 (equivalent to approximately HK\$756,000).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in (i) sales of self-service automatic teller machine 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 importance of renewable energy has been growing rapidly from the cross currents of various social, political and economic forces. According to the Renewables 2013 Global Status Report published by Renewable Energy Policy Network for the 21st Century, renewable energy continues to play a major role in the energy mix in many countries around the world. During the period from 2008 to 2012, installed capacity of many renewable energy technologies has grown rapidly, where the total capacity of solar photovoltaic grew at an average rate of approximately 60% annually, from approximately 9,443MW in operation at the end of 2007 to approximately 100GW at the end of 2012. Besides, solar power was the leading sector in terms of money committed in 2012 (where approximately 96% of which went to solar photovoltaic), receiving approximately 57% of total new investment in renewable energy. Moreover, the PRC government continues to support the development of the solar energy industry. The twelve five year plan has set clear targets on the development of different renewable energy technologies including but not limited to solar photovoltaic power and solar thermal power. In 2014, the Target Group completed two solar photovoltaic system installation projects. It has also secured one agreement in the provision of solar

photovoltaic system installation services which the project will begin shortly and one memorandum of understanding in the installation of solar photovoltaic power system until the end of 2014. Furthermore, the Target Group has an established network in the solar energy industry in the Gansu Province. Upon Completion, the Group could effectively expand its business to the Gansu Province and diversify its source of revenue. In view of (i) the increasing global demand for renewable energy, in particular, solar energy; (ii) the emphasis placed on renewable energy by the PRC government in its twelfth five-year plan; and (iii) the synergy between the Group's existing operation, the Directors consider that the Acquisition provides an opportunity for the Group to create synergy with the Target Group's business as well as to expand the Group's business in the solar energy industry to the Gansu Province.

In view of the above factors, the Board (including the independent non-executive Directors) consider the Acquisition has been made on normal commercial terms and that the Consideration and the terms in the Sale and Purchase Agreement are fair and reasonable as far as the Company and the Shareholders are concerned and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to the notification and announcement requirements under the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	acquisition of the Sale Share by the Purchaser pursuant to the provisions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Business Day”	any day (other than Saturday, Sunday and public holiday) on which normal commercial banks in Hong Kong are generally open for ordinary banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“China Western Energy”	China Western Energy Holdings Limited, a company incorporated in the BVI with limited liability and is the sole beneficial owner of Gansu Zhongke; and the entire issued share capital of which is wholly and beneficially owned by the Vendor

“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 Acquisition
“Completion Date”	the fifth Business Day after the fulfillment or waiver of all conditions precedent to Completion as set out in the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser for the Sale Share in accordance with the terms of the Sale and Purchase Agreement
“Consideration Shares”	new Shares to be issued and allotted at the Issue Price per Share by the Company to the Vendor credited as fully paid
“Directors”	the directors of the Company
“Gansu Zhongke”	Gansu Zhongke New Energy Technology Limited (甘肅眾科新能源科技有限公司)*, a wholly foreign-owned enterprise established in the PRC and is principally engaged in renewable energy engineering, research and development and consulting services. Gansu Zhongke is a direct wholly-owned subsidiary of China Western Energy and therefore will become an indirect wholly-owned subsidiary of the Group upon Completion
“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
“Guarantor”	Ye Xin Mei, the sole director and shareholder of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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“Independent Third Party(ies)”	a party and, if applicable, the ultimate beneficial owner of the party who is not fallen into the definition of connected persons of the Company under Chapter 20 of the GEM Listing Rules and independent of the connected persons of the Company and their associates (as defined in the GEM Listing Rules)
“Issue Price”	HK\$0.175 per Consideration Share
“Last Trading Day”	1 April 2014, being the last trading day of the Shares prior to the release of this announcement
“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”	City Max International Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 1 April 2014 entered into between the Purchaser, the Vendor and the Guarantor in relation to the sale and purchase of the Sale Share
“Sale Share”	1 ordinary share of US\$1 in the share capital of China Western Energy, representing its entire issued share capital
“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 Group”	China Western Energy and its subsidiary
“Vendor”	Soar Ocean Holdings Limited, a company incorporated in the BVI with limited liability and being the sole beneficial owner of China Western Energy prior to the Completion and the vendor to the Sale and Purchase Agreement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

“US\$” United States dollars, the lawful currency of the United States

“%” per cent.

For the purpose of this announcement, unless otherwise specified, conversions of RMB into Hong Kong dollars are based on the approximate exchange rate of RMB0.81 to HK\$1.

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

Hong Kong, 1 April 2014

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

Executive Directors:

Chiu Tung Ping (*Chairman*)

Zhang Shenxin (*Vice-Chairman*)

Yuen Hing Lan

Hou Hsiao Bing

Hou Hsiao Wen

Hu Xin

Independent non-executive Directors:

Tam Kam Bui, William

Meng Xianglin

Dong Guangwu

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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