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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)

CONNECTED TRANSACTION ACQUISITION OF ALTA DEVICES, INC.

The Board is pleased to announce that on 27 January 2015, Hanergy Hi-Tech (HK), a wholly-owned subsidiary of the Company, as purchaser entered into the Agreement with Hanergy Global Investment, a subsidiary of Hanergy Holding, as vendor for the sale and purchase of the Sale Shares, representing the entire issued capital of Alta Devices, for an aggregate Consideration of US\$15,000,000.

LISTING RULES IMPLICATION

Hanergy Holding is a controlling Shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As Hanergy Global Investment is a subsidiary of Hanergy Holding, the entering into the Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Given the relevant percentage ratios in respect of the Agreement exceeds 0.1% but are less than 5%, the 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 AGREEMENT

Date:

27 January 2015

Parties:

- (1) Hanergy Global Investment as vendor; and
- (2) Hanergy Hi-Tech (HK) as purchaser.

Hanergy Hi-Tech (HK) is a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company.

Hanergy Global Investment is a company incorporated in Singapore with limited liability and a wholly-owned subsidiary of Hanergy Holding, which 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” over the years. It has operated or invested in a number of clean energy business projects in the PRC and throughout the world, including thin-film power projects, hydro power projects and wind power projects.

Hanergy Holding is a controlling Shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As Hanergy Global Investment is a subsidiary of Hanergy Holding, Hanergy Global Investment is a connected person to the Company under Chapter 14A of the Listing Rules and the entering into the Agreement and the transactions contemplated thereunder constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Subject matters

Pursuant to the Agreement, Hanergy Hi-Tech (HK), a wholly-owned subsidiary of the Company, as purchaser entered into the Agreement with Hanergy Global Investment, a subsidiary of Hanergy Holding, as vendor for the sale and purchase of the Sale Shares, representing the entire issued capital of Alta Devices for an aggregate Consideration of US\$15,000,000.

Consideration

The Consideration US\$15,000,000, which will be payable by Hanergy Hi-Tech (HK) in cash within seven (7) days after Completion.

The Consideration is arrived at after arm’s length negotiations between Hanergy Hi-Tech (HK) and Hanergy Global Investment, taking into account of, among others, (i) the original acquisition cost and the net asset value of Alta Devices (including the tangible and intangible assets already injected to Alta Devices); (ii) the future business prospects of Alta Devices; and (iii) the valuation of Alta Devices’ certain intangible assets evaluated by Duff & Phelps, LLC.

Pursuant to a valuation on the fair value of Alta Devices’ certain intangible assets conducted by the independent valuer, Duff & Phelps, LLC, the value of Alta Devices’ certain intangible assets amounts to approximately US\$16 million (the “Valuation”). Ernst & Young, the reporting accountants of the Company, has checked the arithmetical accuracy of the calculations in the discounted cash flow forecast, which does not involve the adoption of accounting policies, underlying the Valuation. The

Directors confirm that the Valuation, which constitutes a profit forecast under Rule 14.61 of the Listing Rules, has been made after due and careful enquiry. A letter from the Board and a letter from Ernst & Young have been submitted to the Stock Exchange, and are included in Appendix I and II to this announcement pursuant to Rule 14.62 of the Listing Rules.

The cost paid by Hanergy Global Investment for setting up Alta Devices and the acquisition of the tangible and intangible assets already injected to Alta Devices amounted to approximately US\$18 million. Based on the latest unaudited management accounts of Alta Devices for the eleven months ended 30 November 2014, the net asset value of Alta Devices as at 30 November 2014, together with the intangible assets of relevant patents already injected to Alta Devices, amounts to approximately US\$29.4 million.

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

Based on the aforesaid, the Directors (including the independent non-executive Directors) consider that the Agreement is entered into on normal commercial, fair and reasonable terms that are in the interests of the Company and its Independent Shareholders.

