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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 ENGINEERING TRIAL RUN AGREEMENT**

The Board is pleased to announce that on 28 November 2014, Solibro Hi-Tech, a wholly-owned subsidiary of Company, entered into the Engineering Trial Run Agreement with Solibro, a subsidiary of Hanergy Holding, pursuant to which Solibro shall provide production services to and conduct manufacturing test runs on Solibro's production lines, upon orders with specific technological parameters provided by Solibro Hi-Tech, to support the settings and applications in the future production process of Solibro Hi-Tech.

#### **LISTING RULES IMPLICATION**

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

Given the relevant percentage ratios in respect of the Engineering Trial Run Agreement and the Solibro Cooperation Agreements in aggregate are less than 5%, the Engineering Trial Run 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.

Reference is made to the announcement (the "Announcement") of the Company dated 30 October 2014 in relation to, among others, the Solibro Cooperation Agreements.

## **THE ENGINEERING TRIAL RUN AGREEMENT**

### **Date:**

28 November 2014 (after trading hours)

### **Parties**

- (1) Solibro Hi-Tech; and
- (2) Solibro.

Solibro Hi-Tech is a company incorporated in Germany and a wholly-owned subsidiary of the Company.

Solibro is a company incorporated in Germany and a 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”. 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 Solibro is a subsidiary of Hanergy Holding, Solibro is a connected person to the Company under Chapter 14A of the Listing Rules and the entering into of the Engineering Trial Run Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

## **SUBJECT MATTERS OF THE ENGINEERING TRIAL RUN AGREEMENT**

Pursuant to the Engineering Trial Run Agreement, Solibro shall provide production services to and conduct manufacturing test runs on Solibro’s production lines, upon orders with specific technological parameters provided by Solibro Hi-Tech, to support the settings and applications in the future production process of Solibro Hi-Tech, which shall comprise the following key activities:

- (a) coordination with Solibro Hi-Tech and provision of technical advice, to the extent that Solibro is in the position to do so, as to how the envisaged technological parameters will impact the production process of substrates/modules;
- (b) production of substrates/modules in the course of manufacturing test runs from Front End to Back End with Solibro’s own personnel on Solibro’s production lines based on the technological parameters provided by Solibro Hi-Tech;

- (c) in connection with the conducting of the manufacturing test runs according to paragraph (b) above, provision of the necessary materials (glass, chemicals, etc.) as used by Solibro's standard manufacturing process or use alternative materials as provided by Solibro Hi-Tech;
- (d) facilitate the provision of information to Solibro Hi-Tech as regards the outcome of the manufacturing test runs and various stages of fabrication;
- (e) storage of the produced substrates/modules at Solibro's warehouse for a period of 3 months after completion of the test run production;
- (f) recycling of the produced substrates/modules upon Solibro Hi-Tech's request or following the expiry of a period of 3 months after the date of completion of the test run production; and
- (g) denomination of an employee of Solibro for any requests that Solibro Hi-Tech may have regarding a modification of the technological parameters during the manufacturing of substrates/modules during the respective test run.

The Engineering Trial Run Agreement shall be effective from 1 January 2015 and shall have a fixed term of two calendar years.

Solibro Hi-Tech shall make a written request to Solibro for the provision the aforementioned services, which shall contain information regarding the target and the scope of the requested production activities, including the time frame of the manufacturing test run, the technological parameters to be applied for the test run, and the number of substrates/modules to be produced for each test run. After initial assessment by Solibro, the parties shall enter into separate and binding orders for each test run.

Pursuant to the Engineering Trial Run Agreement, Solibro Hi-Tech has the right to conduct technological analysis and testing of the substrates/modules produced by Solibro during a period of three months from the date of which the substrates/modules are stored Solibro's warehouse. The substrates/modules will remain with Solibro for disposal and recycling after the analysis and testing conducted by Solibro Hi-Tech.

## **CONSIDERATION**

The service fee charged by Solibro shall be based on the number of substrates/modules produced at the rate of (i) EUR127.95 (plus value-added tax ("VAT")) for each substrate/module which has fully processed in the test run; (ii) EUR85.30 (plus VAT) for each substrate/module processed in the Front End; or (iii) EUR42.65 (plus VAT) for each substrate/module processed in the Back End.

The piece rate of the substrate/module was determined after arm's length negotiations between the parties with reference to, among others, the costs incurred by Solibro for producing each substrate/module including electricity, heat, manpower, etc. to conduct the test runs and costs for storage, disposal and recycling of the substrates/modules, and the material cost required for manufacturing

of the substrates/modules charged by Solibro for the manufacturing of the standard modules. The Directors (including the independent non-executive Directors) consider that the consideration is on normal commercial terms, fair and reasonable.

Pursuant to the Engineering Trial Run Agreement, it is envisaged that Solibro shall provide approximately 4,000 substrates/modules for full engineering trial run each month. The parties agreed that Solibro Hi-Tech shall make monthly instalments of EUR511,800 plus applicable VAT on the first working day of each calendar month. Should the actual production volume of the substrates/modules of the respective month falls below 4,000 substrates/modules, the remaining amount will be carried forward to the next month and Solibro Hi-Tech is entitled to request other additional services from Solibro equalling the difference without additional charge.

