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Chaowei Power Holdings Limited

超威動力控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 951)

INSIDE INFORMATION

EQUITY JOINT VENTURE CONTRACT AND TECHNOLOGY TRANSFER AND LICENSE AGREEMENT

INTRODUCTION

This announcement is made by the Company pursuant to Rule 13.09(2) of Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board is pleased to announce that on 30 December 2016, Chaowei Lvna, an indirect wholly-owned subsidiary of the Company, entered into the Equity Joint Venture Contract with GE Technology Development in relation to the establishment of the JV Company. Pursuant to the Equity Joint Venture Contract, Chaowei Lvna will contribute in cash the RMB equivalent of USD30,000,000 to the registered capital of the JV Company and GE Technology Development will contribute in cash USD5,000,000 to the registered capital of the JV Company. After completion of the transactions contemplated in the Equity Joint Venture Contract, Chaowei Lvna will own 85.71% of the equity interest of the JV Company and GE Technology Development will own 14.29% of the equity interest of the JV Company.

On the same date, Chaowei Lvna, GE Technology Development and the JV Company (signed by Chaowei Lvna and GE Technology Development for and on behalf of the JV Company) entered into the Technology Transfer and License Agreement in connection with the Equity Joint Venture Contract, pursuant to which the JV Company will, amongst others, pay GE Technology Development a lump sum payment of USD14,000,000, as consideration for the Technology Transfer and the licenses granted by GE Technology Development to the JV Company.

LISTING RULES IMPLICATIONS

Based on the information available to the Board, all of the relevant percentage ratios in respect of the proposed establishment of the JV Company under the Equity Joint Venture Contract are less than 5% and such transaction does not involve issue of any securities by the Company. Accordingly, it is expected that the proposed establishment of the JV Company under the Equity Joint Venture Contract will not constitute notifiable transactions under Chapter 14 of the Listing Rules.

After the establishment of the JV Company, GE Technology Development will become a connected person of the Company according to Rule 14A.07(1) of the Listing Rules. Accordingly any further transactions between the JV Company and GE Technology Development shall be subject to Chapter 14A of the Listing Rules. The Company will publish announcement(s) in this regard when and as appropriate.

The Company hereby reminds Shareholders and potential investors that this announcement is made according to the requirements of the Listing Rules. As at the date of this announcement, the establishment of the JV Company is subject to the satisfaction of the relevant conditions precedent as set out in the Equity Joint Venture Contract, including approval from relevant regulatory authorities. Therefore the establishment of the JV Company and thus the transactions under the Technology Transfer and License Agreement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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EQUITY JOINT VENTURE CONTRACT

The principal terms of the Equity Joint Venture Contract are set out below:

- Date:** 30 December 2016
- Parties:** (1) Chaowei Lvna; and
(2) GE Technology Development

Registered Capital of the JV Company:

Pursuant to the Equity Joint Venture Contract, the registered capital of the JV Company will be USD35,000,000, with reference to the expected funding requirement for the initial operation of the JV Company.

Capital Contributions:

Chaowei Lvna will contribute in cash the RMB equivalent of USD30,000,000 to the registered capital of the JV Company as soon as is reasonably practicable following the date on which the business license of the JV Company is issued (the “**Establishment Date**”), but in no event later than six months following the Establishment Date, and GE Technology Development will contribute in cash USD5,000,000 to the registered capital of the JV Company within six months after the Establishment Date. After completion of the transactions contemplated in the Equity Joint Venture Contract, Chaowei Lvna will own 85.71% of the equity interest of the JV Company and GE Technology Development will own 14.29% of the equity interest of the JV Company.

Business Scope of the JV Company:

The scope of business of the JV Company shall include, among other things, production, research and development and sales of an energy storage product using proprietary technology and know-how (the “**JV Products**”).

