
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Technology Solar Power Holdings Limited (“Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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)

**(1) PROPOSED CHANGE OF COMPANY NAME;
(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO ACQUISITION OF THE REMAINING 40% EQUITY INTEREST IN
TIANJIN HENGQING AND ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE; AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the independent Shareholders**



Giraffe Capital Limited

A notice convening the extraordinary general meeting of the Company (“EGM”) to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 17 February 2020 at 2:30 p.m. is set out on pages 61 to 64 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 2:30 p.m. (Hong Kong time) on Saturday, 15 February 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the website of the Company at www.chinatechsolar.com and the website of GEM of the Stock Exchange at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting.

23 January 2020

* For identification purpose only

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid- sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the proposed acquisition of the Sale Shares of the Company (or its nominee) pursuant to the terms and conditions of the Equity Interest Transfer Agreement
“Acquisition Announcements”	the announcements of the Company dated 20 December 2019 and 30 December 2019 in relation to, among others, the Acquisition and the issue of the Consideration Shares under the Specific Mandate
“Affiliates”	with respect to any person or entity, any other person or entity that directly or indirectly controls or owns, or is controlled or owned by, or is under common control or ownership (directly or indirectly) with such person or entity, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“City Max”	City Max International Limited (邁城國際有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“close associate(s)”	has the meaning as defined under the GEM Listing Rules
“Company”	China Technology Solar Power Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition
“Consideration”	the consideration payable by the Company for the Sale Shares in accordance with the terms of the Equity Interest Transfer Agreement

DEFINITIONS

“Consideration Shares”	295,472,031 Shares to be allotted and issued, credited as fully paid, by the Company to the Vendor (or its nominee) pursuant to the Equity Interest Transfer Agreement and a supplemental agreement dated 17 January 2020 entered into between the Company and the Vendor, and “Consideration Share” shall be construed accordingly
“connected person(s)”	has the meaning as defined under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 17 February 2020 at 2:30 p.m. or any adjournment thereof
“Equity Interest Transfer Agreement”	the sale and purchase agreement dated 20 December 2019 entered into between the Company and the Vendor in relation to the sale and purchase of the Sale Shares
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hebei Guozhitong”	河北國之通投資有限公司 (Hebei Guozhitong Investment Limited*), a company established in the PRC with limited liability
“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 Board comprising all the independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, formed for the purpose of advising the independent Shareholders on matters in relation to the issue of the Consideration Shares pursuant to the Specific Mandate

DEFINITIONS

“Independent Financial Adviser”	the independent financial adviser engaged by the Company to advise the Independent Board Committee, being Giraffe Capital Limited
“Independent Valuer”	the independent valuer engaged by the Company on the valuation of 40% of the equity interests of Tianjin Hengqing, being Flagship Appraisals and Consulting Limited
“Issue Price”	HK\$0.1 per Consideration Share
“Latest Practicable Date”	21 January 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Lock-Up Period”	the period of time which is one year from the date of issue of the Consideration Shares
“Long Stop Date”	28 February 2020, or such later date as the Company may elect to extend pursuant to the Equity Interest Transfer Agreement
“Million Keen”	Million Keen Limited (萬銳有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“Mr. Chi”	Mr. Chi Hontao (池洪濤), an individual residing in the PRC and one of the ultimate beneficial owners of the Vendor
“Ms. Li”	Ms. Li Xianyan (李曉豔), an individual residing in the PRC and one of the ultimate beneficial owners of the Vendor
“PRC” or “China”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Change of Company Name”	the proposed change of the English name of the Company from “China Technology Solar Power Holdings Limited” to “China Technology Industry Group Limited” and the adoption of “中國科技產業集團有限公司” as its dual foreign name

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the equity interests of Tianjin Hengqing, representing 40% of its equity interests
“SAMR”	the State Administration for Market Regulation (國家市場監督管理總局) of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Specific Mandate”	the specific mandate proposed to be granted to the Directors by the Shareholders to allot and issue the Consideration Shares at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Hengqing”	天津恒慶光伏科技有限公司 (Tianjin Hengqing Photovoltaic Technology Limited*), a company incorporated in the PRC and a non-wholly owned subsidiary of the Company
“Vendor”	天津市新慶光伏科技有限公司 (Tianjin Xinqing Solar Photovoltaic Technology Company Limited*), a company incorporated in the PRC with limited liability
“Xizang Lineng”	西藏立能光伏科技有限公司 (Xizang Lineng Solar Photovoltaic Technology Company Limited*), a company incorporated in the PRC with limited liability, a direct wholly-owned subsidiary of Tianjin Hengqing and an indirect 60%-owned subsidiary of the Company
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Chiu Tung Ping (*Chairman*)

Yuen Hing Lan

Hu Xin

Tse Man Kit Keith

Registered office:

Cricket Square Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Independent non-executive Directors:

Ma Xingqin

Meng Xianglin

Dong Guangwu

Principal place of

business in Hong Kong:

Room 1801 18th Floor

Kai Tak Commercial Building

317 & 319 Des Voeux Road Central

Hong Kong

23 January 2020

To the Shareholders

Dear Sir/Madam

(1) PROPOSED CHANGE OF COMPANY NAME
AND

(2) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION
TO ACQUISITION OF THE REMAINING 40% EQUITY INTEREST IN
TIANJIN HENGQING AND ISSUE OF CONSIDERATION SHARES
UNDER SPECIFIC MANDATE

I. INTRODUCTION

References are made to the announcements of the Company dated 20 December 2019 and 30 December 2019 in relation to, among others, the Acquisition and the issue of the Consideration Shares under the Specific Mandate (the “**Acquisition Announcements**”) and an announcement of the Company dated 10 September 2019 relating to the Proposed Change of Company Name.

* For identification purpose only

LETTER FROM THE BOARD

As disclosed in the Acquisition Announcements, the Company and the Vendor entered into the Equity Interest Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares (representing 40% equity interests in Tianjin Hengqing) at a consideration of RMB26,500,000. Tianjin Hengqing is the legal and beneficial owner of the entire equity interests in Xizang Lineng. Upon Completion, the Sale Shares will be transferred from the Vendor to Million Keen as the designated holder of the Sale Shares of the Company. The Consideration shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price to the Vendor (or its nominee(s)) within a reasonable period of time after date on which the new business license of Tianjin Hengqing as a wholly foreign owned enterprise is issued.

As at the Latest Practicable Date, Tianjin Hengqing is an indirect 60%-owned subsidiary of the Company, and the remaining 40% equity interests in Tianjin Hengqing is held by the Vendor. Therefore, the Vendor is a substantial shareholder of Tianjin Hengqing and a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules. As (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. As the Vendor is a connected person to the Company, the issue of Consideration Shares of the Company to it will be subject to the announcement, reporting and shareholders' approval requirements unless otherwise exempted under Chapter 20 of the GEM Listing Rules.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the independent Shareholders at the EGM.

The primary purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM, which include (i) the special resolution relating to the Proposed Change of Company Name; and (ii) the ordinary resolution relating to the allotment and issue of the Consideration Shares pursuant to the Specific Mandate, and to give you notice of the EGM.

LETTER FROM THE BOARD

II. PROPOSED CHANGE OF COMPANY NAME

The Board announced on 10 September 2019 that it proposed to change the English name of the Company from “China Technology Solar Power Holdings Limited” to “China Technology Industry Group Limited” and adopt “中國科技產業集團有限公司” as its dual foreign name, subject to the conditions set out below being fulfilled.

Conditions for the Proposed Change of Company Name

The Proposed Change of Company Name will be subject to fulfillment of the following conditions:

- (i) the passing of a special resolution by the Shareholders to approve the Proposed Change of Company Name; and
- (ii) the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name.

Subject to the satisfaction of the conditions set out above, the Proposed Change of Company Name will take effect from the date of issue of the certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands. The Company will then carry out the necessary filing procedures with the Companies Registry in Hong Kong.

Reasons for the Proposed Change of Company Name

The Board considers that the Proposed Change of Company Name will better reflect the business nature and strategic direction of the future development of the Group. The Board also believes that the new English and Chinese names can provide the Company with a new corporate image and identity which will benefit the Company’s business development and is in the best interests of the Company and Shareholders as a whole.

Effect of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the holders of securities of the Company or the Company’s daily business operation and its financial position.

LETTER FROM THE BOARD

All existing certificates of securities in issue bearing the present name of the Company will, after the Proposed Change of Company Name becoming effective, continue to be evidence of title to such securities and the existing share certificates will continue to be valid for trading, settlement, registration and delivery purposes. There will not be any arrangement for exchange of the existing certificates of securities for new certificates bearing the new name of the Company. Once the Proposed Change of Company Name becomes effective, new certificate of securities will be issued only in the new name of the Company.

Subject to the confirmation of the Stock Exchange, both the English and Chinese stock short names of the Company will also be changed after the Proposed Change of Company Name becomes effective.

III. EQUITY INTEREST TRANSFER AGREEMENT

Principal terms of the Equity Interest Transfer Agreement are set out below:

Date

20 December 2019 (after trading hours)

Parties

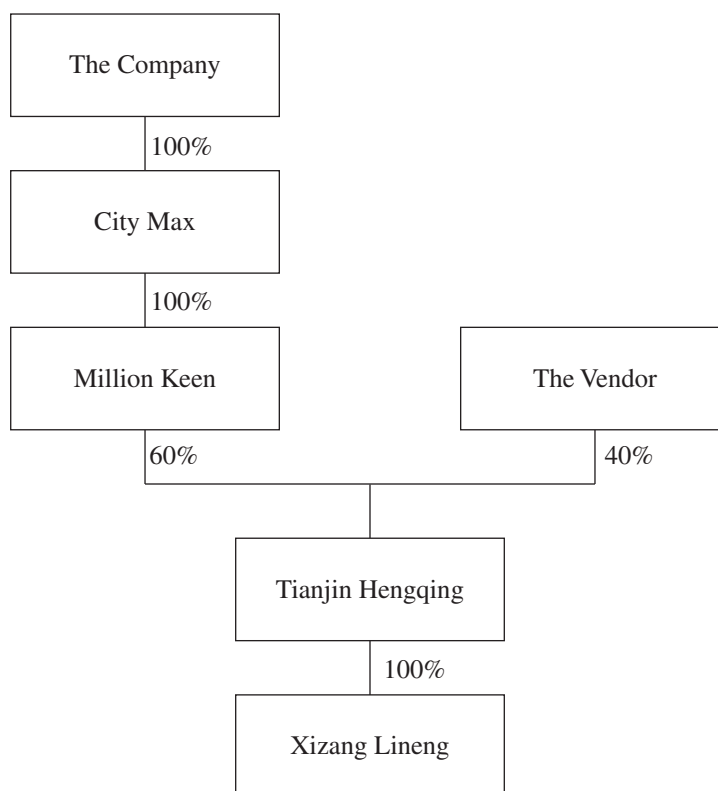
- (i) the Company, as the purchaser
- (ii) 天津市新慶光伏科技有限公司 (Tianjin Xinqing Solar Photovoltaic Technology Company Limited*) as the vendor, a substantial shareholder of Tianjin Hengqing, which is an indirect 60%-owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company at subsidiary level under the Listing Rules.

LETTER FROM THE BOARD

Assets to be acquired

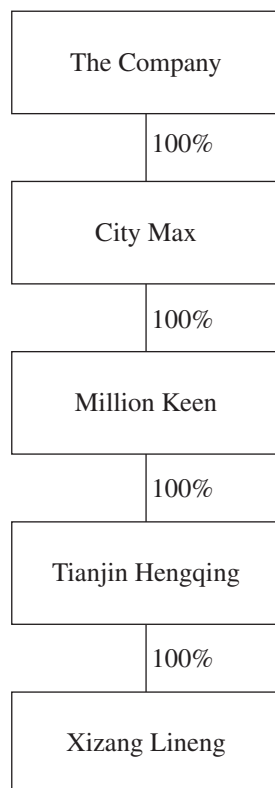
Pursuant to the Equity Interest Transfer Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares (representing 40% of the equity interests in Tianjin Hengqing). Upon Completion, the Sale Shares will be transferred from the Vendor to Million Keen as the designated holder of the Sale Shares of the Company. The ownership structure of Tianjin Hengqing and Xizang Lineng before and immediately after the Acquisition are as follows:

Before the Acquisition



LETTER FROM THE BOARD

Immediately after the Acquisition



Consideration

The Consideration for the Sale Shares is RMB26,500,000 (equivalent to approximately HK\$29,547,203.10), which will be satisfied by way of the allotment and issue of 295,472,031 Consideration Shares to the Vendor (or its nominee(s)) at the Issue Price and credited as fully paid. Pursuant to the Equity Interest Transfer Agreement, the Consideration Shares will be issued to the Vendor (or its nominee(s)) within a reasonable period of time after date on which the new business license of Tianjin Hengqing as a wholly foreign owned enterprise is issued. The Consideration has been arrived at after arm's length negotiations between the Company and the Vendor with reference to the preliminary valuation of 40% of the equity interests of Tianjin Hengqing prepared by Flagship Appraisals and Consulting Limited, the Independent Valuer, of RMB26,500,000 as at 31 October 2019. The Independent Valuer has adopted cost approach for the valuation of Tianjin Hengqing and market approach for the valuation of Xizang Lineng. The Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole. For further details in relation to the valuation methods adopted by the Independent Valuer, please refer to the section headed "Valuation Approach" below.