Conditions precedent

Completion is conditional upon the following conditions being satisfied to the satisfaction of Hanergy Hi-Tech (HK) or waived pursuant to the Agreement:

- (a) if required, the Company having obtained approval from its shareholders (other than those who are required to abstain from voting by law, the Listing Rules, the Stock Exchange and/or the bye-laws of the Company) at a general meeting to be held to approve the Agreement and the transactions contemplated thereunder;
- (b) Hanergy Hi-Tech (HK) notifying Hanergy Global Investment in writing that Hanergy Hi-Tech (HK) is satisfied, in reliance on the warranties, with the results of its due diligence against Alta Devices;
- (c) the warranties remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Agreement and Completion;
- (d) Hanergy Global Investment having complied fully with its obligations, and having performed all of the covenants and agreements required to be performed by it, under the Agreement;
- (e) all necessary consents required in relation to the transactions contemplated under the Agreement having been granted by third parties (including governmental or official authorities) to the satisfaction of Hanergy Hi-Tech (HK) and no statute, regulation or decision which would prohibit, restrict or materially delay the sale and purchase of the entire issued share capital or the operation of Alta Devices after Completion having been proposed, enacted or taken by any governmental or official authority; and

- (f) there having been no change, event, circumstance or other matter that has or would reasonably be expected to have, either individually or in the aggregate, a material adverse effect on the business, assets and liabilities, condition (financial or otherwise), results of operations or prospects of Alta Devices.

Hanergy Hi-Tech (HK) may waive all or any of the conditions precedent (other than the condition precedent set out in paragraph (a) above) at any time by notice in writing to Hanergy Global Investment. In the event that any of the conditions precedent shall not have been fulfilled (or waived pursuant to the Agreement) prior to the date falling three months after the date of the Agreement (or such later date as may be agreed by the parties thereto in writing) then Hanergy Hi-Tech (HK) shall not be bound to proceed with the purchase of the Sale Shares and the Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Agreement.

Completion

Completion shall take place on the fifth business day after the conditions precedent referred to above having been met to the satisfaction of Hanergy Hi-Tech (HK) (or waived, if applicable) (or such other date as the parties may agree in writing).

INFORMATION OF ALTA DEVICES

Alta Devices, formerly known as Hanergy Acquisition Sub Inc., is a company incorporated in Delaware, the United States of America with limited liability on 19 December 2013 as a shell company. In July 2014, Hanergy Holding injected a number of tangible assets relating to the production of Gallium Arsenide (GaAs) thin-film solar cells into Alta Devices. In November 2014, the intangible assets related to the relevant patent were also injected into Alta Devices. The above tangible and intangible assets were acquired by Hanergy Holding from an independent third party. To Hanergy Holding's knowledge, the independent third party, relying on the relevant technology, was awarded as one of the "50 Disruptive Companies" consecutively in 2012 and 2013. This award was granted by "MIT Technology Review". All of the relevant assets, both tangible and intangible, were fully injected into Alta Devices by Hanergy Holdings.

Alta Devices' Gallium Arsenide (GaAs) thin-film solar cells technology is one of the most advanced thin-film solar cell technologies. Its power generation efficiency is approximately 8 percentage points higher than that of most monocrystalline silicon and approximately 10 percentage points higher than that of the polysilicon. By comparing solar cells of the same size, the power generation efficiency of a GaAs thin-film solar cell is much higher than that of a traditional thin-film solar cell and even higher under weak sunlight conditions. The solar thin-film technology of Alta Devices' thin-film cells is characterized by its production of the world's thinnest and lightest solar cells with the best conversion efficiency. As certified by the U.S. National Renewable Energy Laboratory, the single-junction cell developed by Alta Devices' production technology has a power generation efficiency of 28.8%, and double-junction cell has a power generation efficiency of 30.8%. These are amongst the highest records of power generation efficiencies for thin-film solar cells in the world.

Based on the unaudited management accounts of Alta Devices, Alta Devices did not record any revenue and recorded a pre-tax loss of approximately US\$10.3 million from the date of its incorporation to 30 November 2014. The net asset value of Alta Devices as at 30 November 2014, together with the value of the intangible assets of relevant patents injected by Alta Devices in November 2014, amounted to approximately US\$29.4 million.

