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## **HANERGY SOLAR GROUP LIMITED**

**漢能太陽能集團有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 566)**

### **CONNECTED TRANSACTIONS ACQUISITION OF SOLIBRO'S CIGS THIN FILM SOLAR TECHNOLOGY — ONE OF THE WORLD'S LEADING CIGS THIN FILM SOLAR TECHNOLOGIES**

Financial advisers to Hanergy Solar Group Limited



The Company is pleased to announce that its subsidiaries (including Apollo Kunming) agreed to acquire from Hanergy Holding all intellectual property rights of Solibro's CIGS thin film solar technology, being one of the world's leading CIGS thin film solar technologies in terms of the conversion efficiency rate, and Solibro Research AB, a Swedish CIGS solar technology research and development company, a wholly-owned subsidiary of Hanergy Holding, at a total consideration of RMB280,000,000 (equivalent to approximately HK\$352,800,000).

#### **THE SP AGREEMENT**

On 2 September 2013, Apollo Kunming and Hanergy Holding entered into the SP Agreement, pursuant to which Apollo Kunming conditionally agreed to purchase and Hanergy Holding conditionally agreed to sell the entire equity interest of the Target Company at the Sale Shares Consideration of RMB80,000,000 (equivalent to approximately HK\$100,800,000).

#### **THE IP ACQUISITION AGREEMENT**

On 2 September 2013, the Subsidiaries and Hanergy Holding entered into the IP Acquisition Agreement, pursuant to which the Subsidiaries conditionally agreed to purchase and Hanergy Holding conditionally agreed to sell the Assigned IP Rights at the IP Consideration of RMB200,000,000 (equivalent to approximately HK\$252,000,000).

## **LISTING RULES IMPLICATIONS**

Hanergy Holding, through Hanergy Investment, is a controlling Shareholder. As such, Hanergy Holding is a connected person of the Company and the entering into of the SP Agreement and the IP Acquisition Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Given the relevant percentage ratios in respect of the SP Agreement and the IP Acquisition Agreement are less than 5%, the SP Agreement, the IP Acquisition Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **THE SP AGREEMENT**

The Company, through its wholly-owned subsidiary, Apollo Kunming, agreed to acquire from Hanergy Holding a Swedish CIGS solar technology research and development company, Solibro Research AB, which is a wholly-owned subsidiary of Hanergy Holding.

On 2 September 2013, Apollo Kunming and Hanergy Holding entered into the SP Agreement, pursuant to which Apollo Kunming conditionally agreed to purchase and Hanergy Holding conditionally agreed to sell the entire equity interest of the Target Company at the Sale Shares Consideration of RMB80,000,000 (equivalent to approximately HK\$100,800,000).

The principal terms of the SP Agreement are as follows:

<b>Date</b>	2 September 2013
<b>Parties</b>	(i) Apollo Kunming, as purchaser (ii) Hanergy Holding, as vendor

### **Assets to be acquired**

The Sale Shares, being the entire equity interest of the Target Company.

### **Sale Shares Consideration**

The Sale Shares Consideration was agreed at RMB80,000,000 (equivalent to approximately HK\$100,800,000) and shall be settled in cash within three business days upon completion of the SP Agreement.

The Sale Shares Consideration was determined after arm's length negotiations between the parties to the SP Agreement with reference to, among others, the valuation of the Target Company of not less than EUR9,500,000 (equivalent to approximately HK\$98,325,000) as prepared by an independent valuer.

The Sale Shares Consideration will be funded by the internal resources of the Group.

### **Conditions precedent to the SP Agreement**

The SP Agreement shall become effective upon fulfillment of the following conditions:

- (i) the duly signing of the SP Agreement by the parties thereto; and
- (ii) if required, the passing by the independent Shareholders of all resolution(s) required under the Listing Rules to approve the SP Agreement and the transactions contemplated thereunder and in compliance with the relevant requirements under the Listing Rules.

