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## **JETE POWER HOLDINGS LIMITED**

**鑄能控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8133)**

### **(1) DISCLOSEABLE TRANSACTION: THE ACQUISITION OF 39% ISSUED SHARE CAPITAL OF NOVEL SINO GROUP HOLDINGS LIMITED; AND (2) CHANGE OF USE OF PROCEEDS FROM PLACING OF UNLISTED WARRANTS**

**Financial adviser to the Company**



**Shinco Capital Limited**

#### **THE ACQUISITION**

Reference is made to the announcement of the Company dated 2 August 2016 in relation to the proposed acquisition of a business of development of solar cell in the PRC.

On 27 September 2016 (after trading hours of the Stock Exchange), the Purchaser entered into the Acquisition Agreement with the Vendor, pursuant to which, the Purchaser conditionally agreed to acquire from the Vendor the Sale Shares at a consideration of HK\$10,000,000. The Consideration shall be settled by the Purchaser in cash at Completion. The Sale Shares represent 39% issued share capital of the Target Company upon Completion.

\* *For identification purposes only*

As the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are above 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

## **THE ACQUISITION**

Reference is made to the announcement of the Company dated 2 August 2016 in relation to the proposed acquisition of a business of development of solar cell in the PRC.

The Board announces that on 27 September 2016 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell the Sale Shares at the Consideration of HK\$10,000,000.

## **THE ACQUISITION AGREEMENT**

Date: 27 September 2016

Parties: (i) Purchaser: New Way Capital Resources Limited, a wholly-owned subsidiary of the Company; and  
(ii) Vendor: Mr. Yang Bingzhong, who owns 100% direct equity interests in the Target Company prior to Completion

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its associates are Independent Third Party(ies).

### **Assets to be acquired**

Pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the Sale Shares, representing 39% of the issued share capital of the Target Company upon Completion.

## Consideration

The Consideration is HK\$10,000,000 which is to be satisfied by the Purchaser in cash at Completion.

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor after having considered: (i) the Total Guaranteed Profit (as defined below) given by the Vendor, details of which are set out in the paragraph headed "Profit guarantee" below; (ii) the reasons for the Acquisition as further elaborated under the section headed "Reasons for the Acquisition" below; and (iii) the future prospect of the business of the Target Group. Accordingly, the Directors considered that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

The Group intends to finance the Consideration by the Net Proceeds.

## Profit guarantee

Pursuant to the Acquisition Agreement, the Vendor covenanted and guaranteed to the Purchaser that the total audited consolidated net profit after taxation of the Target Group (excluding any profit arising from subsidies income (other than any subsidies from the government in respect of the sale of electricity and relevant tax benefit)) based on the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards and to be audited by auditors (the "**Total Actual Net Profit**"), shall not be less than HK\$9 million (the "**Total Guaranteed Profit**") for the two financial years ending 31 December 2017 and 31 December 2018 (the "**Profit Guarantee**"). In the event that the Profit Guarantee is not achieved, the Vendor shall pay the Purchaser on a dollar-for-dollar basis, calculated in the following manner:

$$(\text{Total Guaranteed Profit} - \text{Total Actual Net Profit}) \times 39\% \times 5.698 \div 2$$

If the Target Group records a total loss for the two financial years ending 31 December 2017 and 31 December 2018, the compensation amount will be the same as the Consideration, being HK\$10,000,000.

## Conditions precedent

The Completion is subject to, among other things, the following conditions having been fulfilled or waived (as the case may be):

- (a) the Purchaser being satisfied with the results of the due diligence review to be conducted on the Target Group and the obtaining of a PRC legal opinion on the Dongtai Company, the results of which are satisfactory to the Purchaser; and

- (b) (if necessary) the obtaining of all necessary consents and approvals required in respect of the sale and purchase of the Sale Shares (including but not limited to the approval from government and regulatory authority(ies), if applicable) by the Purchaser and the Vendor.

Only condition (a) above is waivable by the Purchaser under the Acquisition Agreement.

The Acquisition Agreement further provides that should any of the above conditions not fulfilled (or not waived) on or before 30 September 2016 (the “**Long Stop Date**”), or such later date as the Purchaser and the Vendor may agree in writing, the Acquisition Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Acquisition Agreement.

### **Completion**

As the conditions precedent under the Acquisition Agreement were fulfilled or waived, Completion took place immediately after the execution of the Acquisition Agreement. Upon Completion, the Company indirectly holds 39% equity interest in the Target Company. The Target Company became an associate of the Group and would be accounted for in the Group’s financial statements by equity method.

### **Shareholder’s Agreement**

Pursuant to the Acquisition Agreement, the Purchaser and the Vendor entered into a shareholders’ agreement upon Completion which sets out the following:

- (a) Board composition: the board of the Target Company shall comprise 3 directors, in which the Purchaser and the Vendor shall have the right to nominate up to 1 and 2 directors respectively.
- (b) Right of first refusal: if any of the shareholders of the Target Company (the “**Selling Shareholder**”) proposes to transfer part/all of its equity interest of the Target Company to any other third party (the “**New Investor**”), the other shareholders of the Target Company shall have the right of first refusal to acquire such interest on terms no less favorable than those offered to the New Investor.