Pursuant to a valuation conducted by independent valuer, Duff & Phelps, LLC, the value of Alta Devices' certain intangible assets amounts to approximately US\$16 million (the "Valuation"). The Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and Rule 14.62 of the Listing Rules are applicable. Set out below are the major assumptions adopted by the valuer in the Valuation:

- Revenue attributable to existing technology was composed by total revenue. Based on discussions with management of Alta Devices; an obsolescence curve was applied to the revenues to reflect the expected technology migration from the existing technology of Alta Devices.
- Cost of goods sold (COGS) attributable to the existing technology of Alta Devices was compiled based on the COGS as a percent of total revenue.
- Research and development maintenance ("R&D maintenance") represents the expenses associated with maintaining the current functionality of the technology. R&D maintenance for the existing assets owned by Alta Devices was estimated to be 20.0% of the projected average R&D expense based on management's estimates.
- Selling, general and administration expenses, as a percentage of revenue, were projected based on the average of the long-term normalised rates and industry benchmarking.
- Pre-Tax charges were deducted from EBIT to reflect the fact that the income generated by Alta Devices' assets cannot be solely attributed to the technology asset. Rent for trade name and trademarks were estimated accordingly and deducted from cash flow.
- The after-tax profit savings was calculated using the estimated effective tax rate of 39.3 percent, based on the US federal and state blended rate.
- Post-tax returns for contributory assets were deducted from after-tax operating profit. Returns for property, plant, and equipment, working capital, and assembled workforce were estimated and deducted from cash flow.
- The tax benefit of amortising the intangible asset over a 15-year period was calculated and converted to its net present value equivalent.

Ernst & Young, the reporting accountants of the Company, has checked the arithmetical accuracy of the calculations in the discounted cash flow forecast, which does not involve the adoption of accounting policies, underlying the Valuation.

The Directors confirm that the Valuation, which constitutes a profit forecast under the Listing Rules, has been made after due and careful enquiry.

A letter from the Board and a letter from Ernst & Young are included in the appendices to this announcement for the purpose of Rule 14.62 of the Listing Rules. As at the date of this announcement, each of Ernst & Young and Duff & Phelps, LLC does not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate person to subscribe for securities in any member of the Group.

Each of the Ernst & Young and Duff & Phelps, LLC has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report and all references to its name in the form and context in which it is included.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the business of thin-film power generation, and is the leader of solar thin-film power generation with the largest production scale and the most advanced technology globally. According to MIT Technology Review's "World's Most Innovative 50 Companies" unveiled in February 2014, Hanergy Holding ranked 23rd place, and was the only Chinese energy company honored with the award. It is not only a recognition of Hanergy Holding's innovation in the world's thin-film power generation technologies, but also a great honor to Hanergy's pioneering business model of "High-Tech + Energy".

With the long-term objective of "integrating the world's thin-film technologies" as the long-term objective of the Group. The Group has a team of leading professional engineers who continuously explore potentially attractive thin-film opportunities, perform rigorous due diligence and select the most promising advanced technologies from the perspectives of technological development roadmap, enhancement of facilities, product design, maintenance of patent portfolio, and supply chain integration. During the period of the past year, the Group has already completed the acquisition of three leading global enterprises in Copper Indium Gallium Selenide (CIGS) technology, including Miasole and Global Solar Energy in the U.S. and Solibro in Germany. The most advanced thin-film power generation technologies are integrated, enabling the Group to become a global leader in CIGS technology.

Alta Devices owns the GaAs thin-film solar cell production technology, with power generation efficiency far exceeding that of the crystalline silicon cells. This has laid a solid technical foundation for the Group's development in solar-powered automobiles and commercial unmanned aircraft systems, and at the same time has paved the way for our full entry into the portable energy products application. The GaAs thin-film solar cell technology owned by Alta Devices benefits from independent patent and intellectual property rights, which include metal-organic chemical vapour deposition (MOCVD), epitaxial lift-off (ELO) and other core technologies. The expected costs for the production of the thin-film solar cells are lower than those manufactured by traditional methods. Thus it is suitable for large scale commercial production. Alta Devices' unique technology allows

MOCVD to have a faster deposition rate, and higher metal-organic (MO) comprehensive utilisation (general commercial machinery operate at around 20-40% utilisation while the utilisation rate for Alta Devices is over 70%), saving MO raw materials used and hence reducing the cost per watt for the solar cells. With the self-innovated semiconductor technology epitaxial layer (EPI) and large lift-off technique ELO, the final GaAs solar cell will only measure at the thickness of 2 to 3 micrometers (μm), which is 0.5% of the thickness of a conventional GaAs solar cell. This does not only allow more flexibility in the solar cells produced, but also reduces the use of gallium arsenide crystals, which in turn will reduce manufacturing cost and create opportunities in commercial applications.

