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## **HANERGY THIN FILM POWER GROUP LIMITED**

### **漢能薄膜發電集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 566)**

### **CONTINUING CONNECTED TRANSACTION: MASTER SUPPLY AGREEMENT**

#### **MASTER SUPPLY AGREEMENT**

On 18 February 2015, the Company and Hanergy Holding enter into of the Master Supply Agreement for the continuing supply of solar panel by Hanergy Group to the Group. Pursuant to the Master Supply Agreement, the Hanergy Group has agreed to supply solar energy panels to the Group.

Given that Hanergy Holding is a controlling shareholder of the Company, the entering into of the Master Supply Agreement and the transactions contemplated thereunder constitute a continuing connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

A circular containing, among other things, further details of the Master Supply Agreement and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Master Supply Agreement and a notice convening the SGM will be despatched to the Shareholders within 15 business days after publication of this announcement in compliance with the Listing Rules.

#### **BACKGROUND**

Reference is made to the announcement and the circular of the Company dated 11 April 2012 and 18 May 2012 respectively in relation to the entering into of the master supply agreement between the Company and Hanergy Holding in respect of the supply of solar energy panels by Hanergy Group to the Group. As disclosed in the circular, the previous master supply contract shall have a term up to 31 December 2014.

In respect of the need of the Group for solar energy panel to develop its businesses, after arm's length negotiations, on 18 February 2015, the Company and Hanergy Holding enter into of the Master Supply Agreement for the continuing supply of solar panel by Hanergy Group to the Group.

## **THE MASTER SUPPLY AGREEMENT**

Pursuant to the Master Supply Agreement, the Hanergy Group has agreed to supply solar energy panels to the Group. The major terms of the Master Supply Agreement are as follows:

Date: 18 February 2015

Parties: (1) the Company  
(2) Hanergy Holding

Hanergy Holding is a company established in the PRC with limited liability in 1997. Hanergy Group is a global clean energy multinational which is committed to “changing the world with clean energy”. It operates a number of clean energy businesses in the PRC and the rest of the world, including thin-film solar, hydro and wind power projects.

Hanergy Holding is the controlling Shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As such, the entering into of the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Subject matter: The Hanergy Group has agreed to supply the relevant solar energy panels to the Group under the Master Supply Agreement. Depending upon the business needs of the Group, the Group will enter into individual Supply Sub-Contract(s) under the Master Supply Agreement with the Hanergy Group.

Based on the needs of the Group, it is expected that the Group will acquire the following quantities of solar panels in each financial year from the financial year of 2015 to the financial year of 2017:

- (1) a-Si/Si-Ge based thin-film solar energy panels of 1.5GW;
- (2) BIPV thin-film solar energy panels of 5,300,000 sq. m.;
- (3) CIGS flexible solar energy panels of 70MW;

- (4) CIGS solar energy panels of 80MW;
- (5) nc-Si thin-film solar energy panels of 110MW.

Selling price:

The selling price of the solar energy panels shall be not more than the prevailing market price of that type of solar energy panels. The selling price of the solar panels shall be subject to the following principle depending on the type of solar energy panels:

- (1) in respect of a-Si/Si-Ge based thin-film solar energy panels, the selling price of the solar energy panels shall be not more than RMB3.3 per W;
- (2) in respect of BIPV thin-film solar energy panels, the selling price of the solar energy panels shall be not more than RMB1,300 per square metre;
- (3) in respect of CIGS flexible solar energy panels, the selling price of the solar energy panels shall be not more than RMB4.1 per W;
- (4) in respect of CIGS solar energy panels, the selling price of the solar energy panels shall be not more than RMB3.76 per W;
- (5) in respect of nc-Si thin-film solar energy panels, the selling price of the solar energy panels shall be not more than RMB3.6 per W.

The selling price cap was determined after arm's length negotiation to the parties to the Master Supply Agreement taking into account the information in various industry research reports reviewed by both parties.