Board Composition of the JV Company:

The board of the JV Company (the “**JV Board**”) will be composed of five directors. Chaowei Lvna shall have the right to appoint four directors and GE Technology Development shall have the right to appoint one director. The chairman of the JV Board shall be a director designated by Chaowei Lvna and the vice chairman of the JV Board shall be a director designated by GE Technology Development. The director appointed by GE Technology Development shall have veto rights in terms of material resolutions, including amendments to the articles of association of the JV Company, increase or decrease in the registered capital of the JV Company, merger, acquisition, consolidation or reorganization of the JV Company. If GE Technology Development waives its right to appoint a director, it will have a right to have an observer at the JV Board meetings.

Profit Distribution:

The JV Company shall determine the amount of its after-tax distributable profit on an annual basis. Chaowei Lvna and GE Technology Development shall share the profits in proportion to their respective contributed capital and bear the risks and losses of the JV Company in proportion to their respective equity interests in the registered capital of the JV Company.

Other Rights of GE Technology Development:

GE Technology Development shall have the right (“**Purchase Option**”) to increase its equity interest in the JV Company to up to 30% of the registered capital of the JV Company. The price of such purchased equity interest, subject to statutory requirements, shall be determined on the basis of the valuation of the JV Company underlying the JV Company’s most recent increase in registered capital (a “**Qualifying Prior Capital Increase**”), as supplemented by the amount of such increase, provided that such capital increase shall have been completed no earlier than six months prior to the date on which the exercise notice in respect of such Purchase Option was delivered. If there is no Qualifying Prior Capital Increase, the exercise price for the Purchase Option shall be calculated on the basis of an independent valuation of the JV Company conducted by a qualified appraisal firm that is selected by GE Technology Development and is reasonably acceptable to Chaowei Lvna. The valuation of the JV Company used to calculate the exercise price for the Purchase Option shall not be lower than the valuation of the JV Company underlying the prior capital increase.

In addition, GE Technology Development is also entitled to customary shareholders’ rights under the Equity Joint Venture Contract, including first-refusal right, pre-emptive right, tag-along right and put option.

Termination:

Chaowei Lvna and GE Technology Development may mutually agree to terminate the Equity Joint Venture Contract in writing at any time. In addition, either party (so long as it is not a breaching party) may give a written notice of termination to the other party at any time upon the occurrence of certain events.

TECHNOLOGY TRANSFER AND LICENSE AGREEMENT

The principal terms of the Technology Transfer and License Agreement are set out below:

Date: 30 December 2016

Parties:

- (1) Chaowei Lvna;
- (2) GE Technology Development, as the licensor; and
- (3) JV Company, as the licensee (signed by Chaowei Lvna and GE Technology Development for and on behalf of the JV Company, in their capacity as the proposed shareholders of the JV Company in view that the JV Company has not yet been established as at the date hereof.)

Technology Transfer:

Pursuant to the Technology Transfer and License Agreement, GE Technology Development will (1) deliver technical documentation to the JV Company and (2) provide technical support to the JV Company to assist the JV Company in the commercialization of the JV Products (the “**Technology Transfer**”).

Commercial License Grant:

GE Technology Development will grant to the JV Company (a) an exclusive, royalty-bearing, non-transferable right and license, without any right to sublicense, under patents (the “**GE Patents**”) and know-how (the “**GE Technology**”), to design, build, make or have made the JV Products; and (b) an exclusive, royalty-bearing, non-transferrable right and license, without any right to sublicense, under the GE Patents and GE Technology to use, offer to sell, sell, import, export or otherwise commercialize the JV Products.

Consideration:

In consideration for the Technology Transfer and the licenses granted, the JV Company will pay GE Technology Development a one-time, non-refundable lump sum payment in the amount of USD14,000,000 upon execution of the Technology Transfer and License Agreement, upon formation of the JV Company and upon receipt of invoice from GE Technology Development. In addition to such lump sum payment, GE Technology Development has already received USD1,000,000 from the Company, paid on behalf of the JV Company.