Alta Devices' GaAs thin-film technology has the world's highest non-condensing single-junction efficiency and possesses all of the advantages of flexible thin-film technologies including customizable shape and substantially lighter in weight. It exhibits excellent performance under higher temperature and lower lighting conditions, furthermore, it is able to generate power even under indoor lighting conditions where the traditional crystalline silicon technologies are less efficient under indoor conditions. The GaAs material also has superior electronic properties, high electron mobility, wide band gap, better spectral response and matching capabilities versus polysilicon and higher temperature resistance. It is an ideal material for photovoltaic application.

Although GaAs solar cells have been mass-produced in the 1970s, the high price of the material, and complex technical production process with specialist equipment resulted in comparatively higher production costs. In the past, its use was restricted to the military purposes, the areas of concentrated photovoltaic (CPV) and space solar cells. Alta Devices' GaAs thin-film technology has a much lower production cost compared to earlier similar technologies, and because of its super lightness, super thinness, flexibility, elasticity, high conversion efficiency and its excellent performance under high temperature and weak light conditions, it can be used in any mobile, portable or wearable products, including smart phones, electric cars and other consumer related products. There is a substantially broader spectrum of potential development prospects and new markets.

The Directors consider that the primary rationale for the Acquisition was to combine Alta Devices' world-class solar cell technology and R&D capability with the Group's significant capital resources in order to progress towards achieving the Group's long term objective of "integrating the world's thin-film technologies", allowing the Group to become a global leader in thin-film power generation which leads to the revolutionary changes to the application of GaAs thin-film technology.

The Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Agreement are in the ordinary and usual course of business of the Group and the terms of the Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LISTING RULES IMPLICATION

Hanergy Holding is a controlling Shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. The entering into of the Agreement constitute a connected transaction for the Company under Chapter 14A of the Listing Rules.

Given the relevant percentage ratios in respect of the Agreement exceed 0.1% but are less than 5%, the 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.

Save for Mr. Li Hejun who is also a substantial shareholder of Hanergy Holding, none of the Directors has a material interest in the Agreement and the transactions contemplated thereunder and was required abstained from voting on the Board resolution to approve the Agreement and the transactions contemplated thereunder.

Definitions

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

“Acquisition”	the acquisition of the entire issued share capital of Alta Devices by Hanergy Hi-Tech (HK) from Hanergy Global Investment as contemplated under the Agreement
“Agreement”	the sale and purchase agreement dated 27 January 2015 and entered into between Hanergy Hi-Tech (HK) and Hanergy Global Investment in relation to, among others, the Acquisition
“Alta Devices”	Alta Devices, Inc., a company incorporated in United States of America with limited liability
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Hanergy Thin Film Power Group Limited
“Completion”	completion of the sale and purchase of the Sale Shares in accordance with the Agreement
“connected person”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	US\$15,000,000, being the consideration payable by Hanergy Hi-Tech (HK) for the Acquisition of Alta Devices pursuant to the Agreement
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

“Group”	the Company and its subsidiaries
“Hanergy Global Investment”	Hanergy Global Investment And Sales Pte. Ltd, a company incorporated in Singapore with limited liability and is wholly-owned by Hanergy Holding
“Hanergy Group”	Hanergy Holding and its subsidiaries
“Hanergy Hi-Tech (HK)”	Hanergy Hi-Tech Power (HK) Limited, a company incorporated in Hong Kong with limited liability and is wholly-owned by the Company
“Hanergy Holding”	漢能控股集團有限公司 (for identification purposes only, translated as “Hanergy Holding Group Limited”), a company established under the laws of the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders of the Company other than Hanergy Holding and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed thereto under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Sale Shares”	the 100 issued ordinary shares of Alta Devices, representing the entire issued share capital of Alta Devices
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

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

Hong Kong, 27 January 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.