Payment term:

The prices for the supply of solar energy panels will be payable by the Group in the following manner (or such other manner as the parties to the Supply Sub-Contract(s) may agree):

- (i) 30% of the payment will be payable within 10 Business Days upon the execution of the relevant Supply Sub-Contract;
- (ii) 20% of the payment will be payable within 5 Business Days upon the approval by the Hanergy Group of the placement of the purchase order by the Group;

- (iii) 45% of the payment will be payable within 30 Business Days upon the delivery of the solar energy panels; and
- (iv) 5% of the payment will be payable within 5 Business Days following the one year anniversary of the delivery date or after the Hanergy Group has issued warranty certificate in respect of the delivered solar energy panels, whichever is earlier.

The payment terms were determined through arm's length negotiation between Hanergy Holding and the Company taking into account the relatively short notice period and large quantity demand of the transactions. The Hanergy Group commits to supply the products within six months after the day which the Group has duly paid the 20% manufacturing fee (i.e. the payment mentioned in clause (ii) above) in respect of each effective purchase order(s).

Conditions precedent: The Master Supply Agreement is conditional upon:

- (1) as the Company is a company listed on the Main Board of the Stock Exchange of Hong Kong, its actions should be consistent with the requirements of the Listing Rules. As such, the Master Supply Agreement and the transactions contemplated thereunder, (including the Annual Caps), shall be approved by the Independent Shareholders of the Company and in full compliance with the relevant requirements under the Listing Rules; and
- (2) the obtaining of the approval of the Master Supply Agreement in the general meeting of Hanergy Holding.

In the event that any of the above conditions are not fulfilled within 90 days from the date of the Master Supply Agreement (or such other date the parties to the Master Supply Agreement may agree in writing), the Master Supply Agreement shall terminate and be of no further effect. As at the date of this announcement, none of the conditions has been fulfilled.

## The Annual Caps

The Annual Caps are as follows:

	For the year ending 31 December		
	2015 <i>(RMB million)</i>	2016 <i>(RMB million)</i>	2017 <i>(RMB million)</i>
<b>Annual Caps</b>	12,823.8 (equivalent to approximately HK\$15,914.3 million)	12,823.8 (equivalent to approximately HK\$15,914.3 million)	12,823.8 (equivalent to approximately HK\$15,914.3 million)

The Annual Caps were determined based on the Group's estimation of its business needs for the three financial years ending 31 December 2017, which include the proposed procurement quantity of solar energy panels as mentioned in "Subject matter" above at the estimated market price of solar energy panels (being the cap of the selling price pursuant to the Master Supply Agreement).

The historical sales figures in relation to the purchase of solar energy panel by the Group from the Hanergy Group under the master supply agreement entered into between the Group and the Hanergy Group in 2012 are as follows:

	For the year ending 31 December	
	2013 <i>(RMB million)</i> <i>(unaudited)</i>	2014 <i>(RMB million)</i> <i>(unaudited)</i>
<b>Procurement Amount</b>	838.4 (equivalent to approximately HK\$1,039.6 million)	1,544.9 (equivalent to approximately HK\$1,917.2 million)

## REASONS FOR AND BENEFITS OF THE MASTER SUPPLY AGREEMENT

The Group is a global, technologically advanced thin-film photovoltaics enterprise. With the most advanced technologies in thin-film photovoltaics, the Group provides diverse solutions for enterprises. In recent years, the Group is proactively developing the downstream solar power business sectors, and is developing photovoltaics power generation projects and application businesses in China and all over the world.

Taking into consideration of the business needs of the Group in respect of solar energy panels, including but not limited to the need of purchasing thin film solar energy panels for the construction of ground-mounted photovoltaic power generation projects, distributed photovoltaic power generation projects, off-grid photovoltaic power generation projects, grid-connected photovoltaic power generation projects, BIPV solar construction projects, BAPV solar construction projects, as well as the research and development and manufacturing of products for photovoltaic applications, and sales to other third parties, the entering into of the Master Supply Agreement allows the Group to secure a long-term stable supply of solar energy panels at selling price not higher than the market price. With the supply of solar energy panels to the Group in the past years, Hanergy Holding has established excellent cooperation relation with the Group, and the Directors believe that the Hanergy Group will continue to provide stable supply of solar energy panels of high quality to the Group.

The terms of the Master Supply Agreement (including the Annual Caps) were arrived at after arm's length negotiations between the Company and Hanergy Holding with reference to, among others, the estimation of future demand for solar energy panels, the business needs of the Group and the historical figures.