Completion of the SP Agreement shall be conditional upon the fulfillment of the following conditions:

- (i) Apollo Kunming having obtained a Sweden legal opinion in the form acceptable to Apollo Kunming confirming that the Target Company is duly incorporated and validly existing under the applicable laws and a PRC legal opinion in the form acceptable to Apollo Kunming regarding the SP Agreement and the transactions contemplated thereunder;
- (ii) Apollo Kunming having completed all necessary due diligence regarding the assets, liabilities, operation and business (including but not limited to research center and CIGS intellectual property rights) of the Target Company and such due diligence results being to the satisfaction of Apollo Kunming;
- (iii) all necessary approval in the PRC regarding the transfer of Sale Shares having been obtained, or can be obtained without any impediment; and
- (iv) the registration of the transfer of Sale Shares having been completed in Sweden.

If the conditions above have not been fulfilled within 90 days from the date of the SP Agreement become effective (or such other date as may be agreed by parties to the SP Agreement in writing), the SP Agreement shall cease and terminate and thereafter neither party of the SP Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Pursuant to the SP Agreement, Apollo Kunming acknowledges that the Target Company may enter into agreement with Solibro after arm's length negotiations in respect of granting Solibro the non-exclusive rights in Germany to use, apply, make, produce, sell and supply the production line of Solibro for production of CIGS thin film solar modules and other related products (the "**Possible Transaction**"). For the avoidance of doubt, such agreement will be negotiated between the Target Company and Solibro after completion of the SP Agreement. As Solibro is a subsidiary of Hanergy

Holding, the Possible Transaction, if materialised, may constitute connected transaction and/or continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will make further announcement(s) as and when appropriate and necessary if the Possible Transaction is materialised.

## INFORMATION ON THE TARGET COMPANY

The Target Company, incorporated in Sweden, is a wholly-owned subsidiary of Hanergy Holding. The Target Company is principally engaged in conducting scientific research and production development and optimization of CIGS module manufacturing lines, and possesses 12 patents in relation to the CIGS technology and other CIGS technology know-hows. The original acquisition cost paid by Hanergy Holding for its interest in the Target Company was EUR9,500,000 (equivalent to approximately HK\$98,325,000).

Set out below is the financial information of the Target Company, which is prepared in accordance with Annual Accounts Act and the recommendations and pronouncements of the Swedish Financial Accounting Standards Council.

	For the year ended 31 December			
	2011 (audited)		2012 (audited)	
	Approximate <i>SEK'000</i>	Equivalent to approximate <i>HK\$'000</i>	Approximate <i>SEK'000</i>	Equivalent to approximate <i>HK\$'000</i>
Revenue	56,003	66,644	31,908	37,971
Profit before taxation	44	52	804	957
Profit after taxation	24	29	585	696

Based on the audited financial information of the Target Company as at 31 December 2012, the audited net assets of the Target Company as at 31 December 2012 was approximately SEK46.6 million (equivalent to approximately HK\$55.5 million).

Upon completion of the SP Agreement, the Target Company will become a wholly-owned subsidiary of the Company, and the results of the Target Company will be consolidated into the accounts of the Company.

## **THE IP ACQUISITION AGREEMENT**

The Company, through certain of its wholly-owned subsidiaries, agreed to acquire from Hanergy Holding all intellectual property rights of Solibro's CIGS thin film solar technology, being one of the world's leading CIGS thin film solar technologies in terms of the conversion efficiency rate.

On 2 September 2013, the Subsidiaries and Hanergy Holding entered into the IP Acquisition Agreement, pursuant to which the Subsidiaries conditionally agreed to purchase and Hanergy Holding conditionally agreed to sell the Assigned IP Rights at the IP Consideration of RMB200,000,000 (equivalent to approximately HK\$252,000,000).

The principal terms of the IP Acquisition Agreement are as follows:

<b>Date</b>	2 September 2013
<b>Parties</b>	(1) the Subsidiaries, as purchasers (2) Hanergy Holding, as vendor

### **Assets to be acquired**

The Assigned IP Rights, being all CIGS thin film solar technology developed by Solibro, comprise 1 Listed Patent, 25 Listed Applications, the patents issuing from the Listed Applications, the patents that may reissue from any of the foregoing on or after the Effective Date and the CIGS technology corresponding to the aforesaid patents or patent applications.

### **Reserved rights**

Pursuant to the IP Acquisition Agreement, the Subsidiaries acknowledge and confirm that Solibro shall reserve and retain a non-exclusive, perpetual, fully paid-up license in Germany free of royalties under any and all the Assigned IP Rights for sole purpose to make, have made, use, import, distribute, offer to sell, sell and supply the production line of Solibro for production of CIGS thin film solar modules. For the avoidance of doubts, Solibro shall not be entitled to further sub-license all or any rights under any of the Assigned IP Rights to any other third parties.