LETTER FROM THE BOARD

Consideration Shares

The Consideration Shares comprise a total of 295,472,031 Shares, which represent approximately 16.10% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 13.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The number of Shares to be allotted and issued as Consideration Shares might be adjusted downwards as to be agreed between the Company and the Vendor, but the number of Shares comprising the Consideration Shares shall not be reduced by more than 30,000,000 Shares. In the event of such adjustment, the Company and the Vendor shall enter into a supplemental agreement which shall set out further details (including the formula) of such adjustment. On 17 January 2020, the Company and the Vendor entered into a supplemental agreement to the Equity Interest Transfer Agreement and confirmed that the number of Consideration Shares will remain unchanged (i.e. 295,472,031 Shares) and will not be adjusted nor will it be subject to any further adjustment.

The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank *pari passu* in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the independent Shareholders at the EGM. An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 36.99% to the closing price of HK\$0.073 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 29.87% to the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on 19 December 2019, being the last trading date prior to the date of the Equity Interest Transfer Agreement;
- (iii) a premium of approximately 26.58% to the average closing price of HK\$0.079 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading date prior to the date of the Equity Interest Transfer Agreement; and
- (iv) a premium of approximately 30.21% to the average closing price of HK\$0.0768 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date prior to the date of the Equity Interest Transfer Agreement.

LETTER FROM THE BOARD

Conditions precedent

Completion of the Acquisition is conditional upon the following conditions being satisfied or otherwise waived on or before the Long Stop Date:

- (i) Tianjin Hengqing having passed board resolutions approving, among other things, (a) the transfer of the Sale Shares; (b) the change of Tianjin Hengqing's status from a Sino-foreign equity joint venture to a wholly foreign owned enterprise; and (c) termination of the joint venture agreement and articles of association;
- (ii) the Vendor and Million Keen having duly executed an agreement terminating the joint venture agreement and the articles of association of Tianjin Hengqing;
- (iii) the approval for the listing of, and permission to deal in, all the Consideration Shares on GEM having been granted by the Listing Committee of the Stock Exchange;
- (iv) the independent Shareholders having approved the Specific Mandate at the EGM;
- (v) if the number of Consideration Shares is adjusted pursuant to the Equity Interest Transfer Agreement, such adjustment having been approved by the Board;
- (vi) the warranties given by the Vendor in the Equity Interest Transfer Agreement remaining true, accurate and not misleading in all respects before and on the date of Completion;
- (vii) the Vendor having delivered to the Company all documents required to be signed or otherwise executed by the Vendor for the purpose of completing the relevant procedures for the transfer of the Sale Shares by the SAMR or its local branch, in form and substance satisfactory to the Company;
- (viii) no material adverse change having occurred to Tianjin Hengqing and enterprises controlled by it; and
- (ix) the performance and compliance by the Vendor of each agreement, covenant, undertaking and obligation as required to be performed or complied by the Vendor with prior to or at the date of Completion under the Equity Interest Transfer Agreement, and no material breach by the Vendor of the Equity Interest Transfer Agreement having occurred.

LETTER FROM THE BOARD

All conditions precedent may be waived by the Company at any time in writing. In the event that any of the abovementioned conditions are not fulfilled or otherwise waived by the Company on or before the Long Stop Date, the Company may elect to terminate the Equity Interest Transfer Agreement. The Equity Interest Transfer Agreement shall cease and determine (save and except certain clauses under the Equity Interest Transfer Agreement which will continue to have full force and effect) and thereafter neither party to the Equity Interest Transfer Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof. As at the Latest Practicable Date, none of the above conditions has been satisfied.

Lock-up undertaking

The Vendor has undertaken to the Company that, during the Lock-Up Period, it will not (and will procure its nominee(s) not to), in respect of the Consideration Shares, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any of the Consideration Shares. The Vendor has further undertaken to the Company that, in the event it shall transfer or dispose of the Consideration Shares after the Lock-Up Period, the Vendor shall take all steps to ensure that any such transfer or sale will not create a false market in the equity securities of the Company.

Non-competition and non-solicitation undertakings by the Vendor

For a period of three years following Completion, the Vendor shall not, and shall procure that its Affiliates shall not, whether on its own behalf or as an agent for any person or entity, directly or indirectly:

- (i) undertake or engage in any business in the PRC which may compete with the business of Tianjin Hengqing or own a material interest in any such business;
- (ii) establish any enterprise (whether by itself or by a joint venture with any other entity or person) in the PRC which may compete with the business of Tianjin Hengqing, or cooperate, commence business with, or provide assistance to any entity or person which may compete with the business of Tianjin Hengqing;
- (iii) save as with the prior written agreement of the Company, develop, manufacture and sell any products that are similar to or compete with the products of Tianjin Hengqing, and provide after-sale services or otherwise operate a business with respect to any such products, in any countries other than the PRC;
- (iv) do any such acts or make any such statements that may do harm to Tianjin Hengqing's goodwill, or cause any person to reduce its scale of operations with Tianjin Hengqing, or cause any person to seek to improve its terms of trade with Tianjin Hengqing;

LETTER FROM THE BOARD

- (v) save as with the prior written agreement of the Company, solicit or entice or endeavour to solicit or entice any employee of Tianjin Hengqing to terminate his/her employment with Tianjin Hengqing and offer him/her employment or otherwise persuade any employee of Tianjin Hengqing to terminate his/her employment with Tianjin Hengqing; or
- (vi) save as with the prior written agreement of the Company, compete with the Company in the employment, engagement or endeavour to employ or engage any employee of Tianjin Hengqing to undertake the same or a similar role in the same or a similar field of work.

Completion

Completion shall take place on a date designated by the Company after following satisfaction or waiver of the conditions set out in the paragraph headed “III. Equity Interest Transfer Agreement – Conditions precedent” above.

Upon Completion, each of Tianjin Hengqing and Xizang Lineng will become an indirect wholly-owned subsidiary of the Company, and the financial results of Tianjin Hengqing and Xizang Lineng will remain consolidated into the consolidated financial statements of the Group.

VALUATION APPROACH

The Independent Valuer has adopted (i) cost approach for the valuation of Tianjin Hengqing and (ii) market approach for the valuation of Xizang Lineng, a wholly-owned subsidiary of Tianjin Hengqing.

In the course of the valuations of Tianjin Hengqing and Xizang Lineng, the Independent Valuer has reviewed the management financial information of the subject under valuation, the audited financial statements of Xizang Lineng and the group structure of the companies, and held discussions with the management of Xizang Lineng to understand its business operations. The Independent Valuer has considered three commonly adopted valuation approaches, namely, cost approach, market approach and income approach, and determined that the cost approach is appropriate for the valuation of Tianjin Hengqing and the market approach is appropriate for the valuation of Xizang Lineng due to the difference in the nature of their respective operating activities.

LETTER FROM THE BOARD

Xizang Lineng's principal business involves the processing and sales of solar equipment, wind power-related business operations, and provision of related technical support services, and therefore, the value of Xizang Lineng would largely depend on the economic benefits it derives from its business operations. As Xizang Lineng's mode of operation is project-based, for which its customers would invite Xizang Lineng to participate in their projects, the Independent Valuer considered it appropriate not to rely on projections of financial performance. Accordingly, having taken into account the nature of Xizang Lineng's operating activities and operating model and given that the Independent Valuer has been provided with audited financial information of Xizang Lineng, the Independent Valuer took the view that the market approach of Xizang Lineng should be adopted for the valuation of Xizang Lineng. In the market approach, the value of Xizang Lineng is derived from the financials of the company, as adjusted by a multiple that is calculated by reference to the share value and pricing multiples of a number of comparable listed companies in the same or similar industry as Xizang Lineng, which is considered to be an objective reflection of the value an investor is willing to attach to companies in that industry.

Tianjin Hengqing is an investment holding company and does not have its own business operations. Accordingly, it derives its values from the equity interests it holds, including the entire equity interests of Xizang Lineng and does not have any intangible assets not being recorded on its balance sheet. The Independent Valuer is of the view that the net asset value of Tianjin Hengqing is an appropriate proxy of its value, and therefore, the cost approach, which anchors the value of a company on its net asset value, is the appropriate valuation method. The valuation of Tianjin Hengqing is conducted based on the investment cost in Xizang Lineng, as adjusted by the fair value of Xizang Lineng, the valuation of which is described as aforementioned. The Independent Valuer also considered the marketability of the equity interests asset based on size of the equity interest, asset size, and revenue and net profit contributed by Xizang Lineng.

As disclosed in the sub-section headed "III. Equity Interest Transfer Agreement – Consideration" above, the Consideration has been arrived at with reference to such valuation of 40% of the equity interests of Tianjin Hengqing.

REASONS AND BENEFITS FOR THE ACQUISITION

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

LETTER FROM THE BOARD

Tianjin Hengqing has been a profitable business, and as the majority shareholder of Tianjin Hengqing, the financial performance of the Group has benefitted from the positive earnings contributed by Tianjin Hengqing. Furthermore, given the principal business of Tianjin Hengqing and its subsidiaries includes engaging in the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and other solar-related products, the Directors considered that the Acquisition creates synergy with the existing business of the Group, and will enhance the competitive advantages of the Group in the solar energy industry.

Upon Completion, the Group will gain further control over Tianjin Hengqing, which will enable the Group to further benefit from the positive earnings contribution generated from Tianjin Hengqing and its subsidiaries. As a 100% shareholder of Tianjin Hengqing, the Group will also have a greater influence over the development of Tianjin Hengqing and its subsidiaries, and the Acquisition is therefore in line with the long term business strategy of the Group. The Directors considered that the Acquisition will provide an opportunity to enhance the Group's financial performance and return to the Shareholders in the long run.

Since the Consideration is satisfied by the allotment and issue of the Consideration Shares, there is no cash outflow from the Group and the Acquisition will not affect the liquidity position of the Group.

In view of the above, 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 Equity Interest Transfer 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.

As none of the Directors have any material interest in the Acquisition, they are not required to abstain from voting on the Board resolutions for approving the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares pursuant to the Specific Mandate).

INFORMATION OF THE VENDOR, MILLION KEEN AND TIANJIN HENGQING

Information of the Vendor

The Vendor is established in the PRC with limited liability and is an investment holding company with the 40% equity interests in Tianjin Hengqing as its principal assets. The Vendor is a substantial shareholder of Tianjin Hengqing, which is an indirect 60%-owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company at subsidiary level under the GEM Listing Rules.

LETTER FROM THE BOARD

The Vendor is wholly owned by 石家莊匯日新能源科技有限公司(Shijiazhuang Huiru New Energy Technology Limited*), which is in turned held as to 95% equity interest by 河北國之通投資有限公司(Hebei Guozhitong Investment Limited*) (“**Hebei Guozhitong**”), a company established in the PRC with limited liability, and 5% equity interest by Li Xiaoyan* (李曉豔). Hebei Guozhitong is ultimately held as to 95% equity interest by Ms. Li and 5% equity interest by Chi Hontao* (池洪濤) respectively. Each of Ms. Li and Mr. Chi is an individual residing in the PRC.

Information of Million Keen

Million Keen was incorporated in the BVI on 2 January 2013 with limited liability and is wholly owned by the Company through City Max. Million Keen is an investment holding company and the principal assets of which is its 60% equity interests in Tianjin Hengqing.

Information of Tianjin Hengqing

Tianjin Hengqing is a Sino-foreign equity joint venture enterprise established in the PRC, the entire issued share capital of which is owned as to 60% indirectly by the Company and 40% by the Vendor. Tianjin Hengqing is principally engaged in the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and solar related product. Tianjin Hengqing is also the sole beneficial owner of Xizang Lineng, which is a company incorporated in the PRC with limited liability and its principal business is the processing and sales of solar equipment; wind power-related business operations; and provision of related technical support services.