The Directors (excluding the independent non-executive Directors whose view will be given in the circular after taking into consideration of the advices of the independent financial adviser), consider that the transactions contemplated under the Master Supply Agreement are in the ordinary and usual course of business of the Group and the terms of the Master Supply Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Hanergy Holding is the controlling Shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As such, the entering into of the Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, which is subject to reporting and announcement requirements, and the Independent Shareholders' approval at the SGM by way of poll under Chapter 14A of the Listing Rules.

Hanergy Holding and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Master Supply Agreement and the Annual Caps. Hanergy Holding and its associates were interested in 30,452,024,510 Shares, representing approximately 73.14% of the issued share capital of the Company.

Save for Mr. Li Hejun who is also a substantial shareholder of Hanergy Holding, no other Director has material interest in the Master Supply Agreement and the transactions contemplated thereunder, and as such, no other Director has abstained from voting on the Board resolutions to approve the Master Supply Agreement and the transactions contemplated thereunder.

The Independent Board Committee (which consists all the independent non-executive Directors) has been established to consider the terms of the Master Supply Agreement (including the Annual Caps) and to advise the Independent Shareholders as to whether the terms of the Master Supply Agreement (including the Annual Caps) and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders after taking into account the recommendations given by the independent financial adviser.

The Company has appointed Goldin Financial as its independent financial adviser to advise the Independent Board Committee and the Independent Shareholders to consider the terms of the Master Supply Agreement (including the Annual Caps) and the transactions contemplated thereunder.

A circular containing, among other things, further details of the Master Supply Agreement and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee, a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the Master Supply Agreement and a notice convening the SGM will be despatched to the Shareholders within 15 business days after publication of this announcement in compliance with the Listing Rules.

## **DEFINITIONS**

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

“Annual Caps”	the proposed annual caps for the transactions contemplated under the Master Supply Agreement for each of the three years ending 31 December 2015, 2016 and 2017 respectively
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“BAPV”	Building Attached Photovoltaic
“BIPV”	Building Integrated Photovoltaic
“Board”	the board of Directors
“Business Day(s)”	the day(s) other than Saturday, Sunday and statutory holidays as stipulated by the PRC laws

“CIGS”	Copper indium gallium selenide
“Company”	Hanergy Thin Film Power Group Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules and the word “connected” shall be construed accordingly
“Directors”	the directors of the Company
“Goldin Financial”	Goldin Financial Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Master Supply Agreement and the Annual Caps
“Group”	the Company and its subsidiaries
“Hanergy Holding”	漢能控股集團有限公司 (Hanergy Holding Group Limited*), a company established under the laws of the PRC
“Hanergy Group”	Hanergy and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, to give recommendations to the Independent Shareholders regarding the Master Supply Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than Hanergy Holding and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 18 February 2015 and entered into between the Company and Hanergy Holding in respect of the supply of solar energy panels by the Hanergy Group to the Group
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC



“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“SGM”	the special general meeting of the Company to be convened for the purposes of considering, and if thought fit, approving, the Master Supply Agreement and the transactions contemplated thereunder, and the Annual Caps
“Share(s)”	share(s) of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Sub-Contract(s)”	the individual supply sub-contract(s) to be entered into between the Group and the Hanergy Group from time to time for the supply of solar energy panels under the Master Supply Agreement
“US\$”	United States dollars, the lawful currency of United States of America
“W”	watt, unit of power, equivalent to one joule per second and equal to the power in a circuit in which a current of one ampere flows across a potential difference of one volt.
“GW”	Gigawatt
“MW”	Megawatt
“%”	per cent.

By order of the Board  
**Hanergy Thin Film Power Group Limited**  
**Li Hejun**  
*Chairman*

Hong Kong, 18 February 2015

*As at the date of this announcement, the executive Directors are Mr. Li, Hejun (Chairman), Mr. Dai, Frank Mingfang (Deputy Chairman and Chief Executive Officer), Dr. Feng, Dianbo (Deputy Chairman), Mr. Liu, Min (Deputy Chairman), Mr. Chen, Li (Executive Vice-President), Dr. Lam, Yat Ming Eddie (Finance Director and Senior Vice-President), and Mr. Li, Guangmin; and the independent non-executive Directors of the Company are Ms. Zhao, Lan, Mr. Wang, Tongbo, Professor Xu, Zheng and Dr. Wang, Wenjing.*