### **IP Consideration**

The IP Consideration was agreed at RMB200,000,000 (equivalent to approximately HK\$252,000,000) and shall be settled in cash on the Effective Date.

The IP Consideration was determined after arm's length negotiations between the parties to the IP Acquisition Agreement with reference to, among others, the valuation of the Assigned IP Rights of not less than EUR25,000,000 (equivalent to approximately HK\$258,750,000) as prepared by an independent valuer.

The IP Consideration will be funded by the internal resources of the Group.

The original acquisition cost paid by Hanergy Holding for the Assigned IP Rights was EUR25,000,000 (equivalent to approximately HK\$258,750,000).

### **Conditions precedent to the IP Acquisition Agreement**

Completion of the IP Acquisition Agreement shall be conditional upon the fulfillment of the following conditions:

- (i) the Subsidiaries having completed all necessary due diligence regarding the Assigned IP Rights and such due diligence results being to the satisfaction of the Subsidiaries;
- (ii) the Subsidiaries having obtained a PRC legal opinion confirming that there would be no legal impediment for the Subsidiaries to obtain approval by SIPO and other Chinese administrative department, if needed, in respect of those Listed Patent and any patents to be granted under the Listed Applications registered in the PRC;
- (iii) all necessary approval, consent and permit to be obtained by Subsidiaries (other than governmental approvals, consent and/or permit) having been obtained;
- (iv) the warranties given by Hanergy Holding as set out in the IP Acquisition Agreement remaining true, accurate and complete in all material respects; and
- (v) all the documents having been provided to Apollo Precision (Beijing) Limited as the representative of the Subsidiaries in relation to the Assigned IP Rights are satisfied by the Subsidiaries.

If the conditions set above have not been satisfied on or before the Effective Date, the IP Acquisition Agreement shall cease and terminate and thereafter neither party of the IP Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Pursuant to the IP Acquisition Agreement, all necessary approvals, permits and/or consents to be issued by relevant governmental authorities on the part of the Subsidiaries regarding the assignment of the Assigned IP Rights shall be obtained or will be obtained within 6 months from the Effective Date or such other date may be agreed by the parties to the IP Acquisition Agreement and Hanergy Holding shall procure and provide all necessary assistance to assist Subsidiaries to obtain such approvals, permits and/or consents from relevant governmental authorities within the aforesaid period. Hanergy Holding shall indemnify and keep the Subsidiaries fully indemnified against any losses, costs, expenses or damages suffered or incurred by the Subsidiaries with reference to the appraisal of certain patents in the event that such necessary approval, permits and consents cannot be obtained in any countries within the stipulated period.

### **REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE SP AGREEMENT AND THE IP ACQUISITION AGREEMENT**

The Group is principally engaged in the manufacture of equipment and turnkey production lines for the manufacture of thin film solar photovoltaic modules.

The principal business of Hanergy Group includes investment in clean energy business in the PRC. It has operated or invested in a number clean energy projects in the PRC, including solar power projects, hydro power projects and wind power projects. The Hanergy Group has set up joint laboratories with certain renowned PRC local and overseas academic institutions principally for the research and development of and pilot-scale experiments on solar photovoltaic power generation, fuel cells and related key materials.

As disclosed in the interim results announcement of the Company for the six months ended 30 June 2013, the Group believes that the future development path for the solar power industry centers on thin-film technology that can achieve comparable conversion efficiency performance as compared to poly crystalline silicon technologies as well as having a competitive cost structure. In addition, the Chinese regulatory policy regarding the solar sector promotes projects that favour the latest thin-film technologies. As such, the Group has been aggressively pursuing global leading thin-film technologies that can position itself to meet these objectives.

According to EuPD Research (2011), the market share for CIGS thin-film is expected to grow significantly over the next few years with the expected global market share of CIGS thin-film to reach around 30% in 2020, equating to ten times of the market share in 2010. The key reasons for this increase include its superior conversion efficiency performance, lower cost capability, semi-transparency ability as well as better comparable performance under higher temperatures.