## **ANNUAL CAPS**

The parties agreed that the maximum annual fees payable by Solibro under the Engineering Trial Run Agreement with applicable VAT shall not exceed EUR7,308,480 for each of the financial years ending 31 December 2015 and 2016.

The annual caps were determined based with reference to, among others, (i) the unit rate of the substrates/modules produced by Solibro for test runs; (ii) the expected consumption of substrates/modules by Solibro Hi-Tech for the research and development activities of Solibro Hi-Tech; and (iii) the current VAT of 19%.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE ENGINEERING TRIAL RUN AGREEMENT**

The Group is principally engaged in the manufacture of equipment and turnkey production lines for the manufacture of thin-film power generation modules. In recent years, the Group is also developing downstream thin-film power generation and applications businesses worldwide.

The research and development (R&D) function represents the most important factor for the successful development of the Group. In order to maintain the Group's competitiveness, the Company has to further expand the R&D facilities such that there will be sufficient and adequate R&D facilities to enable the scientists and experts team to conduct R&D projects efficiently.

Engineering trial run is regarded as an important R&D procedure in the manufacture of thin-film equipment and turnkey production lines, which is not classified as normal production. The results of engineering trial run can lead to technology improvements (efficiency, equipment, etc.) that can enhance the Group's R&D expansion.

Solibro Hi-Tech has initiated R&D activities with respect to CIGS technology since March 2014. Solibro Hi-Tech's R&D activities relating to CIGS technology comprise the testing of new settings and applications in the production process. This requires the manufacturing of sample substrates/modules in test runs conducted under Solibro's facilities and also requires operational support from Solibro.

It is expensive, time consuming and may not be in the best interests of the Group to invest in such facilities organically but it is preferable for the Company to obtain this service from third parties. The cooperation between Solibro and Solibro Hi-Tech, which utilise the same technology, is an expedient and efficient alternative for the Group to achieve its R&D objectives. The monthly substrate/module testing quantity was arrived at after careful consideration balancing factors such as cost, efficiency, availability of equipment and sufficiency of raw data.

On 29 October 2014, Solibro Hi-Tech and Solibro entered into the Solibro Cooperation Agreements, pursuant to which, among others, (i) Solibro would lease certain office space to Solibro Hi-Tech; (ii) Solibro would provide certain operational support to Solibro Hi-Tech; (iii) Solibro would sell certain IT hardware and CIGS machinery to Solibro Hi-Tech; (iv) Solibro Hi-Tech would provide certain operational support to Solibro; (v) Solibro Hi-Tech would sell certain machinery to Solibro; and (vi) Solibro Hi-Tech will lease certain equipment to Solibro. The Directors consider that the entering into of the Engineering Trial Run Agreement would enable the Group to further utilise the R&D facilities of Solibro for conducting test runs and to achieve time advantages for the Group's R&D work.

The terms of the Engineering Trial Run Agreement were arrived at after arm's length negotiations between Solibro and Solibro Hi-Tech with reference to, among others, the piece rate of the substrates/modules used for the test runs, the needs of Solibro Hi-Tech and the operational support level of Solibro and Solibro Hi-Tech.

The Directors, including the independent non-executive Directors, consider that the transactions contemplated under the Engineering Trial Run Agreement are in the ordinary and usual course of business of the Group and the terms of the Engineering Trial Run 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 IMPLICATION**

Hanergy Holding is the controlling Shareholder of the Company and is therefore a connected person of the Company under the Listing Rules. As Solibro is a subsidiary of Hanergy Holding, the entering into of the Engineering Trial Run Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given the relevant percentage ratios in respect of the Engineering Trial Run Agreement and the Solibro Cooperation Agreements in aggregate are less than 5%, the Engineering Trial Run 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, no other Director has material interest in the Engineering Trial Run Agreement and the transactions contemplated thereunder, and as such, no other Director has abstained from voting on the Board resolutions to approve the Engineering Trial Run Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Back End”	the back end process for CIGS thin film solar modules, commencing after the low illumination testing and ending with the provision of a finalised substrate/module
“Board”	the board of directors of the Company
“CIGS”	copper indium gallium selenide
“Company”	Hanergy Thin Film Power Group Limited
“connected person”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Engineering Trial Run Agreement”	the agreement dated 28 November 2014 and entered into between Solibro and Solibro Hi-Tech
“Front End”	the front end process for CIGS thin film solar modules, commencing from the feeding of glass panels and ending with the low illumination testing
“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 (for identification purposes only, translated as “Hanergy Holding Group Limited”), a company established under the laws 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
“Solibro”	Solibro GmbH, a company incorporated in Germany and is a subsidiary of Hanergy Holding
“Solibro Cooperation Agreements”	the agreements both dated 29 October 2014 and entered into between (i) Solibro and Solibro Hi-Tech; and (ii) Solibro and Solibro Research AB as disclosed in the announcement of the Company dated 30 October 2014
“Solibro Hi-Tech”	Solibro Hi-Tech GmbH., a company incorporated in Germany and is wholly owned by the Company
“EUR”	Euro, the lawful currency of the member states of European Union
“%”	per cent

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

Hong Kong, 28 November 2014

*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), Dr. Lam, Yat Ming Eddie (Finance Director and Senior Vice-President), Mr. Chen, Li 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.*