In consideration for the exclusive license grant from GE Technology Development, the JV Company will pay exclusivity payments (the “**Exclusivity Payments**”) to GE Technology Development according to the table below:

Payment Due	Payment Amount (USD)	Earned Royalty Sales Period
1 August 2018	\$2,000,000	1 January 2017–31 July 2019
1 August 2019	\$6,000,000	1 August 2019–31 July 2020
1 August 2020	\$10,000,000	1 August 2020–31 July 2021
1 August 2021	\$20,000,000	1 August 2021–31 July 2022
1 August 2022	\$25,000,000	1 August 2022–31 July 2023

If the JV Company does not wish to maintain the exclusivity of the licenses granted, the JV Company must notify GE Technology Development in writing that it will not make the next payment by the end of September of the calendar year before the payment is due in the following calendar year. In the event that the JV Company properly notifies GE Technology Development of its intent to not pay the Exclusivity Payments, (i) the JV Company shall not owe GE Technology Development any further Exclusivity Payments that become due after such notice is given (ii) the license grants shall revert to non-exclusive, rather than exclusive, licenses under the GE Patents and the GE Technology and (iii) the JV Company shall only be obligated to pay GE Technology Development the Earned Royalty, as disclosed below.

Further, in consideration of the licenses granted to the JV Company, JV Company will pay GE Technology Development a combined royalty (“**Earned Royalty**”) for each JV Product sold, leased, exported or otherwise put into circulation by the JV Company (or any party authorized by JV Company) based upon the applicable royalty rates set forth below:

License Granted	Royalty Rate (USD)
GE Technology	\$1.85/kWh
GE Patents	\$1.50/kWh

At any time after 1 August 2021, if the JV Company has paid all Exclusivity Payments when due and it has developed a viable business for the commercialization of the licensed products, in addition to the license grants under the GE Patents and GE Technology, GE Technology Development shall offer the JV Company an option to purchase the GE Patents for USD50,000,000.

Sales to GE Technology Development:

From the date that is the later of (i) the date that is twenty-four months following the date of the agreement and (ii) the date on which the JV Company has commenced commercial production of the JV Products, in the case of both (i) and (ii), until the end of the Term (as defined below), GE Technology Development shall have the option to purchase in any two-month period a volume of the JV Products that represents up to 5% more of the JV Company’s production capacity measured as of the commencement of such period than the percentage of the JV Company’s production capacity measured as of the commencement of the prior two-month period (the “**Prior Period**”) represented by the actual volume of the JV Products purchased by GE Technology Development during such Prior Period; provided, however, that the JV Company shall not be obligated during any two-month period during the Term to sell to GE Technology Development a volume of the JV Products representing in excess of 50% of the JV Company’s production capacity as determined at the commencement of such period. GE Technology Development shall notify the JV Company of the volume of the JV Products and the specifications of such JV Products it wishes to purchase in any such two-month period no later than the date that is fifteen business days prior to the commencement of such period.

Term and Termination:

The term of the Technology Transfer and License Agreement shall begin on the date of the agreement and, unless earlier terminated or upon the mutual agreement of the GE Technology Development and the JV Company shall continue for ten years or as long as the JV Company is (i) paying Exclusivity Payments or (ii) producing the JV Products (the “**Term**”). GE Technology Development and the JV Company may extend the Term on mutually agreed terms and conditions.

In the event that either GE Technology Development or the JV Company fails to comply with any material term or condition of the agreement, then the other party shall have the right to terminate the agreement upon prior written notice.

REASONS FOR AND BENEFITS OF THE EQUITY JOINT VENTURE CONTRACT AND THE TECHNOLOGY TRANSFER AND LICENSE AGREEMENT

In view of the government's favorable policies and the growth of renewable energy market, it is expected that demand for storage battery in the PRC will continue to grow in the foreseeable future. The Board considers that, by entering into the Equity Joint Venture Contract and the Technology Transfer and License Agreement, the Group could acquire specific know-how, right to use the GE Patent and the GE Technology, which enable the Group to master storage battery technology in a relatively short period of time and expand the manufacturing and sales business of the storage battery in the PRC and other markets, capitalizing the market opportunities.