In compliance with Rule 14.60A of the Listing Rules, the text of each of the letter from Ernst & Young to the Directors confirming it has reviewed the calculations of the discounted future estimated cash flows for the Valuation and the letter from the Board confirming the Valuation has been made by the Directors after due and careful enquiry both dated 27 January 2015, for the purpose of, among other things, inclusion in this announcement are reproduced below:

APPENDIX I – LETTER FROM THE BOARD

Date: 27 January 2015

Listing Division
The Stock Exchange of Hong Kong Limited
11/F., One International Finance Centre
1 Harbour View Street, Central
Hong Kong

Dear Sirs

Re: Connected Transaction – Acquisition of the entire issued share capital of Alta Devices, Inc.

We refer to the announcement of the Company dated 27 January 2015 (the “Announcement”) and also the valuation report dated 29 December 2014 (the “Valuation Report”) on the value of certain intangible assets of Alta Devices, Inc. by Duff & Phelps, LLC, an independent professional valuer (the “Independent Valuer”), the valuation of which constitutes a profit forecast under Rule 14.61 of the Listing Rules (the “Valuation”).

We have discussed with the Independent Valuer in relation to the accounting policies and have reviewed the principal assumptions upon which the Valuation is based. We have also considered the letter dated 27 January 2015 issued by Ernst & Young, regarding whether the discounted cash flow forecast underlying the Valuation, so far as arithmetical accuracy of the calculations is concerned, has been properly compiled.

After such discussions and reviews, we are of the view that the profit forecast contained in the Valuation Report has been made after due and careful enquiry.

Yours faithfully

For and on behalf of the Board of Directors of
Hanergy Thin Film Power Group Limited

Name: Mr. Li Hejun

Title: Chairman

APPENDIX II – LETTER FROM THE REPORTING ACCOUNTANTS

27 January 2015

The Directors
Hanergy Thin Film Power Group Limited
Suite 7601A & 7607-08,
Level 76, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

Dear Sirs,

We have performed the work described below in respect of the arithmetical accuracy of the calculations of the discounted cash flow forecast (hereinafter referred to as the “Underlying Forecast”) underlying the valuation dated 29 December 2014, prepared by Duff & Phelps, LLC in respect of certain intangible assets of Alta Devices, Inc. (“Alta Devices”)’s intangible assets as at 15 November 2014. The Underlying Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND REPORTING ACCOUNTANTS

It is the responsibility solely of the directors (the “Directors”) of Hanergy Thin Film Power Group Limited (the “Company”) to prepare the Underlying Forecast. The Underlying Forecast has been prepared using a set of assumptions (the “Assumptions”), the completeness, reasonableness and validity of which are the sole responsibility of the Directors.

It is our responsibility to draw a conclusion, based on our work on the arithmetical accuracy of the calculations of the Underlying Forecast and to present our conclusion solely to you, as a body, for the purpose of reporting under paragraph 14.62(2) of the Listing Rules and for no other purpose. We are not reporting on the appropriateness and validity of the bases and Assumptions on which the Underlying Forecast are based and our work does not constitute any valuation of Alta Devices nor its intangible assets. The Underlying Forecast does not involve the adoption of accounting policies. The Assumptions used in the preparation of the Underlying Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. We have not reviewed, considered or conducted any work on the completeness, reasonableness and the validity of the Assumptions and thus express no opinion whatsoever thereon. Our work is more limited than that for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We also accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

BASIS OF CONCLUSION

We conducted our work in accordance with Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Underlying Forecast prepared based on the Assumptions made by the Directors. Our work has been undertaken solely to assist the Directors in evaluating whether the Underlying Forecast, so far as the arithmetical accuracy of the calculations is concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of Alta Devices nor its intangible assets as at 15 November 2014.

CONCLUSION

Based on our work described above, nothing has come to our attention that causes us to believe that the Underlying Forecast, so far as the arithmetical accuracy of the calculations of the Underlying Forecast is concerned, has not been properly compiled on the basis of the Assumptions made by the Directors.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong