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卡姆丹克太陽能系統集團有限公司
Comtec Solar Systems Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 712)

CONNECTED TRANSACTION
PROPOSED ACQUISITION OF
70% EQUITY INTEREST IN KEXIN

THE PROPOSED ACQUISITION

The Board is pleased to announce that, on 25 May 2017 (after trading hours of the Stock Exchange), Comtec Renewable (Jiangsu), Kexin and the Vendors entered into the Equity Transfer Agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the Vendors at a cash consideration of RMB14 million.

LISTING RULES IMPLICATIONS

Mr. Zhang Zhen, being one of the Ultimate Holders, is a Director of the Company, and thus a connected person of the Company as described in Rule 14A.07(1) of the Listing Rules. The Vendors are beneficially owned by Mr. Zhang Zhen as to 50% and therefore associates of Mr. Zhang Zhen and connected persons of the Company under Rule 14A.07(4), therefore, the Proposed Acquisition contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company. Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but all of the applicable percentage ratios do not exceed 5%, the Proposed Acquisition contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) considers that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As completion of the Proposed Acquisition is subject to fulfilment of certain conditions precedent under the Equity Transfer Agreement and the Proposed Acquisition may or may not proceed, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

The Board is pleased to announce that, on 25 May 2017 (after trading hours of the Stock Exchange), Comtec Renewable (Jiangsu), Kexin and the Vendors entered into the Equity Transfer Agreement, pursuant to which Comtec Renewable (Jiangsu) agreed to acquire 70% equity interest of Kexin from the Vendors at a cash consideration of RMB14 million.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date:

25 May 2017

Parties:

- (1) Comtec Renewable (Jiangsu);
- (2) Kexin; and
- (3) the Vendors.

Interest to be acquired:

Comtec Renewable (Jiangsu) conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing 70% equity interest of Kexin as of the date of this announcement. Upon Completion, Kexin will be held as to 70% by Comtec Renewable (Jiangsu) and be accounted for as a subsidiary of the Company. The original investment costs of the Sale Shares contributed by the Vendors amounted to approximately RMB3.5 million.

Consideration of the Proposed Acquisition:

The consideration payable by Comtec Renewable (Jiangsu) for the Proposed Acquisition shall be RMB14 million (the “**Consideration**”) and was determined after arm’s length negotiation between the parties by reference to, among others, (i) the potential prospects of Kexin and its expected synergy with the Company, and (ii) the valuation of Kexin as at 12 May 2017, set forth in the Valuation Report prepared by Duff & Phelps China, a valuer appointed by the Company, which indicated that the market value of Kexin was reasonably stated by the range of RMB15 million to RMB21 million as at 12 May 2017.

Instalments

The first instalment of RMB2.8 million, being 20% of the Consideration shall be paid by Comtec Renewable (Jiangsu) with 15 business days after signing of the Equity Transfer Agreement.

The remaining RMB11.2 million, being 80% of the Consideration, shall be paid by Comtec Renewable (Jiangsu) in various instalments within 3 years after completion.

Conditions Precedent:

Pursuant to the Equity Transfer Agreement, the Completion shall be subject to the fulfillment of, among others, the following conditions:

- (1) Comtec Renewable (Jiangsu) having confirmed that it is satisfied with its due diligence results of the operations, financial and legal aspects of Kexin;
- (2) the obtaining of all consents required for the Proposed Acquisition, including, the consent of the shareholders of Kexin, the relevant governmental or regulatory authorities and other relevant third parties;
- (3) the obtaining of consent from the Company, being the parent company of Comtec Renewable (Jiangsu), for the Proposed Acquisition;
- (4) the Vendors and Kexin having provide Comtec Renewable (Jiangsu) with the management accounts of Kexin as of August 2017 prepared in accordance with the International Financial Reporting Standards;
- (5) the key employees of Kexin, as stated in the Equity Transfer Agreement, having entered into the employment contract and the non-competition and confidentiality agreement in the form and context satisfactory to Comtec Renewable (Jiangsu); and
- (6) during the period after the signing of the Equity Transfer Agreement and before Completion, there are no adverse material change in the operations or financial situations of Kexin, and no profit distributions have been conducted by Kexin (except with the prior written consent of Comtec Renewable (Jiangsu)).

Completion:

Completion shall take place after the conditions precedent under the Equity Transfer Agreement having been fulfilled.

Non-competition:

Without the prior written consent of Comtec Renewable (Jiangsu), the Vendors and the Ultimate Holders shall not independently or in any form (including but not limited to as shareholders, partners, directors, supervisors, managers, officers, agents, consultants) establish a new business entity to produce similar products or to establish a business entity of similar business nature as Kexin.

The board of Kexin:

The board of directors of Kexin shall comprise of three directors, two of whom shall be nominated by Comtec Renewable (Jiangsu), and the remaining director shall be nominated one of the existing shareholders of Kexin holding the remaining 30% equity interest.

VALUATION REPORT

The Valuation Report has been prepared by Duff & Phelps China. According to the Valuation Report, the market value of Kexin was reasonably stated by the range of RMB15 million to RMB21 million as at the valuation date of 12 May 2017. The valuation has adopted the discounted cash flow method as a form of income approach. The valuer also considered the market approach based on the average of the enterprise value to sales, enterprise value to EBITDA and enterprise value to EBIT of the selected comparable companies to cross check the result derived from the income approach. As such, the valuation constitutes a “profit forecast” under Rule 14.61 of the Listing Rules. Rule 14.62 of the Listing Rules is hence applicable.

A. Principal Factors and Assumptions

The principal factors and assumptions, including commercial assumptions, upon which the profit forecast and valuation in respect of Kexin were prepared, are set out below:

- there will be no major changes in the existing political, legal, fiscal and economic conditions in countries in which Kexin will carry on its business.
- industry trends and market conditions for related industries will not deviate significantly from economic forecast.
- future exchange rates and interest rates will not differ materially from those prevailing market expectations.
- Kexin will retain and have competent management, key personnel, and technical staff to support its ongoing operation.
- the compound annual growth rate of revenue from 2017 to 2022 will be assumed at 13% per annum.
- the sales volume of power storage solutions and consultancy services provided by Kexin will increase by 35% in 2018 and 2019 which is in line with the global lithium-ion battery market growth. The revenue growth will then drop gradually to 3% in 2022.
- the gross profit margin of power storage solutions will be 14% to 20% from 2017 to 2022.
- the gross profit margin of consultancy services will be 50% to 70% from 2017 to 2022.
- the 25% corporate income tax rate will be applied from 2017 to 2022.
- capital expenditure to revenue ratio will be expected to range from 1% to 8% from 2017 to 2022.
- Perpetual growth rate from 2022 onwards will be assumed to be 3% per annum.

B. Confirmation from Qing Lan CPA

The Company has engaged Qing Lan CPA as the reporting accountants in connection with the Valuation Report, who has examined the calculations of the discounted future estimated cash flows on which the valuation is based and reported to the Directors as set out in Appendix I to this announcement.

C. Confirmation from the Board

The Directors have confirmed that the profit forecasts underlying the valuation have been made after due and careful enquiry and the text of the letter from the Board is set out in Appendix II to this announcement.

D. Qualifications, Interests and Consents of Duff & Phelps China and Qing Lan CPA

The following are the qualifications of the experts who have given their opinion, letter and advice included in this announcement:

| Name | Qualification |
|---------------------|----------------------------------|
| Duff & Phelps China | Independent valuation specialist |
| Qing Lan CPA | Certified public accountants |

As at the date of this announcement, none of Qing Lan CPA and Duff & Phelps China is interested beneficially or otherwise in any shares of any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group. To the best of the Directors' knowledge, information and belief, each of Qing Lan CPA and Duff & Phelps China is an independent third party.

Each of Qing Lan CPA and Duff & Phelps China has given and has not withdrawn its consent to the publication of this announcement with the inclusion of its opinion, letter and all references to its name in the form and context in which they appear.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

As of the date of this announcement, the Group was principally engaged in the manufacture and sale of solar wafers and related products and provision of processing service for solar products and was one of the few PRC-based solar companies with sizeable overseas production facilities. The Proposed Acquisition represents an attractive opportunity for the Group to expand into the business of the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies, which marks the Group's continuous efforts in diversifying its business.

Thus the Board (including the independent non-executive Directors) considers that the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE GROUP, KEXIN, THE VENDORS AND THE ULTIMATE HOLDERS

Information about the Group

The Group is principally engaged in the provision of project development services and the development of downstream solar power projects in the PRC. Comtec Renewable (Jiangsu) is a wholly owned subsidiary of the Company.

Information about Kexin

Kexin is principally engaged in the research and development, design, integration and sales of lithium battery management systems and lithium battery systems for electric vehicles (including electric cars, electric motors and electric bicycles) to electric vehicle manufacturers and for power storage systems to lithium battery manufacturers and to power storage companies. As at the date of this announcement, Kexin is owned by the Vendors as to 70%, as financial investors, among which Yangming holds 30%, Shunhui holds 30% and Mengdong holds 10% and by the management team of Kexin as to 30%. To the best knowledge of the Directors, information and belief having made all reasonable enquiry, each member of the management team of Kexin is an independent third party of the Company.

Kexin was only established in August 2016. For the two years ended 31 December 2015 and 31 December 2016, respectively, the unaudited net profit/loss attributable to Kexin were as follows:

For the year ended 31 December 2015:

Unaudited net profit/loss (before tax): N/A

Unaudited net profit/loss (after tax): N/A

For the year ended 31 December 2016:

Unaudited net loss (before tax): RMB1.4 million

Unaudited net loss (after tax): RMB1.4 million

Immediately after the completion of the Equity Transfer Agreement, Kexin will become a subsidiary of the Company and its financial statements will consolidated in those of the Group.

Information about the Vendors and the Ultimate Holders

Each of Yangming, Shunhui and Mengdong is an investment holding company, which is beneficially owned by Mr. Zhang Zhen as to 50% and Mr. Tang Huantong as to 50%. Mr. Zhang Zhen is an executive Director of the Company and has extensive experience in the downstream solar business. He is also currently a director of various subsidiaries of the Group.

Mr. Tang Huantong is the chief operation officer of the Group.

LISTING RULES IMPLICATIONS

Mr. Zhang Zhen, being one of the Ultimate Holders, is a Director of the Company, and thus a connected person of the Company as described in Rule 14A.07(1) of the Listing Rules. The Vendors are beneficially owned by Mr. Zhang Zhen as to 50% and therefore associates of Mr. Zhang Zhen and connected persons of the Company under Rule 14A.07(4), therefore, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company. Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but all of the applicable percentage ratios do not exceed 5%, the Proposed Acquisition contemplated under the Equity Transfer Agreement is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board (including the independent non-executive Directors) considers that the terms of the Equity Transfer Agreement and the transaction contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

As Mr. Zhang Zhen is one of the Ultimate Holders of Kexin and therefore has a material interest in the transaction under the Equity Transfer Agreement, he has abstained from voting on the relevant board resolution approving the Equity Transfer Agreement. Apart from Mr. Zhang Zhen, no other Directors has abstained from voting on the relevant board resolution approving the Equity Transfer Agreement.

As completion of the Proposed Acquisition is subject to fulfilment of certain conditions precedent under the Equity Transfer Agreement and the Proposed Acquisition may or may not proceed, Shareholders and potential investors of the Company are urged to exercise caution when dealing in the Shares.

DEFINITIONS

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

| | |
|-----------------------|--|
| “Duff & Phelps China” | D&P China (HK) Limited, former known as American Appraisal China Limited, a division of Duff & Phelps Corporation and an independent valuation specialist engaged by Comtec Renewable (Jiangsu); |
| “Board” | the board of Directors; |
| “Company” | Comtec Solar Systems Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange; |
| “Completion” | completion of the Proposed Acquisition; |
| “Completion Date” | the date on which the Completion takes place; |

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|--------------------------------|--|
| “Comtec Renewable (Jiangsu)” | Comtec Renewable Energy (Jiangsu) Limited* (卡姆丹克清潔能源(江蘇)有限公司), a company incorporated in the PRC and wholly owned by the Company; |
| “connected person” | has the meaning ascribed thereto under the Listing Rules; |
| “Director(s)” | the director(s) of the Company; |
| “Equity Transfer Agreement” | the equity transfer agreement entered into by and among Comtec Renewable (Jiangsu), Kexin and the Vendors dated 25 May 2017; |
| “Group” | the Company and its subsidiaries; |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC; |
| “independent third party(ies)” | person or company who or which is not a connected person of the Company; |
| “Kexin” | Zhenjiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司); |
| “Listing Rules” | the Rules Governing the Listing of Securities of the Stock Exchange; |
| “Mengdong” | Beijing Yifei Mengdong New Energy Investment Company Limited* (北京羿飛蒙東新能源開發有限公司), a company incorporated in the PRC and wholly owned by Yangming as at the date of this announcement; |
| “Mr. Tang Huantong” | Mr. Tang Huantong (唐歡童), the chief operation officer of the Group; |
| “Mr. Zhang Zhen” | Mr. Zhang Zhen (張楨), an executive Director of the Company; |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan; |
| “Proposed Acquisition” | the proposed acquisition of 70% equity interest of Kexin by Comtec Renewable (Jiangsu) from the Vendors; |
| “Qing Lan CPA” | Qing Lan C.P.A. Limited, an independent reporting accountant engaged by the Company; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Sale Shares” | the entire equity interest held by the Vendors, representing 70% of the registered capital of Kexin as of the date of this announcement; |

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| “Share(s)” | ordinary shares of HK\$0.001 each in the share capital of the Company; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Shunhui” | Beijing Yifei Shunhui New Energy Investment Company Limited* (北京羿飛順輝新能源開發有限公司), a company incorporated in the PRC and wholly owned by Yangming as at the date of this announcement; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; |
| “Ultimate Holders” | the beneficial owners of the Vendors, being Mr. Zhang Zhen and Mr. Tang Huantong; |
| “Valuation Report” | the valuation report prepared by Duff & Phelps China dated 25 May 2017 in respect of the Proposed Acquisition; |
| “Vendors” | Yangming, Shunhui and Mengdong; |
| “Yangming” | Beijing Yifei Yangming New Energy Investment Company Limited* (北京羿飛陽明新能源投資有限公司), a company incorporated in the PRC and owned as to 50% by Mr. Zhang Zhen, and 50% by Mr. Tang Huantong, as at the date of this announcement; and |
| “%” | per cent. |

* *For reference purpose only, the English names of these companies, persons or documents are only a translation of their respective Chinese names. In the event of any discrepancies between the Chinese names and their respective English translations, the Chinese version shall prevail.*

By Order of the board of
Comtec Solar Systems Group Limited
John Yi Zhang
Chairman

Shanghai, the People’s Republic of China, 25 May 2017

As at the date of this announcement, the executive Directors are Mr. John Yi Zhang, Mr. Chau Kwok Keung and Mr. Zhang Zhen, the non-executive Director is Mr. Wang Yixin, and the independent non-executive Directors are Mr. Leung Ming Shu, Mr. Kang Sun and Mr. Xu Erming.

APPENDIX I — LETTER FROM QING LAN CPA

The following is the text of the letter dated 25 May 2017 from Qing Lan CPA, which was prepared for inclusion in this announcement.

The board of directors of Comtec Solar Systems Group Limited
Suite 33
35/F Central Plaza
18 Harbour Road
Wan Chai, Hong Kong

ACCOUNTANTS' REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN ZHENJIANG KEXIN POWER SYSTEM DESIGN AND RESEARCH COMPANY LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by D&P China (HK) Limited dated 25 May 2017, in respect of the entire equity interest in 鎮江科信動力系統設計研究有限公司 (Zhenjiang Kexin Power System Design and Research Company Limited) (“Kexin”) as at 12 May 2017 (the “Valuation”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and will be included in an announcement dated 25 May 2017 issued by Comtec Solar Systems Group Limited (the “Company”) in connection with the acquisition of 70.0% equity interest in Kexin (the “Announcement”).

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors (the “Assumptions”). This responsibility includes carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants' responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted 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. This standard requires that we comply with ethical requirements and plan and perform the

assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of Kexin.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Qing Lan C.P.A. Limited
Certified Public Accountants
Hong Kong
25 May 2017

APPENDIX II — LETTER FROM THE BOARD IN RELATION TO THE VALUATION REPORT

The following is the text of the letter issued by the Board dated 25 May 2017 which was prepared for inclusion in this announcement.

25 May 2017

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 — Proposed Acquisition of 70% of the Entire Issued Share Capital of Kexin

We refer to the valuation report dated 25 May 2017 (“Valuation Report”) regarding the fair value of Zhenjiang Kexin Power System Design and Research Company Limited* (鎮江科信動力系統設計研究有限公司) (“Kexin”) prepared by an independent valuer, Duff & Phelps China (“Valuer”), the valuation of which constitutes a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

We have reviewed and discussed the basis and assumptions upon which the valuation of the business enterprise value of Kexin has been carried out with the Valuer. We have also considered the letter from the Independent Accountants dated 25 May 2017 regarding the calculations of the discounted future estimated cash flows on which the Valuation Report is based.

On the basis the above, we confirm that the profit forecasts underlying the valuation the business enterprise value of Kexin as contained in the Valuation Report have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the board of directors of
Comtec Solar Systems Group Limited
John Yi ZHANG
Chairman