The Sale Shares are, as at the Latest Practicable Date, held by the Vendor. The Sale Shares were acquired by the Vendor at an original investment amount of RMB800,000.

The following is a summary of the unaudited financial results of Tianjin Hengqing and its subsidiaries (based on PRC generally accepted accounting principles):

	For the year ended		For the ten
	31 December	31 December	months ended
	2017	2018	31 October
	RMB	RMB	RMB
Net profit before tax	10,047,116.81	3,988,232.63	6,988,427.58
Net profit after tax	9,111,291.40	3,621,489.67	6,329,755.19

LETTER FROM THE BOARD

The market value of 40% of the equity interest in Tianjin Hengqing appraised by the Independent Valuer is RMB26,500,000. The unaudited net assets value of Tianjin Hengqing as at 31 October 2019 was RMB35,236,648.54.

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 Latest Practicable Date; and (ii) immediately upon the allotment and issuance of the Consideration Shares:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Mr. Huang Bo	217,766,038	11.87	217,766,038	10.22
Creation Moral Limited	216,363,636	11.79	216,363,636	10.15
Mr. Hou Hsiao Bing	131,140,000	7.15	131,140,000	6.15
Vendor	-	-	295,472,031	13.87
Public	<u>1,269,963,176</u>	<u>69.19</u>	<u>1,269,963,176</u>	<u>59.60</u>
	<u>1,835,232,850</u>	<u>100.0</u>	<u>2,130,704,881</u>	<u>100.0</u>

GEM LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Tianjin Hengqing is an indirect 60%-owned subsidiary of the Company, and the remaining 40% equity interests in Tianjin Hengqing is held by the Vendor. Therefore, the Vendor is a substantial shareholder of Tianjin Hengqing and a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules. As (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. As the Vendor is a connected person to the Company, the issue of Consideration Shares of the Company to it will be subject to the announcement, reporting and shareholders' approval requirements unless otherwise exempted under Chapter 20 of the GEM Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

The EGM will be convened for the independent Shareholders to consider and, if thought fit, approve the Specific Mandate for the allotment and issue of the Consideration Shares. Given that none of the Shareholders has a material interest in the Acquisition and the Equity Interest Transfer Agreement, none of them would be required to abstain from voting in the EGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, has been established to advise the independent Shareholders on matters in relation to the issue of the Consideration Shares pursuant to the Specific Mandate. Giraffe Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders on the Acquisition and the reasonableness and fairness of the terms of the Equity Interest Transfer Agreement (including the allotment and issue of the Consideration Shares as the settlement of the consideration for the Acquisition).

Shareholders and potential investors should note that the Acquisition contemplated under the Equity Interest Transfer Agreement is subject to satisfaction of certain conditions precedent and it may or may not be completed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the Shares.

IV. FINANCIAL EFFECT OF THE ACQUISITION

As at the Latest Practicable Date, Tianjin Hengqing is a subsidiary of the Company with its financial results being consolidated into the consolidated accounts of the Group. After completion of the Acquisition, Tianjin Hengqing will continue to be a subsidiary of the Company, and the assets and liabilities and the financial results of Tianjin Hengqing will continue to be consolidated to the consolidated accounts of the Group. The Company is of the view that the Acquisition will not have any impact on the assets and liabilities of the Group but it is expected that the Acquisition will not have material effect on the earnings of the Group immediately after the Acquisition.

V. EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 17 February 2020 at 2:30 p.m. is set out on pages 61 to 64 of this circular.

VI. VOTING BY WAY OF POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, all votes at the EGM will be taken by poll. The Company will announce the results of the poll in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

LETTER FROM THE BOARD

VII. ACTIONS TO BE TAKEN

At the EGM, resolutions will be proposed:

- (i) to the Shareholders to consider and, if thought fit, to approve as a special resolution, the Proposed Change of Company Name; and
- (ii) to the independent Shareholders to consider and, if thought fit, approve as an ordinary resolution the grant of the Specific Mandate and the allotment and issue of the Consideration Shares.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same by 2:30 p.m. (Hong Kong time) on Saturday, 15 February 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy previously submitted shall be deemed to be revoked.

VIII. CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 12 February 2020 to Monday, 17 February 2020, both days inclusive, during which no transfer of Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 11 February 2020.

IX. RECOMMENDATION

Proposed Change of Company Name

The Directors believe that the Proposed Change of Company Name are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Allotment and issue of Consideration Shares pursuant to the Specific Mandate

Giraffe Capital Limited has been appointed as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the independent Shareholders on the fairness and reasonableness of the terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the allotment and issue of the Consideration Shares as the settlement of the consideration for the Acquisition).

Your attention is drawn to (i) the letter from the Independent Board Committee as set out in pages 23 to 24 of this circular which contains its recommendation to the independent Shareholders on the terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder; and (ii) the letter of advice from Giraffe Capital Limited as set out on pages 25 to 56 of this circular which contains, amongst other matters, its advice to the Independent Board Committee and the independent Shareholders in relation to the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares pursuant to the Specific Mandate) and the principal factors and reasons considered by it in concluding its advice.

Having considered the factors mentioned above, the Directors (including the independent non-executive Directors) are of the view that the grant of the Specific Mandate and issue of Consideration Shares have been negotiated on an arm's length basis and on commercial terms which are fair and reasonable so far as the independent Shareholders are concerned, and are in the interest of the Shareholders and the Company as a whole. Accordingly, the Directors recommend the independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of Specific Mandate and issue of Consideration Shares.

No Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM under the GEM Listing Rules.

LETTER FROM THE BOARD

X. GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 23 to 24 of this circular, the letter from the Independent Financial Adviser to the Independent Board Committee and independent Shareholders set out on pages 25 to 56 of this circular, and the additional information set out on pages 57 to 60 of this circular.

On behalf of the Board
China Technology Solar Power Holdings Limited
Chiu Tung Ping
Chairman and executive Director

* *For identification purposes only*

The following is the full text of the letter from the Independent Board Committee to the independent Shareholders which was prepared for the purpose of inclusion in this circular.



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)

23 January 2020

To the independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF THE REMAINING 40% EQUITY INTEREST
IN TIANJIN HENGQING
AND
ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

We refer to the circular of the Company dated 23 January 2020 (the “**Circular**”) of which this letter forms part. Terms defined in this Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Directors to form the Independent Board Committee to advise the you as to whether, in our opinion, the allotment and issue of the Consideration Shares pursuant to the Equity Interest Transfer Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the independent Shareholders on the Acquisition and the reasonableness and fairness of the terms of the Equity Interest Transfer Agreement (including the allotment and issue of the Consideration Shares as the settlement of the consideration for the Acquisition). Details of the advice of Giraffe Capital Limited, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 25 to 56 of this Circular.

* *For identification purpose only*

We wish to draw your attention to the letter from the Board set out on pages 5 to 22 of this Circular which contains information in connection with the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate and the allotment and issue of the Consideration Shares) and the letter from the Independent Financial Adviser set out in appendix II to the Circular which contains its advice in relation to the Equity Interest Transfer Agreement and the transactions contemplated thereunder, and its recommendation on allotment and issue of the Consideration Shares pursuant to the Equity Interest Transfer Agreement, and the additional information set out on pages 57 to 60 of this Circular.

Having taken into account the advice and recommendation of the Independent Financial Adviser, the principal factors and reasons considered by the Independent Financial Adviser and the relevant information contained in the letter from the Board, we are of the opinion that the allotment and issue of the Consideration Shares pursuant to the Equity Interest Transfer Agreement (i) facilitates the Acquisition, which, as disclosed in the Acquisition Announcements, is in the interests of the Company and its Shareholders as a whole; and (ii) at the same time involves no cash outflow from the Group in its acquisition of a profitable asset and therefore preserves its liquidity position. The terms of allotment and issue of the Consideration Shares pursuant to the Equity Interest Transfer Agreement, are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the allotment and issue of the Consideration Shares pursuant to the Specific Mandate.

Yours faithfully,

on behalf of

Independent Board Committee of

China Technology Solar Power Holdings Limited

Ma Xingqin

Independent non-executive

Director

Meng Xianglin

Independent non-executive

Director

Dong Guangwu

Independent non-executive

Director

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



Giraffe Capital Limited

23 January 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO ACQUISITION OF THE REMAINING 40%
EQUITY INTEREST IN TIANJIN HENGQING
AND
ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular issued by the Company to the Shareholders dated 23 January 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 20 December 2019 (after trading hours), the Company and the Vendor entered into the Equity Interest Transfer Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares (representing 40% equity interests in Tianjin Hengqing (the “**Target Company**”, together with its wholly owned subsidiary, Xizang Lineng, the “**Target Group**”)) at a consideration of RMB26,500,000. Tianjin Hengqing is the legal and beneficial owner of the entire equity interests in Xizang Lineng. Upon Completion, the Sale Shares will be transferred from the Vendor to Million Keen as the designated holder of the Sale Shares of the Company. The Consideration shall be satisfied by the allotment and issue of the Consideration Shares pursuant to the Specific Mandate at the Issue Price to the Vendor (or its nominee(s)) within a reasonable period of time after date on which the new business license of Tianjin Hengqing as a wholly foreign owned enterprise is issued.

The Consideration Shares represent: (i) approximately 16.10% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.87% of the total issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The number of Shares to be allotted and issued as Consideration Shares might be adjusted downwards as to be agreed between the Company and the Vendor, but the number of Shares comprising the Consideration Shares shall not be reduced by more than 30,000,000 Shares. In the event of such adjustment, the Company and the Vendor shall enter into a supplemental agreement which shall set out further details (including the formula) of such adjustment. On 17 January 2020, the Company and the Vendor entered into a supplemental agreement to the Equity Interest Transfer Agreement and confirmed that the number of Consideration Shares will remain unchanged (i.e. 295,472,031 Shares) and will not be adjusted nor will it be subject to any further adjustment.

Immediately upon Completion, the Target Company will be an indirect wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the Company's consolidated financial statements.

As at the Latest Practicable Date, the Target Company is an indirect 60%-owned subsidiary of the Company, and the remaining 40% equity interests in the Target Company is held by the Vendor. Therefore, the Vendor is a substantial shareholder of the Target Company and a connected person of the Company at the subsidiary level under Chapter 20 of the GEM Listing Rules. As (i) the Board has approved the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable, the transaction is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the Acquisition is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. However, the allotment and issue of the Consideration Shares to the Vendor does not fall within the exemptions under Rule 20.99 of the GEM Listing Rules and is not exempt from independent financial advice and shareholders' approval under Rule 20.99 of the GEM Listing Rules. Therefore, independent financial advice and shareholders' approval in connection with the issue of Consideration Shares to the Vendor are required under Chapter 20 of the GEM Listing Rules.

Further, as one or more of the applicable percentage ratio(s) in respect of the Acquisition exceed 5% but none of the ratios exceeds 25%, the Acquisition also constitutes a discloseable transaction for the Company and is subject to announcement requirement under Chapter 19 of the GEM Listing Rules.

The EGM will be convened for the independent Shareholders to consider and, if thought fit, approve the Specific Mandate for the allotment and issue of the Consideration Shares. Given that none of the Shareholders has a material interest in the Acquisition and the Equity Interest Transfer Agreement, none of them would be required to abstain from voting in the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all independent non-executive Directors, namely Ms. Ma Xingqin, Mr. Meng Xianglin and Mr. Dong Guangwu, has been established to advise the independent Shareholders on matters in relation to the issue of the Consideration Shares pursuant to the Specific Mandate. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 17.96 of the GEM Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Save for our appointment as the Independent Financial Adviser, there was no engagement between the Group and us in the past two years.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, the announcement of the Company dated 20 December 2019 in relation to the Equity Interest Transfer Agreement and transaction contemplated thereunder, the valuation report (the “**Valuation Report**”) prepared by Flagship Appraisals and Consulting Limited, an independent professional valuer (the “**Valuer**”), the annual report of the Company for the year ended 31 March 2019 (the “**Annual Report 2019**”), the interim report of the Company for the six months ended 30 September 2019 (the “**Interim Report 2019**”), the audited financial statements of the Xizang Lineng for the year ended 31 December 2018, and the consolidated management accounts of the Target Group for the years ended 31 December 2017 and 2018 and for the ten months ended 31 October 2018 and 2019. We have also (i) discussed with the management of the Company with respect to the terms of and reasons for the entering into of the Equity Interest Transfer Agreement, and the business and future outlook of the Group; and (ii) interviewed with the Valuer in respect of the valuation of the appraised value of 40% equity interests of the shareholders of the Target Company (the “**Appraised Value**”). Save and except for the review of the Valuation Report, we have not made any independent evaluation or appraisal of the assets and liabilities of the Target Group and we have not been furnished with any such evaluation or appraisal. Since we are not experts in the valuation of businesses or companies, we have relied solely on the Valuation Report for the Appraised Value.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management and/or the Directors were true and accurate the time when they are made and continue to be true up to the Latest Practicable Date. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent verification and in-depth investigation into the information provided by the Company as well as the business and affairs of the Company, the Vendor, Million Keen, the Target Company or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries and careful consideration, confirm that to the best of their knowledge and belief, the information contained in the Circular 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the issue of the Consideration Shares pursuant to the Specific Mandate, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Acquisition, we have taken into consideration the following principal factors and reasons:

1. Information on the Group**1.1 Business of the Group**

As disclosed in the Annual Report 2019, the Group is principally engaged in (i) sales of solar power related products; (ii) new energy power system integration business; (iii) sales of self-service automatic teller machine systems and printing systems; and (iv) provision of hardware and software technical support services in the PRC. Considering the PRC government's long-term encouragement on distributed photovoltaic power generation, the Group will continue to focus on solar energy generation projects and new energy power system integration services. For hardware and software technical support services, the Group did not intend to further invest in this business. Such services will be provided as and when requested by the customers in connection with the sales of self-service ATM systems and printing systems.

1.2 Financial performance of the Group

Set out below is a summary of the Group's operating results extracted from the Annual Report 2019 and the Interim Report 2019:

Financial summary of the Group

	For the year ended 31 March		For the six months ended	
	2018	2019	30 September	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
- Sales of solar power related products	67,408	79,978	26,722	25,758
- Provision of new energy power system integration services	12,031	82,805	-	26,906
- Others (Note)	19	-	-	-
	<u>79,458</u>	<u>162,783</u>	<u>26,722</u>	<u>52,664</u>
Gross profit	14,400	35,722	6,121	7,313
Loss for the year/period	(1,231)	(51,275)	(15,143)	(8,817)
Loss attributable to owners of the Company	(5,113)	(53,529)	(17,133)	(9,614)

Note: Others include sales of self-service ATM systems and printing systems and provision of hardware and software technical support services.

For the years ended 31 March 2018 and 2019, the Group generated revenue mainly from two business segments, being (i) sales of solar power related products; and (ii) provision of new energy power system integration services. The Group's business of sales of solar power related products includes the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and solar power related products. After negotiating and securing contracts with the engineering, procurement, and construction contractors of construction projects of solar photovoltaic power station, the Group will supply the solar power related products (mainly mounting) required under such projects and be responsible for their design optimisation. The Group will also assess the geological condition of the construction site and propose specific design, requirements and standards for such construction and engage mounting manufacturers to provide the relevant products. The Group's provision of new energy power system integration services refers to the optimisation of technologies in the civil engineering system, electrical system and other ancillary system, database technologies, surveillance and software management. The Group will source equipment and products from different vendors based on the scale and capacity of the respective new energy power stations and carry out integration of the separate equipment, functions and information into a connected, unified and coordinated system. Power system integration can optimise the utilisation of resources and achieve higher efficiency and lower cost management. The Group also provides subsequent system management services to the new energy power stations.

Comparison of financial performance between the year ended 31 March 2019 and 2018

Based on the Annual Report 2019, the revenue of the Group increased from approximately RMB79.5 million for the year ended 31 March 2018 to approximately RMB162.8 million for the year ended 31 March 2019, representing a growth rate of approximately 104.8%. Such increase was mainly attributable to the increase in revenue generated from the sales of solar power related products and provision of new energy power system integration services by approximately RMB12.6 million and RMB70.8 million, respectively, during the year ended 31 March 2019. The increase in sales of solar power related products was mainly due to the Group was able to secure new contracts with its clients for the year ended 31 March 2019. The increase in revenue generated from provision of new energy power system integration services was mainly due to (i) a subcontractor contract for the construction of a photovoltaic power station in Erquanjing Xiang, Zhangbei county of the PRC (the “**Zhangbei Power Station**”), which was entered into in October 2018 (the “**Subcontractor Contract in Zhangbei**”); and (ii) an engineering consultancy contract in which the Group provided engineering consulting services in relation to the first phase of the construction of the Zhangbei Power Station.

The Group's loss attributable to owners of the Company increased from approximately RMB5.1 million for the year ended 31 March 2018 to approximately RMB53.5 million for the year ended 31 March 2019, which was mainly due to (i) the increase in the impairment loss on goodwill arising from the Group's acquisition of Million Keen and its subsidiaries, which are engaged in sales of solar power related products business, from approximately RMB3.8 million for the year ended 31 March 2018 to RMB32.1 million for the year ended 31 March 2019, considering the negative impact on the solar energy industry as a result of the recent government policy on cutting down the subsidy on solar electricity; and (ii) the impairment loss on accounts and other receivables of approximately RMB22.6 million recognised by the Group under expected credit losses model for accounts receivable and contract assets in accordance with the requirements of HKFRS 9 during the year ended 31 March 2019.

Comparison of financial performance between the six months ended 30 September 2018 and 2019

Based on the Interim Report 2019, the revenue of the Group increased from approximately RMB26.7 million for the six months ended 30 September 2018 to approximately RMB52.7 million for the six months ended 30 September 2019, representing a growth rate of approximately 97.4%. Such increase was attributable to the revenue generated from provision of the new energy power system integration services of approximately RMB26.9 million for the six months ended 30 September 2019, arising from the Subcontractor Contract in Zhangbei.

The Group's loss attributable to owners of the Company decreased from approximately RMB17.1 million for the six months ended 30 September 2018 to approximately RMB9.6 million for the six months ended 30 September 2019, which was mainly due to (i) the increase in gross profit contributed by the provision of the new energy power system integration services; (ii) the decrease in foreign exchange loss; and (iii) the decrease in income tax expense, for the six months ended 30 September 2019.

1.3 Industry outlook

According to “2015 Snapshot of Global Photovoltaic Markets” 《2015年全球光伏市場快報^{*}》 and “2019 Snapshot of Global Photovoltaic Markets” 《2019年全球光伏市場快報^{*}》 published in April 2015 and April 2019, respectively, by the International Energy Agency (IEA), which is an intergovernmental organisation established within the framework of the Organisation for Economic Co-operation and Development (OECD) which provides information and statistics on the international energy market, the global newly installed capacity and cumulative installed capacity of photovoltaic (the “PV”) system has grown from approximately 38.7 gigawatt (the “GW”) and 177GW in 2014 to approximately 99.8GW and 500GW in 2018, representing a CAGR of approximately 26.7% and 29.6%, respectively. Among which, it is notable that the China’s newly installed capacity and cumulative installed capacity of PV system has grown significantly from approximately 10.6GW and 28.1GW in 2014 to approximately 45.0GW and 176.1GW in 2018, representing a CAGR of approximately 43.5% and 58.2%, respectively, which outpaced the growth rates of worldwide level. As at the end of 2018, China has led, on a worldwide level, with a cumulative installed capacity of PV system of approximately 176.1GW, followed by the European Union (approximately 120.4GW), the USA (approximately 62.2GW) and Japan (approximately 56.0GW). We concur with the Directors’ view that there is strong growth of installation of new PV system in China, which in turn supports the demand for solar power related products.

According to the 《「十三五」節能減排綜合工作方案》(Comprehensive Work Plan for Energy Conservation and Emission Reduction in the 13th Five-Year Plan Period^{*}) published by The State Council of the PRC, the PRC government has raised concerns over environmental protection among industries. In order to achieve energy conservation and emission reduction in the PRC, the PRC government encourages the use of renewable energy including solar energy to replace the use of coal for generating electricity. Pursuant to the 《太陽能發展「十三五」規劃》(13th Five-Year Plan For Solar Energy^{*}) issued by the National Energy Administration in 2016, it indicated that green economy, which involves the active development of environmental friendly energy source, including solar power generation, would be one of the key development focuses of the PRC.

We have also noted the 《關於2018年光伏發電有關事項的通知》(Notice on Matters Related to Photovoltaic Power Generation in 2018^{*}) (the “**531 New Policy**”), jointly issued by the National Development and Reform Commission, Ministry of Finance and National Energy Administration in June 2018, which indicated that the PRC government will (i) reasonably control the pace of development and optimize the scale of the new solar power projects construction; (ii) speed up the decrease of subsidies for photovoltaic power generation and reduce the intensity of subsidies; and (iii) let the market play a decisive role in the allocation of resources, such as encouraging local governments to introduce competitive bidding methods to deploy photovoltaic power projects and further increasing the scale of market-based projects. We have discussed with the management of the Company regarding their view of the impacts of the 531 New Policy on the solar energy industry and conducted independent research from the public domain in respect of and reviewed relevant reports on the prospect of the solar energy industry, such as 《2019中國光伏電站資產交易白皮書》(The China Photovoltaic Power Station Asset Transaction White Paper 2019^{*}) jointly published by a leading global provider of independent inspection services and a big four accounting firm in March 2019. Accordingly to the 《2019年光伏發電項目建設工作方案》(Work Plan for Photovoltaic Power Generation Project Construction in 2019^{*}) (the “**2019 PV Work Plan**”) issued by National Energy Administration in May 2019, which specified that new solar power projects which require government subsidies in 2019 and onwards will be divided into five categories, namely, (i) poverty alleviation solar projects; (ii) household solar projects; (iii) ordinary solar power plant; (iv) industrial and commercial distributed solar projects; and (v) special projects or demo projects organized by government authorities. Other than specific policies or provisions made by the government, all ordinary solar power projects, industrial and commercial solar power projects and special demo projects shall be organized by local government via competitive allocation measures such as bidding. The 2019 PV Work Plan also indicated that the total budget for government subsidies for new solar power projects in 2019 is RMB3.0 billion.

Taking into consideration that (i) the increasing concerns on environmental protection by the PRC government which promote the use of renewable and green energy; (ii) the consecutive robust growth of installation of new PV system in China in recent years; (iii) the decreasing cost of solar electricity generation as a result of technological advancement and higher economies of scale by increasing capacity of PV system; and (iv) the phasing out of less competitive market players of photovoltaic power station operators which were highly leveraged and unable to lower operating costs under the 531 New Policy, we are of the view that (i) green energy such as solar energy will still be a key direction of energy restructuring in China; (ii) industry consolidations will take place and the leading players in the solar energy industry will likely become more competitive giants in the medium and long term; (iii) the negative impact of the 531 New Policy on the solar energy industry is temporary and it would promote the healthy development of the solar energy industry by phasing out weak market players which lack cost control abilities and rely heavily on government subsidies; and (iv) China will continue to introduce new policies to support and promote the development of green energy, which will facilitate the recovery and further development of solar energy industry in the long run. Based on the above, we concur with the Directors’ view that the overall prospect of the solar energy industry in China is optimistic.

* For identification purpose only

2. Information on the Vendor, Million Keen and the Target Group

2.1 Information of the Vendor

The Vendor is established in the PRC with limited liability and is an investment holding company with the 40% equity interests in Tianjin Hengqing as its principal assets.

The Vendor is wholly owned by 石家莊匯日新能源科技有限公司(Shijiazhuang Huirì New Energy Technology Limited*), which is in turned held as to 95% equity interest by 河北國之通投資有限公司(Hebei Guozhitong Investment Limited*) (“**Hebei Guozhitong**”), a company established in the PRC with limited liability, and 5% equity interest by Li Xiaoyan* (李曉豔). Hebei Guozhitong is ultimately held as to 95% equity interest by Ms. Li and 5% equity interest by Chi Hontao* (池洪濤), respectively. Each of Ms. Li and Mr. Chi is an individual residing in the PRC.

2.2 Information of Million Keen

Million Keen is incorporated in the BVI on 2 January 2013 with limited liability and is wholly owned by the Company through City Max. Million Keen is an investment holding company and the principal assets of which is its 60% equity interests in Tianjin Hengqing.

2.3 Information of the Target Group

2.3.1 Background of the Target Group

Tianjin Hengqing is a Sino-foreign equity joint venture enterprise established in the PRC, the entire issued share capital of which is owned as to 60% indirectly by the Company and 40% by the Vendor. Tianjin Hengqing is principally engaged in the research and development, sales and provision of other relevant technology consultation services of photovoltaic mounting brackets, solar trackers, the guardrail of the solar power stations and solar related product. Tianjin Hengqing is also the sole beneficial owner of Xizang Lineng, which is a company incorporated in the PRC with limited liability and its principal business is the processing and sales of solar equipment; wind power-related business operations; and provision of related technical support services.