As a result of the positive outlook on CIGS, the acquisition of the Target Company and the Assigned IP Rights is considered to form part of the Group's strategic direction allowing it to compete in the wider solar power market going forward.

## **COMPETITIVE ADVANTAGES OF SOLIBRO**

### **(i) Advanced CIGS Technology**

Solibro has long been one of the leading global players dedicated to the research and mass production of CIGS thin-film modules. It has achieved one of the world's highest CIGS thin film CIGS conversion efficiency rates of 18.1% in the experimental setting, and reached 15.6% (Aperture area efficiency) conversion efficiency rate for its approximately 1m<sup>2</sup> standard size module (champion module). For its large scale commercial production lines, the average conversion efficiency rate has reached 14.1% (Aperture area efficiency), also one of the highest conversion efficiency rates in the world.

### **(ii) Leading R&D Expertise with a Wealth of Experience in Module Mass Production**

Solibro was one of the pioneers of the CIGS technology to enter into successful commercial production. The management team and R&D experts at Solibro has led the CIGS development path largely benefiting from its extensive R&D expertise. The whole R&D team has been maintained largely intact up till now which makes it possible that the R&D expertise could continue to further develop the CIGS thin-film technology and to expand the possibilities

within the Group leading to new technological breakthroughs and products for the solar power market. The expertise and wealth of experience in module mass production also highly facilitates the customers of the Group to develop and enhance their mass production capabilities.

**(iii) Lower Production Cost**

Solibro has been successful at reducing the production cost of its modules demonstrating the ability and discipline of its management as well as the superiority of the CIGS thin-film technology in terms of its cost reduction potential. The Group sees further reduction possibilities in production cost by implementing the synergistic strategies achievable within a Chinese manufacturing environment.

**(iv) Technology for Larger Sized CIGS Solar Module Products**

Solibro has been striving to develop technology for producing larger sized solar thin-film modules. Solibro has successfully researched an approximately 2m<sup>2</sup> sized thin-film module that could be rolled out in the near future. This will become one of the largest sized thin-film CIGS modules in the world. A larger sized module has many advantages in its applications, including lesser balance of system (BOS) costs, more suitable to fit onto rooftops and buildings, while maintaining a high performance level in terms of conversion efficiency.

**(v) Synergy Effects**

The Group has substantial execution resources and experience in the solar power turnkey line industry. Its capabilities were well illustrated in its recent Fab 2.0 Program Upgrade as announced on 10 June 2013 where significant improvements were achieved in production cycle time, enhancements in conversion efficiency leading to increased profitability for the Group as well as lower production cost and higher module performance for our customers.

With the acquisition of Solibro's CIGS thin-film technology, the Group can combine this globally advanced technology together with its existing turnkey production line execution capabilities and experience to create a one of the world leading CIGS thin-film turnkey line providers that can, through localization achieve scale and mass production possibilities. Through localization of Solibro's CIGS thin-film technology, the Group can further reduce the raw material costs of the turnkey production line thereby enhancing its profitability while at the same time, the customers of the Group can enjoy lower raw material costs and economies of scale leading to lower module production costs providing them with more competitive advantages.

**FUTURE STRATEGY**

The Group is aggressively seeking for acquisition opportunities of other solar thin-film technology know-how or relevant patents, in particular other CIGS thin-film technologies, and has been discussing from time to time, with parties including Hanergy Holding, for the potential acquisition of solar technology know-how and/or relevant patents. The Group will make further announcement(s) as and when appropriate and necessary if such acquisition(s) is/are materialised.

Based on the above and having considered that the Sale Shares Consideration and the IP Consideration are determined with reference to, among other things, the valuation of the Target Company and the Assigned IP Rights, the Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement and the IP Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

Hanergy Holding, through Hanergy Investment, is a controlling Shareholder. As such, Hanergy Holding is a connected person of the Company and the entering into of the SP Agreement and the IP Acquisition Agreement constitute connected transactions for the Company under Chapter 14A of the Listing Rules. Given the relevant percentage ratios in respect of the SP Agreement and the IP Acquisition Agreement are less than 5%, the SP Agreement, the IP Acquisition Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

No Director has material interest in the SP Agreement and the IP Acquisition Agreement and the transactions contemplated thereunder, and as such, no Director has abstained from voting on the board resolutions to approve the SP Agreement and the IP Acquisition Agreement and the transactions contemplated thereunder.

## **DEFINITIONS**

Unless the context requires otherwise, the following expressions shall have the following meanings in this announcement:

“Assigned IP Rights”	collectively, the Listed Patent, the Listed Applications, the patents issuing from the Listed Applications, the patents that may reissue from any of the foregoing on or after the Effective Date and the CIGS technology corresponding to the aforesaid patents and patent applications
“Apollo Kunming”	昆明鉑陽遠宏能源科技有限公司 (Apollo Precision (Kunming) Yuanhong Limited*), a wholly-owned subsidiary of the Company established in the PRC and the purchaser to the SP Agreement
“Board”	the board of Directors
“Company”	Hanergy Solar 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

“CIGS”	Copper Indium Gallium Selenide
“Directors”	the directors of the Company
“Effective Date”	2 September 2013 (or such other date as the parties to the IP Acquisition Agreement may agree)
“Group”	the Company and its subsidiaries
“Hanergy Group”	Hanergy Holding 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 and the vendor to the SP Agreement and the IP Acquisition Agreement
“Hanergy Investment”	Hanergy Investment Limited, a company incorporated in the British Virgin Islands and wholly-owned by Hanergy Holding
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IP Acquisition Agreement”	the intellectual properties acquisition agreement dated 2 September 2013 entered into between the Subsidiaries and Hanergy Holding in relation to the acquisition of the Assigned IP Rights
“IP Consideration”	the consideration for the acquisition of the Assigned IP Rights of RMB200,000,000 (equivalent to approximately HK\$252,000,000)
“Listed Applications”	the patent applications in relation to the Solibro’s CIGS thin-film solar technology
“Listed Patent”	the granted patent in relation to the Solibro’s CIGS thin-film solar technology
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“R&D”	research and development
“Sale Shares”	100,000 shares of the Target Company, being the entire share capital of the Target Company as at the date of the SP Agreement

“Sale Shares Consideration”	the consideration for the acquisition of the Sale Shares of RMB80,000,000 (equivalent to approximately HK\$100,800,000)
“SIPO”	State Intellectual Property Office of the PRC
“SP Agreement”	the sale and purchase agreement dated 2 September 2013 entered into between Apollo Kunming and Hanergy Holding in relation to the acquisition of the Sale Shares
“Shares”	shares of HK\$0.0025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Solibro”	Solibro GmbH, a company incorporated in Germany and a subsidiary of Hanergy Holding
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	collectively, 北京精誠鉑陽光電設備有限公司 (Apollo Precision (Beijing) Limited*), 福建鉑陽精工設備有限公司 (Apollo Precision (Fujian) Limited*) and Apollo Kunming, all being wholly-owned subsidiaries of the Company established in the PRC and the purchasers to the IP Acquisition Agreement
“Target Company”	Solibro Research AB, a company incorporated in Sweden and a wholly-owned subsidiary of Hanergy Holding
“EUR”	Euro, the lawful currency of the member states of European Union
“HK\$”	Hong Kong dollars, the lawful currency of the Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“SEK”	Swedish krona, the lawful currency of Sweden
“%”	percent

By order of the Board  
**Hanergy Solar Group Limited**  
**Frank Mingfang Dai**  
*Chairman and Chief Executive Officer*

Hong Kong, 2 September 2013

*As at the date of this announcement, the executive Directors are Mr. Frank Mingfang Dai (Chairman and Chief Executive Officer), Dr. Li Yuan-min (Deputy Chairman and Chief Technology Officer), Mr. Hui Ka Wah, Ronnie J.P. (Finance Director and Senior Vice-President), Mr. Chen Li and Mr. Li Guangmin; and the independent non-executive Directors are Ms. Zhao Lan, Mr. Wong Wing Ho and Mr. Wang Tongbo.*

*For the purpose of illustration only, amounts denominated in RMB have been translated into HK\$ at the rate of RMB1:HK\$1.26, amounts denominated in EUR have been translated into HK\$ at the rate of EUR1:HK\$10.35 and amounts denominated in SEK have been translated into HK\$ at the rate of SEK1:HK\$1.19. Such translation should not be construed as a representation that the amounts quoted could have been or could be or will be converted at the stated rate or at any other rates at all.*

\* The Chinese names have been translated into English in this announcement for reference only