Accordingly, the Board (including the independent non-executive Directors) considers that it is in the interests of the Group to cooperate with GE Technology Development by entering into the Equity Joint Venture Contract and the Technology Transfer and License Agreement, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Based on the information available to the Board, all of the relevant percentage ratios in respect of the proposed establishment of the JV Company under the Equity Joint Venture Contract are less than 5% and such transaction does not involve issue of any securities by the Company. Accordingly, it is expected that the proposed establishment of the JV Company under the Equity Joint Venture Contract will not constitute notifiable transactions under Chapter 14 of the Listing Rules.

After the establishment of the JV Company, GE Technology Development will become a connected person of the Company according to Rule 14A.07(1) of the Listing Rules. Accordingly any further transactions between the JV Company and GE Technology Development shall be subject to Chapter 14A of the Listing Rules. The Company will publish announcement(s) in this regard when and as appropriate.

INFORMATION OF THE GROUP

The Group is principally engaged in the manufacturing of lead-acid motive battery.

INFORMATION OF GE TECHNOLOGY DEVELOPMENT

GE Technology Development is a corporation incorporated under the laws of Delaware and a wholly-owned subsidiary of General Electric Company, a company listed on the New York Stock Exchange. GE Technology Development is principally engaged in the control and licensing of certain General Electric Company patents and technology.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, GE Technology Development and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

INFORMATION OF THE JV COMPANY

The JV Company is a limited liability company to be established under the laws of the PRC which is expected to be owned as to 85.71% by Chaowei Lvna and 14.29% by GE Technology Development. Upon establishment, the JV Company will be principally engaged in the production, research and development and sales of the JV Products.

The Company hereby reminds Shareholders and potential investors that this announcement is made according to the requirements of the Listing Rules. As at the date of this announcement, the establishment of the JV Company is subject to the satisfaction of the relevant conditions precedent as set out in the Equity Joint Venture Contract, including approval from relevant regulatory authorities. Therefore the establishment of the JV Company and thus the transactions under the Technology Transfer and License Agreement may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	means the board of Directors
“Business Day”	means any day other than Saturday, Sunday, and/or any statutory holiday in the PRC or in the United States
“Chaowei Lvna”	Zhejiang Chaowei Lvna Energy Co., Ltd.* (浙江超威綠鈉能源有限公司), a limited liability company established under the laws of the PRC, an indirect wholly-owned subsidiary of the Company
“Company”	Chaowei Power Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Director(s)”	means the director(s) of the Company
“Equity Joint Venture Contract”	the equity joint venture contract entered into by and between Chaowei Lvna and GE Technology Development dated 30 December 2016
“GE Technology Development”	GE Technology Development, Inc., is a corporation incorporated under the laws of Delaware and a wholly-owned subsidiary of General Electric Company, a company listed on the New York Stock Exchange
“Group”	means the Company and its subsidiaries

“JV Company”	Zhejiang Lvming Energy Co., Ltd.* (浙江綠明能源有限公司) (such name is subject to final approval of local administration of industry and commerce) is a limited liability company to be established under the laws of the PRC, which is expected to be owned as to 85.71% by Chaowei Lvna and 14.29% by GE Technology Development
“Listing Rules”	means 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, shall not include the Hong Kong Special Administrative Region of the PRC, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	means ordinary share(s) of nominal value of US\$0.01 each in the capital of the Company
“Shareholders”	means holders of the Shares
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited
“Technology Transfer and License Agreement”	the technology transfer and license agreement entered into by and among Chaowei Lvna, GE Technology Development and the JV Company dated 30 December 2016
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent

* For identification purpose only

By order of the Board of
Chaowei Power Holdings Limited
Zhou Mingming
Chairman and Chief Executive Officer

Changxing, Zhejiang Province, PRC, 30 December 2016

As at the date of this announcement, the executive Directors are Mr. ZHOU Mingming, Mr. ZHOU Longrui, Ms. YANG Yunfei and Mr. YANG Xinxin, the non-executive Directors are Ms. FANG Jianjun and Mr. NG Chi Kit, the independent non-executive Directors are Mr. WANG Jiqiang, Prof. OUYANG Minggao and Mr. LEE Conway Kong Wai.