* For identification purpose only

2.3.2 Financial performance of the Target Group

The following is a summary of the unaudited consolidated financial information of the Target Group prepared in accordance with PRC generally accepted accounting principles:

	For the year ended		For the ten months ended	
	31 December		31 October	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	46,234	15,877	17,752	53,880
Gross profit	11,246	4,782	4,516	7,579
Gross profit margin	24.3%	30.1%	25.4%	14.1%
Net profit before tax	10,047	3,988	3,806	6,988
Net profit after tax	9,111	3,621	3,585	6,330

As inquired with the management of the Company, the revenue of the Target Group decreased from approximately RMB46.2 million for the year ended 31 December 2017 to approximately RMB15.9 million for the year ended 31 December 2018, which was mainly due to the decrease in sale of solar equipment as a result of the significant decrease in new investment in solar power projects immediately after the announcement of the 531 New Policy. The revenue increased from approximately RMB17.8 million for the ten months ended 31 October 2018 to approximately RMB53.9 million for the ten months ended 31 October 2019, which was mainly due to the increase in demand for solar equipment driven by the recovery of the solar energy industry as a result of (i) improved market sentiment on new investment in solar power projects after the issue of 2019 PV Work Plan, which provides more details on the government's work plan on solar energy industry and reveals the government's determination to promote the healthy development of the solar energy industry; and (ii) competitive players in the solar energy industry have adapted to the negative impact of 531 New Policy and resumed investment in solar energy projects. However, as the downstream clients of solar power station contractors became more cost cautious for the construction of solar power stations with the decrease in government subsidies after the 531 New Policy, products with lower average selling prices were sold during the period, which resulted in a decrease in the gross profit margin. The net profit of the Target Group for the years ended 31 December 2017 and 2018 and for the ten months ended 31 October 2018 and 2019 were mainly in line with the movement of its gross profit during the corresponding years/periods.

3. Reasons for and benefits for the Acquisition

With reference to the announcements of the Company dated 5 May 2015, 22 May 2015 and 1 February 2016, the purchaser, being a wholly owned subsidiary of the Company, and the vendor entered into a sale and purchase agreement on 5 May 2015 pursuant to which the purchaser conditionally agreed to purchase and the vendor conditionally agreed to sell the entire issued capital of Million Keen, which was an investment holding company and the principal assets of which was 60% equity interests in Tianjin Hengqing, at a total consideration of HK\$47,600,000 (the “**Previous Acquisition**”) and the Previous Acquisition was completed on 22 May 2015. As disclosed in the announcement of the Company dated 5 May 2015 in relation to the Previous Acquisition, the Directors are of the view that the Previous Acquisition would enable the Group to tap into the sales of related solar products, which will enhance the competitive advantages of the Group as well as to seize the market opportunities in the solar energy industry. Following the completion of the Previous Acquisition, the Group has started the business of sales of solar power related products. Upon the completion of the Previous Acquisition and since then, the consolidated financial results of Tianjian Hengqing have been consolidated into the accounts of the Group as a 60%-owned subsidiary of the Company and the Target Group has provided the Group with continuous positive earnings contribution.

As illustrated in the section headed “Financial performance of the Group” above, the Group generated revenue mainly from two business segments, namely (i) sales of solar power related products; and (ii) provision of new energy power system integration services. As stated in the Annual Report 2019, the Group will actively focus on the investment and layout of sales of solar & photovoltaic field related products according to industry opportunities. We consider the Acquisition is in line with the long-term business strategy of the Group.

Upon Completion, the Group will gain 100% control over the Target Company, which will enable it to benefit from additional positive earnings contribution generated from the Target Group. We noted from the announcements of the Company dated 5 May 2015 in relation to the Previous Acquisition and the annual reports of the Group for the years ended 31 March 2016, 2017, 2018 and 2019, in spite of the fluctuations in earnings from year to year, the Target Group has recorded profits since 2014. Based on the historical performance pattern, we concur with the management of the Company that (i) it is expected that the Target Group will continue to generate positive earnings to the Group; (ii) and the future prospects of the Target Group will remain positive after Completion given that the Company intends to retain the existing management team which will not cause any interruption to the operations of the Target Group after Completion; and (iii) the Acquisition will therefore provide an opportunity to enhance the Group’s financial performance and return to the Shareholders in the long run.

In addition, as the Group will gain full control over the Target Group, the Group will have a greater influence over the development of the Target Group and the Acquisition is therefore in line with the long-term business strategy of the Group. The Group can also enjoy greater operational flexibility and efficiency by shortening the decision-making process upon Completion. We understand from the management of the Company that the current practice requires approval from both Vendor and the Group in relation to, among others, the formulation of business strategies of the Target Group and the agreement of major terms in the course of the entering into of business contracts. We concur with the management of the Company that the Group's full control over the Target Group will simplify its decision-making process and facilitate a more direct and responsive procedure without getting consent from the minority shareholder.

Furthermore, since the consideration for the Acquisition is satisfied by the allotment and issue of the Consideration Shares, we concur with the Directors' view that there is no cash outflow from the Group and the Acquisition will not affect the liquidity position of the Group.

Having considered that the Acquisition (i) is in line with the long-term business strategy of the Group; (ii) will enable the Group to benefit from additional positive earnings contribution generated from the Target Group; (iii) will enable the Group to gain full control and greater influence over the Target Group which provides operational flexibility and efficiency in developing business strategies and making business decisions for the Target Group in the future; (iv) will not affect the liquidity position of the Group; (v) the Considerations Shares will be issued at a significant premium, as compared to the closing price of the Share as at the Latest Practicable Date; (vi) the Group has acquired solid knowledge of the operation of the Target Group as well as its financial and business conditions since the Previous Acquisition; and (vii) will not result in any interruption to the operation of the Target Group after Completion, we concur with the Directors' view that the Acquisition, including the Consideration, are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the Equity Interest Transfer Agreement

4.1 Date

20 December 2019 (after trading hours)

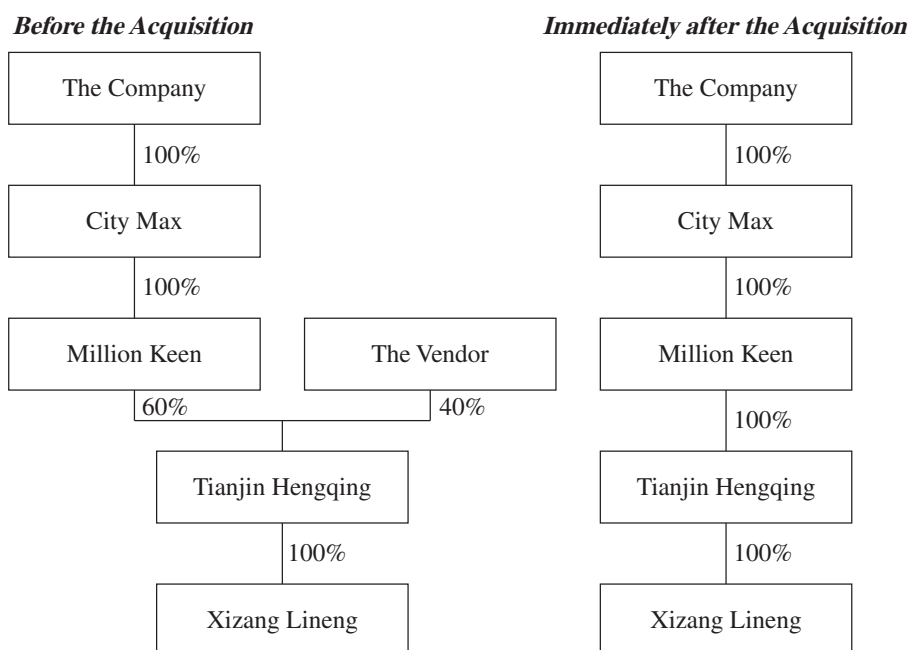
4.2 Parties

- (i) the Company, as the purchaser
- (ii) 天津市新慶光伏科技有限公司 (Tianjin Xinqing Solar Photovoltaic Technology Company Limited^{*}) as the vendor, a substantial shareholder of Tianjin Hengqing, which is an indirect 60%-owned subsidiary of the Company. Accordingly, the Vendor is a connected person of the Company at subsidiary level under the Listing Rules.

* For identification purpose only

4.3 Assets to be acquired

Pursuant to the Equity Interest Transfer Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares (representing 40% of the equity interests in Tianjin Hengqing). Upon Completion, the Sale Shares will be transferred from the Vendor to Million Keen as the designated holder of the Sale Shares of the Company. The ownership structure of Tianjin Hengqing and Xizang Lineng before and immediately after the Acquisition are as follows:



4.4 Consideration for the Acquisition

As stated in the Letter from the Board, the Consideration for the Acquisition is RMB26,500,000 (equivalent to approximately HK\$29,547,203.10), which will be satisfied by way of the allotment and issue of 295,472,031 Consideration Shares to the Vendor (or its nominee(s)) at the Issue Price (HK\$0.1 per Consideration Share) and credited as fully paid. Pursuant to the Equity Interest Transfer Agreement, the Consideration Shares will be issued to the Vendor (or its nominee(s)) within a reasonable period of time after date on which the new business license of Tianjin Hengqing as a wholly foreign owned enterprise is issued. As advised by the management of the Company, the Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to the preliminary valuation of 40% of the equity interests of the Target Group prepared by Flagship Appraisals and Consulting Limited, an independent valuer, of RMB26,500,000 as at 31 October 2019. The Directors consider that the Consideration is fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

4.5 Consideration Shares

The Consideration Shares comprise a total of 295,472,031 Shares, which represent approximately 16.10% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 13.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. The number of Shares to be allotted and issued as Consideration Shares might be adjusted downwards as to be agreed between the Company and the Vendor, but the number of Shares comprising the Consideration Shares shall not be reduced by more than 30,000,000 Shares. In the event of such adjustment, the Company and the Vendor shall enter into a supplemental agreement which shall set out further details (including the formula) of such adjustment. On 17 January 2020, the Company and the Vendor entered into a supplemental agreement to the Equity Interest Transfer Agreement and confirmed that the number of Consideration Shares will remain unchanged (i.e. 295,472,031 Shares) and will not be adjusted nor will it be subject to any further adjustment.

The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank *pari passu* in all respects with the Shares then in issue including the right to all dividends, distributions and other payments made or to be made, on the record date which falls on or after the date of such allotment and issue.

The Consideration Shares will be issued by the Company under the Specific Mandate. The Company will seek the grant of the Specific Mandate from the independent Shareholders at the EGM. An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Issue Price represents:

- (i) a premium of approximately 36.99% to the average closing price of HK\$0.073 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 29.87% to the closing price of HK\$0.077 per Share as quoted on the Stock Exchange on 19 December 2019, being the last trading date prior to the date of the Equity Interest Transfer Agreement;
- (iii) a premium of approximately 26.58% to the average closing price of HK\$0.079 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the last trading date prior to the date of the Equity Interest Transfer Agreement; and
- (iv) a premium of approximately 30.21% to the average closing price of HK\$0.0768 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the last trading date prior to the date of the Equity Interest Transfer Agreement.

4.6 Conditions precedent

As disclosed in the Letter from the Board, Completion of the Acquisition is conditional upon the following conditions being satisfied or otherwise waived on or before the Long Stop Date:

- (i) Tianjin Hengqing having passed board resolutions approving, among other things, (a) the transfer of the Sale Shares; (b) the change of Tianjin Hengqing's status from a Sino-foreign equity joint venture to a wholly foreign owned enterprise; and (c) termination of the joint venture agreement and articles of association;
- (ii) the Vendor and Million Keen having duly executed an agreement terminating the joint venture agreement and the articles of association of Tianjin Hengqing;
- (iii) the approval for the listing of, and permission to deal in, all the Consideration Shares on GEM having been granted by the Listing Committee of the Stock Exchange;
- (iv) the independent Shareholders having approved the Specific Mandate at the EGM;
- (v) if the number of Consideration Shares is adjusted pursuant to the Equity Interest Transfer Agreement, such adjustment having been approved by the Board;
- (vi) the warranties given by the Vendor in the Equity Interest Transfer Agreement remaining true, accurate and not misleading in all respects before and on the date of Completion;
- (vii) the Vendor having delivered to the Company all documents required to be signed or otherwise executed by the Vendor for the purpose of completing the relevant procedures for the transfer of the Sale Shares by the SAMR or its local branch, in form and substance satisfactory to the Company;
- (viii) no material adverse change having occurred to Tianjin Hengqing and enterprises controlled by it; and
- (ix) the performance and compliance by the Vendor of each agreement, covenant, undertaking and obligation as required to be performed or complied by the Vendor with prior to or at the date of Completion under the Equity Interest Transfer Agreement, and no material breach by the Vendor of the Equity Interest Transfer Agreement having occurred.

All conditions precedent may be waived by the Company at any time in writing. In the event that any of the abovementioned conditions are not fulfilled or otherwise waived by the Company on or before the Long Stop Date, the Company may elect to terminate the Equity Interest Transfer Agreement. The Equity Interest Transfer Agreement shall cease and determine (save and except certain clauses under the Equity Interest Transfer Agreement which will continue to have full force and effect) and thereafter neither party to the Equity Interest Transfer Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

4.7 Lock-up undertaking

The Vendor has undertaken to the Company that, during the Lock-Up Period (which is one year from the date of issue of the Consideration Shares), it will not (and will procure its nominee(s) not to), in respect of the Consideration Shares, offer, lend, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any of the Consideration Shares. The Vendor has further undertaken to the Company that, in the event it shall transfer or dispose of the Consideration Shares after the Lock-Up Period, the Vendor shall take all steps to ensure that any such transfer or sale will not create a false market in the equity securities of the Company.

We consider the lock up undertaking indicates the level of confidence of the Vendor in the Group's future growth and prospects after the Acquisition. In our opinion, the lock up undertaking is in the interests of the Company and the existing Shareholders as a whole as it would prevent the Consideration Shares being sold in the market in short term which may exert pressure on the price of the Shares.

4.8 Non-competition and non-solicitation undertakings by the Vendor

For a period of three years following Completion, the Vendor shall not, and shall procure that its Affiliates shall not, whether on its own behalf or as an agent for any person or entity, directly or indirectly:

- (i) undertake or engage in any business in the PRC which may compete with the business of Tianjin Hengqing or own a material interest in any such business;
- (ii) establish any enterprise (whether by itself or by a joint venture with any other entity or person) in the PRC which may compete with the business of Tianjin Hengqing, or cooperate, commence business with, or provide assistance to any entity or person which may compete with the business of Tianjin Hengqing;

- (iii) save as with the prior written agreement of the Company, develop, manufacture and sell any products that are similar to or compete with the products of Tianjin Hengqing, and provide after-sale services or otherwise operate a business with respect to any such products, in any countries other than the PRC;
- (iv) do any such acts or make any such statements that may do harm to Tianjin Hengqing's goodwill, or cause any person to reduce its scale of operations with Tianjin Hengqing, or cause any person to seek to improve its terms of trade with Tianjin Hengqing;
- (v) save as with the prior written agreement of the Company, solicit or entice or endeavour to solicit or entice any employee of Tianjin Hengqing to terminate his/her employment with Tianjin Hengqing and offer him/her employment or otherwise persuade any employee of Tianjin Hengqing to terminate his/her employment with Tianjin Hengqing; or
- (vi) save as with the prior written agreement of the Company, compete with the Company in the employment, engagement or endeavour to employ or engage any employee of Tianjin Hengqing to undertake the same or a similar role in the same or a similar field of work.

We consider the above clauses in the Equity Interest Transfer Agreement provide an additional protection for the Group to restrict the abuse of the Group's confidential information and knowledge by the Vendor after Completion and to a certain extent prevent future competition and the loss of existing employees of the Group.

5. Assessment of the Consideration

5.1 Valuation Report

In assessing the fairness and reasonableness of the Consideration, we consider it is a common practice to determine a consideration for an acquisition by taking into account, among other factors, the appraised value of the subject of an acquisition estimated by a valuation report prepared by an independent professional valuer. We have obtained and reviewed the Valuation Report and the underlying calculation spreadsheet and enquired with the Valuer, among other things: (i) the terms of engagement and the scope of work of the Valuer; (ii) the qualification and independence of the Valuer; (iii) the procedures and major assumptions adopted by the Valuer; and (iv) the selection of valuation methodology taken by the Valuer for the valuation.

Scope of work

We have reviewed the terms of engagement of the Valuer and consider that the scope of work is appropriate to the valuation and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report. We also understand from the Valuer that it conducted the valuation in accordance with the International Valuation Standards issued by International Valuation Standards Committee.

The Valuer's qualification and independence

We have enquired the qualification, experience and independence of the Valuer in relation to the performance of the valuation. We were given to understand that the Valuer is certified with the relevant professional qualifications and experience. The Valuer has also confirmed that they are independent to the Group, the Target Group and their respective associates and all relevant material information provided by the Group had been incorporated in the valuation report. Based on the above, we are of the view that the Valuer is qualified to perform the valuation.

Procedures and major assumptions adopted by the Valuer

We have enquired with and were advised by the Valuer that they had performed necessary due diligence works for the preparation of the Valuation Report, which includes, among others, enquiries in relation to the financial information of the Target Group and examination of further information where necessary. We noted that the Valuer has made major assumptions, including but not limited to that (i) there will be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in China, and where the Target Group and its wholly-owned subsidiary are carrying on its businesses; (ii) there will be no significant deviation in the industry trend and market condition from the current market expectation; (iii) there will be no major change in the current taxation law and policies in relation to and solar energy or renewable energy industry in China; (iv) all relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, remain in good standing, and can be procured with no additional costs or fees; (v) the Target Group will retain competent management, key personnel and technical staff to support their on-going business operations; and (vi) the management will continue to operate the Target Group business without any significant deviation.

Selection of valuation methodology

We have further reviewed and enquired with the Valuer on the methodology and the key assumptions adopted in the Valuation Report. In performing the valuation of the Target Company and its wholly-owned subsidiary, the Valuer considered three valuation approaches, namely the cost approach, market approach and income approach. The cost approach is a general way of estimating the value of a business ownership interest using methods based on the value of individual business assets less liabilities. Value is established based on the principle of substitution, which means the value of a business ownership interest depends on the cost of reproducing or replacing the net asset after considering depreciation from physical deterioration as well as functional and economic obsolescence, if present and measurable. Cost approach is adopted for the valuations of companies whose valuations are reflected by their underlying assets and liabilities on their balance sheets. The market approach is a general way of estimating a value indication of a business ownership interest by using methods that compare the subject to similar business ownership interests that have been sold. Value is established based on the principle of competition, which means if a business is similar to another business and can replace for the other, then they should be equal in value. Market approach is commonly adopted for companies with ongoing operations and intangible assets that might not be recorded on their balance sheets. For the market approach to be used, a sufficient number of comparable companies to make comparisons must be available such that meaningful comparisons can be made. Lastly, the income approach is a general way of determining a fair value indication of a business ownership interest by using methods that convert anticipated benefits into a present value amount. Value is established based on the principle of anticipation, which means the value of a business ownership interest is the sum of the present value of future economic benefit streams. Income approach is commonly adopted for the valuations of companies with ongoing business and with reliable financial forecasts.

According to the Valuation Report, different approaches were adopted for the valuations of Tianjin Hengqing and Xizang Lineng due to the difference in the nature of their respective operating activities. We understand from the Valuer that in determining the selection of valuation approach used, the Valuer has considered the business nature, the current financial position and the future prospective of the Target Group. We understand that the Valuer had considered the merits and limitations of each of the aforesaid valuation methodologies as well as the status of the Target Group as at the valuation date, including, among others, (i) Tianjin Hengqing is an investment holding company and does not have its own business operations but only derives its values from the equity interests it holds, including the entire equity interests of Xizang Lineng. Accordingly, Tianjin Hengqing does not have any intangible assets

not recorded on its balance sheet. The Valuer is of the view that the net assets value on Tianjin Hengqing's balance sheet is an appropriate proxy of Tianjin Hengqing's value and therefore the cost approach, which anchors the value of a company on its net asset value, is the appropriate valuation method; and (ii) Xizang Lineng's principal business involves the processing and sales of solar equipment, wind power-related business operations, and provision of related technical support services. Therefore, the value of Xizang Lineng would largely depend on the economic benefits it derives from its business operations. The cost approach is inappropriate to be used in the valuation of Xizang Lineng as it does not reflect the future earning potential of its business. We also understand from the Valuer that the income approach is inappropriate for the valuation of the Xizang Lineng because the income approach, while being able to account for the future earning power, depends considerably on the financial forecast made by the management of the Company and the bases for the underlying assumptions. As advised by the Valuer, as Xizang Lineng's mode of operation is project-based, for which its customers would invite Xizang Lineng to participate in their projects, it would be appropriate not to rely on projections of financial performance. Accordingly, having considered (i) the nature of Xizang Lineng's operating activities and operating model; and (ii) the audited financial information of Xizang Lineng were available to the Valuer as a reliable basis to value Xizang Lineng by performing a multiple analysis with reference to the share value and pricing multiples of a number of comparable listed companies in the same or similar industry as Xizang Lineng, we concur with the Valuer that the market approach should be adopted for the valuation of the Xizang Lineng.

We noted that the Valuer performed a multiples analysis which uses the price to earnings ("P/E") ratio for the purpose of arriving at Xizang Lineng's valuation. We are advised by the Valuer that P/E ratio is adopted as the valuation multiple due to the fact that earnings reflect the overall operating efficiency, and financial health of a company. The Valuer searched for listed companies in solar energy industry (the "**Comparable Companies**") in Shanghai Stock Exchange, Shenzhen Stock Exchange and the Stock Exchange, which are mainly engaged in the manufacturing, distributing or selling of solar equipment and products. We have discussed with the Valuer the selection criteria of such Comparable Companies and reviewed the scope of business of the Comparable Companies. We have also performed our own search for the comparable companies based on the selection criteria adopted by the Valuer and obtained the same results of comparable companies as chosen by the Valuer. As such, we are of the view that (i) the selection criteria are fair and reasonable; (ii) the list of the comparable companies is exhaustive; and (iii) it is fair and reasonable to derive the financial multiple from these comparable companies.

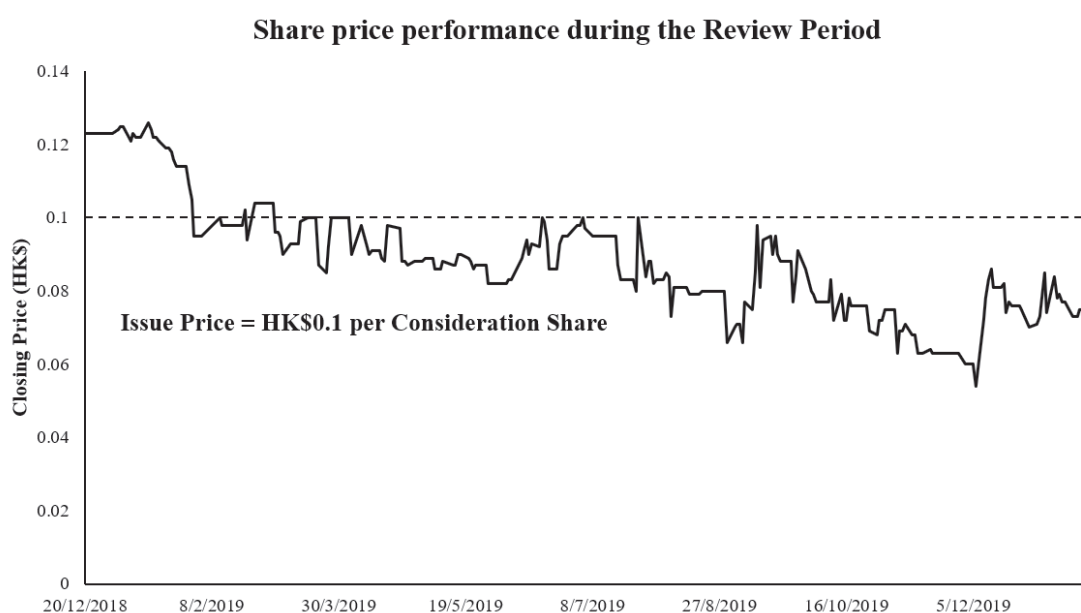
Discount for lack of marketability

Since the shares of the Target Company are not publicly traded, a discount for lack of marketability (the “**DLOM**”) was applied in the valuation to discount for lack of ability of converting shares of Target Company into immediate cash. The Valuer determined a DLOM of 30% was appropriate for the valuation of the Target Group, with reference to the Stout Restricted Stock Study, which is a DLOM database consisting of over 700 restricted stock transactions data across up to 60 data fields and which is updated and vetted quarterly to provide empirical support to quantify marketability discounts used in the business valuations. We have reviewed the relevant studies and discussed with the Valuer regarding the DLOM. Given the similarity in the characteristics of lack of marketability of the shares of the Target Company and the stocks under the study in terms of the liquidity of shares, we consider that the discount rate of 30% for determining the lack of marketability discount for the shares of the Target Company and the DLOM applied to the valuation of the Target Group is fair and reasonable. We have also reviewed circulars of transactions conducted by companies listed on the Stock Exchange on best-effort and exhaustive bases over the past three months which (i) the nature of transactions involved acquisition of or investment in equity interest of the target companies which are not publicly traded; (ii) contained valuation reports prepared by independent valuers; and (iii) involved DLOM, and we noted that Stout Restricted Stock Study is adopted in more than one third of such circulars in the determination of DLOM.

Based on our review on the Valuation Report and having considered (i) our assessment of the scope of work of the Valuer; (ii) qualification and independence of the Valuer; (iii) the procedures and major assumptions adopted by the Valuer; (iv) the methodology being applied in the valuation; (v) the aforesaid fair value as extracted from the Valuation Report to be a relevant valuation reference point and be included as part of our analysis for assessing the fair and reasonableness of the Consideration; and (vi) the Comparable Companies used by the Valuer in the valuation, we are of the view that the Appraised Value of the Target Group was arrived at after due and careful consideration and concur with the view of the management of the Company that the Consideration of the Acquisition is fair and reasonable, and is in the interests of the Company and its Shareholders as a whole.

5.2 Issue price analysis

In assessing the fairness and reasonableness of the Issue Price, we have assessed the daily closing price level of the Shares during the period from 20 December 2018 (being the first trading day of the 12-month period prior to the date of the Equity Interest Transfer Agreement) up to and including the Latest Practicable Date (the “**Review Period**”). We consider that the Review Period which covers a full year prior to the date of the Equity Interest Transfer Agreement represents a reasonable period to provide a general overview of the historical trend of the Share price when assessing the Issue Price. The comparison of the historical closing price of the Shares during the Review Period and the Issue Price are illustrated as follows:



Source: the website of the Stock Exchange

During the Review Period, the closing price of the Shares maintained a decreasing trend in general with the lowest closing price per Share at HK\$0.054 on 6 December 2019 and the highest closing price per Share at HK\$0.126 on 14 January 2019 with an average daily closing price per Share of approximately HK\$0.088.

In addition to the historical Share price movement, we have, on a best-effort and exhaustive bases, reviewed the acquisition transactions announced by companies listed on the Stock Exchange which involved issue of consideration shares for acquisition (the “**Comparable Transactions**”) during the period from 1 June 2019 to the date of the Equity Interest Transfer Agreement and has not been terminated as at the date of the Equity Interest Transfer Agreement. We noted that no transactions announced on the website of the Stock Exchange in relation to the acquisition of companies engaging in business similar to the principal business of the Target Group. However, we have identified Comparable Transactions that were transacted at the time close to the date of the Equity Interest Transfer Agreement under similar market conditions and investment sentiments. Considering that the review period of approximately six months immediately prior to the date of the Equity Interest Transfer Agreement is adequate and appropriate to capture the most recent market practice and reflect the general trend of the Comparable Transactions, we are of the view that the Comparable Transactions, although not to be used in isolation in determining the fairness and reasonableness of the Issue Price, can provide a general reference to the Independent Shareholders as they can reflect market trends of the terms involved in issuing shares as full or partial settlement of consideration for acquisitions. Shareholders should note that the businesses, operations and prospects of the Target Group may not be the same as, or even substantially vary from, that of the Comparable Transactions.

The Comparable Transactions have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. Set out below is our analysis on the Comparable Transactions:

Date of announcement	Stock code	Company name	Premium/(discount) of the issue price over/(to) closing price on the last trading day prior to/on the date of relevant announcement	Premium/(discount) of the issue price over/(to) closing price on the last five trading days prior to/on the date of relevant announcement
3-Jun-2019	8037	China Biotech Services Holdings Limited	51.5%	54.8%
10-Jun-2019	1466	Affluent Partners Holdings Limited	-8.1%	-7.4%
11-Jun-2019	1116	Mayer Holdings Limited	-21.6%	-20.0%
8-Jul-2019	474	Hao Tian Development Group Limited	11.6%	11.1%
10-Jul-2019	556	Pan Asia Environmental Protection Group Limited	17.3%	13.4%
12-Jul-2019	1341	Hao Tian International Construction Investment Group Limited	-9.4%	-10.2%

Date of announcement	Stock code	Company name	Premium/(discount) of the issue price over/(to) closing price on the last trading day prior to/on the date of relevant announcement	Premium/(discount) of the issue price over/(to) closing price on the last five trading days prior to/on the date of relevant announcement
15-Jul-2019	2779	China Xinhua Education Group Limited	50.4%	48.6%
8-Aug-2019	1389	Major Holdings Limited	5.9%	0.0%
12-Aug-2019	8037	China Biotech Services Holdings Limited	44.9%	45.8%
15-Aug-2019	860	WE Solutions Limited	38.7%	27.8%
10-Sep-2019	1561	Manfield Chemical Holdings Limited	-25.6%	-25.6%
18-Sep-2019	2337	United Strength Power Holdings Limited	-23.1%	-12.9%
27-Sep-2019	1818	Zhaojin Mining Industry Company Limited	-1.2%	-6.5%
4-Oct-2019	8179	Food Idea Holdings Limited	0.0%	-7.9%
28-Nov-2019	2357	AviChina Industry & Technology Company Limited	19.7%	18.8%
12-Dec-2019	8156	Sinopharm Tech Holdings Limited	4.5%	-3.4%
		Minimum	-25.6%	-25.6%
		Maximum	51.5%	54.8%
		Average	9.7%	7.9%
		Issue Price	29.87%	26.58%

Source: the website of the Stock Exchange

As illustrated in the above table, we noted that the issue prices of the Comparable Transactions ranged widely (i) from a discount of approximately 25.6% to a premium of approximately 51.5% to/over the closing price of the last trading day prior to/on the date of relevant announcement with an average premium of approximately 9.7%; and (ii) from a discount of approximately 25.6% to a premium of approximately 54.8% to/over the average closing price of the last five trading days prior to/on the date of relevant announcement with an average premium of approximately 7.9%.

We note that the Issue Price represents a premium of approximately 29.87% over the closing price of the Shares on the last trading date prior to the date of the Equity Interest Transfer Agreement and a premium of approximately 26.58% over the average closing price of the Shares on last five consecutive trading days prior to the date of the Equity Interest Transfer Agreement. The Issue Price falls within the range of the discount/premium of the issue prices in the Comparable Transactions at each of the last trading day and last five trading days (jointly, the “**Comparison Days**”) and is priced higher than the average in the Comparison Days.

Based on the above, we consider that the Issue Price is reasonable compared to those in the Comparable Transactions.

5.3 Evaluation of the issuance of the Consideration Shares as the settlement method

The Consideration shall be settled fully by the allotment and issue of the Consideration Shares. We were advised by management of the Company that the Company has considered other settlement alternatives for the Acquisition such as cash payment or issue of debt instruments. As disclosed in the Interim Report 2019, as at 30 September 2019, the Group had (i) bank balances and cash of approximately RMB1.8 million; and (ii) outstanding loans and convertible bonds amounted to approximately RMB36.6 million. Having considered that the issue of Consideration Shares will not involve any cash outlay of the Group, this may allow the Company to reserve working capital. In addition, settlement by borrowings or issue of debt instruments usually take longer time to arrange and shall increase the Group’s finance costs and adversely impact the profitability of the Group. Therefore, the Directors consider that issue of Consideration Shares is a preferred method for settlement of the Consideration.

Given that (i) the issue of the Consideration Shares shall not affect the cash flow, liquidity position and financial leverage of the Group, while enlarging and strengthening the capital base of the Company; (ii) settlement by borrowings or debt instruments shall increase the Group’s finance costs and adversely impact the profitability of the Group; and (iii) other equity financing alternatives would also result in dilution to the existing shareholders, we concur with the view of the Directors that it is in the interest of the Company and the Shareholders as a whole to settle the Consideration by issuing the Consideration Shares so as to retain more cash resources for its general working capital.

6. Alternative analyses for the Acquisition

As an alternative analysis, we have also compared the P/E ratio and the price-to-book (the “P/B”) ratio of the Comparable Companies. Considering the P/E and P/B ratios are commonly accepted benchmarks in the comparison of valuation of companies against their industry peers and we are not aware of any specific circumstances that would make such analyses inappropriate, we have adopted them for the purpose of our analyses. Only Comparable Companies which were profit generating in the latest financial year are used in our analysis. We have deselected in comparison of (i) P/E ratios: GCL System Integration Technology Co., Ltd. (stock code: 002506.SZ) and Clenergy (Xiamen) Technology Co., Ltd. (stock code: 603628.SH); and (ii) P/B ratios: GCL System Integration Technology Co., Ltd. (stock code: 002506.SZ), to eliminate the effect of outliers to the comparison results. Set out below is our analysis on the Comparable Companies:

Stock code	Company Name	Principal business	P/E (Note 1) times	P/B (Note 1) times
300724.SZ	Shenzhen S.C New Energy Technology Corporation	Principally engaged in development, production and sale of solar cell equipment	35.0	4.3
600537.SH	EGing Photovoltaic Technology Co., Ltd.	Mainly engaged in solar cell module market and photovoltaic power plant business market	53.3	1.0
002506.SZ	GCL System Integration Technology Co., Ltd.	Principally engaged in the manufacture and sale of cells and modules and for solar industry	723.0	7.6
603806.SH	Hangzhou First Applied Material Co., Ltd.	Principally engaged in development, production and sale of photovoltaic packaging materials.	28.1	3.5
300751.SZ	Suzhou Maxwell Technologies Co., Ltd.	Principally engaged in the production and sale of products which are complete sets of equipment for solar cell screen printing production line mainly used in the midstream production link of photovoltaic industry chain	42.9	5.7

Stock code	Company Name	Principal business	P/E (Note 1) times	P/B (Note 1) times
002218.SZ	Shenzhen Topraysolar Co., Ltd.	Principally engaged in the development, production and sales of solar wafers, batteries, modules, applications, photovoltaic glass and photovoltaic brackets as well as the development, construction and operation of photovoltaic power stations	40.9	1.2
300118.SZ	Risen Energy Co., Ltd.	Principally engaged in the solar cell, module, new material, photovoltaic power station, intelligent lamp, new energy financial service, etc.	46.3	1.3
968.HK	Xinyi Solar Holdings Limited	Principally engaged in the manufacturing and sale of solar glass	19.3	2.7
300393.SZ	Jolywood (Suzhou) Sunwatt Co., Ltd.	Principally engaged in photovoltaic power generation industry	36.6	1.6
002610.SZ	Jiangsu Akcome Science & Technology Co., Ltd.	The main products include solar cell aluminum frames, photovoltaic mounting brackets, aluminum profiles, and other non-photovoltaic manufacturing products.	59.1	1.2
603628.SH	Clenergy (Xiamen) Technology Co., Ltd.	Principally engaged in the development, manufacture and sale of photovoltaic brackets as well as the development and construction of photovoltaic power plants	84.6	2.2
603507.SH	JiangSu Zhenjiang NewEnergy Equipment Co., Ltd.	Mainly engaged in processing and sales of wind power equipment, photovoltaic equipment parts and fasteners, and the main products include wind power equipment products such as nacelle cover, rotor room, stator section, brake ring, as well as fixed/adjustable photovoltaic support, tracking photovoltaic support and other photovoltaic equipment products	34.5	1.5

Stock code	Company Name	Principal business	P/E (Note 1) times	P/B (Note 1) times
603105.SH	Zhejiang Sunoren Solar Technology Co., Ltd.	Principally engaged in distributed photovoltaic power generation investment, distributed photovoltaic project development and service, and photovoltaic product development and manufacturing	51.2	2.3
300274.SZ	Sungrow Power Supply Co., Ltd.	Principally engaged in the research and development, production, sales and service of new energy power equipment and system solutions such as solar energy, wind energy, energy storage, electric vehicles, etc.	17.6	1.7
603396.SH	Yingkou Jincheng Machinery Co., Ltd.	Principally engaged in the development, manufacture and sale of photovoltaic equipment	22.0	2.0
438.HK	IRICO Group New Energy Company Limited	Principally engaged in photoelectric products businesses	12.8	6.1
		Minimum	12.8	1.0
		Maximum	59.1	6.1
		Average	35.7	2.6
	The Target Group	Principally engaged in sales of steel solar frame products	18.3 (Note 2)	1.9 (Note 2)

Notes:

- The P/E ratio is calculated by dividing the market capitalization as at 31 October 2019 of the Comparable Companies with their profit after taxation attributable to owners for the latest financial year. The P/B ratio is calculated by dividing the market capitalization as at 31 October 2019 of the Comparable Companies with their net assets values attributable to owners as extracted from the latest relevant financial reports/results of the Comparable Companies.

2. The implied P/E ratio of the Target Group is calculated by dividing the Consideration of RMB26,500,000 by 40% (to derive the 100% value of the Target Group) and further divided by its unaudited consolidated net profit after taxation of approximately RMB3,621,490 for the year ended 31 December 2018. The implied P/B ratio of the Target Group is calculated by dividing the Consideration of RMB26,500,000 by 40% (to derive the 100% value of the Target Group) and further divided by its unaudited net consolidated assets of approximately RMB35,236,649 as at 31 October 2019.
3. For illustrative purpose only, conversion between RMB and HK\$ in relation to the respective financial figures of the Comparable Companies (if applicable) is calculated at the approximate exchange rate of RMB1 to HK\$1.117.

As illustrated in the table above, the P/E ratio of the Comparable Companies range from a minimum of approximately 12.8 times to a maximum of approximately 59.1 times with an average of approximately 35.7 times. The P/B ratio of the Comparable Companies range from a minimum of approximately 1.0 times to a maximum of approximately 6.1 times with an average of approximately 2.6 times.

Having considered that (i) the valuation methodology applied and the selection criteria of the Comparable Companies to derive the financial multiple are fair and reasonable; (ii) the Consideration of the Acquisition is the same as the Appraised Value of the Target Group in the Valuation Report; and (iii) the implied P/E ratio and the implied P/B ratio of Target Group on the above analyses are within the ranges of and lower than the average of those of the Comparable Companies, we concur with the view of the management of the Company that the Consideration of the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Possible shareholding effects to the Acquisition

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 Latest Practicable Date; and (ii) immediately upon the allotment and issuance of the Consideration Shares:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Consideration Shares	
	Number of Shares	%	Number of Shares	%
Mr. Huang Bo	217,766,038	11.87	217,766,038	10.22
Creation Moral Limited	216,363,636	11.79	216,363,636	10.15
Mr. Hou Hsiao Bing	131,140,000	7.15	131,140,000	6.15
Vendor	–	–	295,472,031	13.87
Public	<u>1,269,963,176</u>	<u>69.19</u>	<u>1,269,963,176</u>	<u>59.60</u>
	<u>1,835,232,850</u>	<u>100.0</u>	<u>2,130,704,881</u>	<u>100.0</u>

Pursuant to the Equity Interest Transfer Agreement, the Consideration of RMB26,500,000 (equivalent to approximately HK\$29,547,203.10) will be satisfied by the issue of an aggregate of 295,472,031 Consideration Shares. As illustrated from the above, the allotment and issue of the Consideration Shares will dilute the shareholding interest of the existing public Shareholders by approximately 9.59%, from approximately 69.19% before the Completion of Acquisition to approximately 59.60% upon completion and immediately after the issue of the Consideration Shares. However, having considered that (i) the Consideration is fair and reasonable and will be settled by way of issuing Consideration Shares which enables the Group to retain its cash resources for general working capital; (ii) other methods of debt financing for the Acquisition such as bank borrowings will take longer time, incur additional finance costs and lower future profitability of the Group; (iii) the Consideration represents a lower P/E ratio and P/B ratio than the average of Comparable Companies; (iv) the lock up arrangement prevents the Consideration Shares being sold in the market in the short term; (v) other equity financing alternatives would also result in dilution to the existing shareholders; and (vi) the benefits of the Acquisition attributable to the Group as mentioned previously under the section headed “Reasons for and benefits for the Acquisition”, we concur with the Directors’ view that the dilution effects on the shareholding of the existing public Shareholders are acceptable.

8. Possible financial effects of the Acquisition

Immediately upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and its financial results will continue to be consolidated into the Group’s consolidated financial statements.

8.1 Net asset value

The financial results of the Target Company are currently consolidated in the Group before Completion with the Company’s indirect interest of only 60%. Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and its financial results will be fully consolidated with that of the Group. As advised by the management of the Company, the equity attributable to the owners of the Company is expected to increase upon Completion as to the 40% interests of the net asset value of the Target Group.

As a result of the allotment and issue of the Consideration Shares, the share capital of the Group will also be increased upon Completion.

8.2 Earnings

Upon Completion, the Target Group will become wholly-owned subsidiaries of the Company and the financial results of the Target Group will be fully consolidated into the consolidated accounts of the Group. Considering the Target Group has contributed positive earnings to the Group since the completion of Previous Acquisition in 2015, the Target Group is expected to continue to contribute positive earnings to the Group after Completion. Accordingly, we believe the net profit attributable to the owners of the Company is expected to increase upon Completion.

8.3 Working capital

As disclosed in the Letter from the Board, none of the Consideration will be settled in cash. Accordingly, the Company considers that working capital of the Group will not be affected after the allotment and issue of Consideration Shares.

The actual financial effects of the Acquisition to the Group upon Completion will only be ascertained based on the financial position of the Target Group on the Completion Date.

Based on the above, in particular, the positive impact on the profit contribution to the Group with no material impact on the Group's working capital, we are of the view that the Acquisition is in the interests of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as set out in this letter, we are of the opinion that (i) the terms of the Equity Interest Transfer Agreement and the transactions contemplated thereunder (including the issue of the Consideration Shares) are fair and reasonable; (ii) the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the issue of the Consideration Shares as the settlement of the consideration for the Acquisition at the EGM.

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 12 years of experience in the field of corporate finance advisory.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, none of the Directors nor chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.
- (b) As at the Latest Practicable Date, save as disclosed below, none of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by, or leased to, any member of the Group or were proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 March 2019, the date to which the latest published audited consolidated financial statements of the Group were made up.
- (c) As at the Latest Practicable Date, save as disclosed below, no other contract of significance in relation to the Group's business subsisted to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly.

3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the Latest Practicable Date, the following persons or entities, other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholders	Number of Shares interested (Note 1)	Capacity	Approximate percentage of the total issued share capital of the Company (Note 2)
Mr. Huang Bo	217,766,038 ordinary Shares (L)	Beneficial owner (Note 3)	11.87%
Creation Moral Limited	216,363,636 ordinary Shares (L)	Beneficial owner (Note 4)	11.79%
Ms. Sun Aihui	216,363,636 ordinary Shares (L)	Beneficial owner (Note 4)	11.79%
Mr. Hou Hsiao Bing	131,140,000 ordinary Shares (L)	Beneficial owner (Note 5)	7.15%

Notes:

- The letter “L” represents the long position in the shares and underlying shares of the Company.
- As at the Latest Practicable Date, the entire issued share capital of the Company was 1,835,232,850 ordinary Shares of HK\$0.1 each.
- On 11 July 2019, Good Million Investments Limited (“**Good Million**”), a substantial shareholder (as defined in the GEM Listing Rules) of the Company (“**Shareholder**”), entered into a sale and purchase agreement as vendor with Mr. Huang Bo, an independent third party who is an individual, as purchaser (“**Purchaser**”) pursuant to which Good Million has agreed to sell 217,766,038 shares of the Company (“**Shares**”) (representing approximately 11.87% of the total issued share capital of the Company as at 11 July 2019) held by it to the Purchaser. As at 11 July 2019, Good Million was owned as to 70% and 30% by Mr. Chiu Tung Ping (“**Mr. Chiu**”), an executive Director, the chairman of the Company and the chief executive officer of the Company, and Ms. Yuen Hing Lan (“**Ms. Yuen**”). Ms. Yuen is the spouse of Mr. Chiu. Upon completion of the Disposal, Good Million ceased to be a substantial Shareholder and ceased to be interested in any Shares.
- Ms. Sun Aihui held 100% interest in the entire issued share capital of Creation Moral Limited. Hence, Ms. Sun Aihui was deemed to be interested in the shares of the Company held by Creation Moral Limited.
- Mr. Hou Hsiao Bing retired as an executive Director with effect from 26 August 2019.

Save as disclosed above, as at the Latest Practicable Date, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, the Company did not have any controlling Shareholder and so far as the Directors are aware, none of the Directors or any of their respective associate(s) had any interest in a business which causes or may cause, either directly or indirectly, any significant competition with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Giraffe Capital Limited	a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

Giraffe Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Giraffe Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of Giraffe Capital Limited and its directors had any direct or indirect interest in any assets which had been acquired, disposed of by or leased to, or which were proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in financial or trading position of the Group since 31 March 2019, being the date of which the latest published audited consolidated financial statements of the Group were made up.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during the normal business hours from 10:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m. (save for Saturdays and public holidays at the principal place of business of the Company at Room 1801, 18th Floor, Kai Tak Commercial Building, 317 & 319 Des Voeux Road Central, Hong Kong from the date of this circular and up to and including the date of EGM:

- (a) the memorandum and articles of association of the Company;
- (b) the letter from the Board, the text of which is set out on pages 5 to 22 of this circular;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 23 to 24 of this circular;
- (d) the letter from Giraffe Capital Limited, the text of which is set out on pages 25 to 56 of this circular;
- (e) the letters of consent from Giraffe Capital Limited referred to in the paragraph headed “Expert and consent” in this appendix;
- (f) the Equity Interest Transfer Agreement; and
- (g) this circular.

9. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

NOTICE OF THE EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (“EGM”) of China Technology Solar Power Holdings Limited (“**Company**”) will be held at Falcon Room I, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Monday, 17 February 2020 at 2:30 p.m. for the following purposes:

SPECIAL RESOLUTION

As special business, to consider and, if thought fit, pass with or without amendments the following resolution as a special resolution:

1. **“THAT:**
 - (a) subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands being obtained, the English name of the Company be and is hereby changed from “China Technology Solar Power Holdings Limited” to “China Technology Industry Group Limited” and “中國科技產業集團有限公司” be and is hereby adopted as the dual foreign name of the Company;
 - (b) any one director of the Company (“**Director**”) be and is hereby authorised to do all such acts and things and execute all documents as he/she considers necessary or expedient to give effect to the aforesaid change of name of the Company.”

* For identification purpose only

NOTICE OF THE EGM

ORDINARY RESOLUTION

To consider and, if thought fit, pass with or without amendments the following resolution as an ordinary resolution:

1. **“THAT:**

- (a) the specific mandate (the **“Specific Mandate”**) for the allotment and issue of 295,472,031 shares of the Company (the **“Consideration Shares”**), to be allotted and issued and credited as fully paid by the Company pursuant to the sale and purchase agreement dated 20 December 2019 between the Company and 天津市新慶光伏科技有限公司 (Tianjin Xinqing Solar Photovoltaic Technology Company Limited*) is hereby approved and confirmed; and
- (b) the Directors be and are hereby authorised to execute all such documents and do all such acts and things and to sign all documents and to take any steps as they consider desirable, necessary or expedient in connection with and to give effect to the granting of the Specific Mandate for the allotment and issue of the Consideration Shares."

On behalf of the Board

China Technology Solar Power Holdings Limited

Chiu Tung Ping

Chairman and executive Director

Hong Kong, 23 January 2020

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of

business in Hong Kong:

Room 1801 18th Floor

Kai Tak Commercial Building

317 & 319 Des Voeux Road Central

Hong Kong

NOTICE OF THE EGM

As at the date of this notice, the Directors are as follows:

Executive Directors:

Chiu Tung Ping (*Chairman*)
Yuen Hing Lan
Hu Xin
Tse Man Kit Keith

Independent non-executive Directors:

Ma Xingqin
Meng Xianglin
Dong Guangwu

* *For identification purposes only*

Notes:

1. A shareholder of the Company (“**Shareholder**”) entitled to attend and vote at the EGM is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his/her/its stead. A Shareholder who is the holder of two or more shares of the Company (“**Shares**”) may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at a general meeting of the Company. A proxy needs not be a Shareholder. In addition, a proxy shall be entitled to exercise the same powers on behalf of a Shareholder which is a corporation and for which he/she acts as proxy as such Shareholder could exercise if it were an individual Shareholder.
2. For determining the entitlement of the Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 12 February 2020 to Monday, 17 February 2020, both days inclusive, during which no transfer of the Shares will be effected. In order to be entitled to attend and vote at the EGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on Tuesday, 11 February 2020.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. To be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by 2:30 p.m. (Hong Kong time) on Saturday, 15 February 2020 or not later than 48 hours before the time appointed for any adjourned meeting of the EGM.
5. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof and in such event, the form of proxy shall be deemed to be revoked.

NOTICE OF THE EGM

6. In the case of joint holders of any Share, any one of such joint holders may vote at the EGM, either personally or by proxy, in respect of such share as if he/she/it was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.
7. In compliance with the GEM Listing Rules, all resolutions to be proposed at the EGM will be voted by way of poll.

This notice will remain on the website of the Company at www.chinatechsolar.com and the website of GEM at www.hkgem.com on the “Latest Company Announcements” page for at least seven days from the date of its posting.