- (c) Tag-along right: where the Selling Shareholder proposed to transfer part/all of its interests of the Target Company under (b) above, the other shareholders of the Target Company will be entitled to sell their interests to that New Investor on same terms as that of the Selling Shareholder and pro-rata basis (based on the total number of interest these shareholders and the Selling Shareholder intend to sell).
- (d) Financial support: The Vendor undertake to provide financial support to the Target Group to meet all its future capital need. The Purchaser could provide, but is not obligated to provide such financial support.

## **INFORMATION ON THE TARGET GROUP**

The Target Company is a company incorporated in the British Virgin Islands on 1 July 2015 with limited liability and is wholly owned by the Vendor.

The Target Company is principally engaged in investment holding and as at the date of this announcement, the Target Company is interested in the entire issued share capital of the Dongtai Company. Since its incorporation, the Target Group has not generated any revenue.

Set out below is a summary of the key financial data of the Target Group based on the unaudited management accounts of the Target Group for the period from 1 July 2015 (date of incorporation of the Target Company) to 31 August 2016 as provided by the Vendor which has been prepared in accordance with the generally accepted accounting principles in Hong Kong:

### **Financial Information**

	<b>Period from 1 July 2015 (date of incorporation of the Target Company) to 31 August 2016 (unaudited)</b>
Loss before tax for the period	HK\$2,062,000
Loss after tax for the period	HK\$2,062,000

The unaudited net liabilities of the Target Group amounted to approximately HK\$2.03 million as at 31 August 2016.

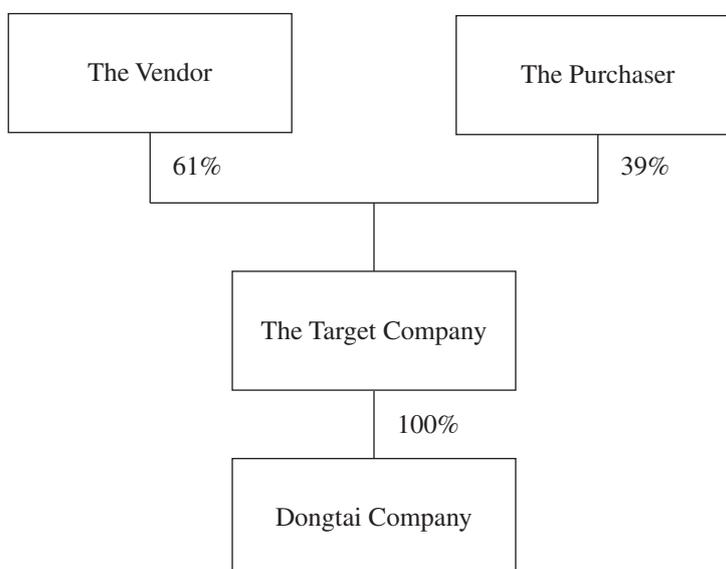
## Group structure

The following charts show the structure of the Target Group immediately before and after the Completion:

### Immediately before Completion



### Upon Completion



## The business

Dongtai Company, located in Dongtai City, Jiangsu Province, will be the principal operating subsidiary of the Target Group and will be principally engaged in the manufacturing of CIGS (copper indium gallium selenide) thin film solar panels and photovoltaic energy generation business.

Dongtai Company has entered into strategic cooperation agreement with local government authority for the development of CIGS thin film solar panels and solar power generation business, under which Dongtai Company will benefit from certain privileged treatments and resources in developing the photovoltaic power generation business in Dongtai City, Jiangsu Province, the PRC.

### ***CIGS thin film solar panels manufacturing business***

CIGS (copper indium gallium selenide) (銅銦鎵硒) is a material used in photovoltaic industry. The technology of CIGS thin film solar panel is one of the most promising technology in solar energy field nowadays. CIGS thin film solar panels are flexible and light, thus they can be widely applied as building-integrated photovoltaics (BIPV) materials as part of the building envelope, including the application to the distributed generation (分佈式發電).

Currently the Target Group is in final preparation of the production plant with an initial annual production capacity 30 Megawatt (MW) CIGS thin film, and the operation of the plant is scheduled to commence at about March 2017. The conversion rate of CIGS thin film solar panels manufactured by Dongtai Company is expected to be around 15%, an industry leading level in the PRC. Depending on the business progress, the Target Group will increase the production capacity in the future.

### ***Photovoltaic power generation business***

After the commencement of operation of the CIGS thin film solar panels manufacturing business, the Dongtai Company will also expand into photovoltaic power generation business which is expected to be one of the important sources of revenue to the Target Group in the future. Subject to the progress of the obtaining the necessary business licenses, this business is expected to generate revenue from 2018.

In supporting the Target Group's investment in the CIGS business, the local government has agreed, where possible, to provide the Target Group with the priority access to the annual guiding scale target (指標) for the construction of photovoltaic power plants to generate electricity power in Dongtai City and or other supportive policies for the use of the CIGS thin film produced by the Target Group.

## **The license and service agreement**

In respect of the CIGS thin film production, the Target Group has entered into the license and service agreement with Shanghai Yinglai on 27 September 2016, pursuant to which, Shanghai Yinglai will (i) provide advice in relation to the commencement of operation of the production line from 1 November 2016 to 30 June 2017 at a monthly service fee of RMB290,000 (equivalent to approximately HK\$337,270); (ii) provide technical advice and expertise to the Target Group in relation to the provision of training and supervision of staff for the CIGS production; and (iii) the grant to the Target Group, a non-exclusive right to use the patents and technological know-how of Shanghai Yinglai in the CIGS production beginning from commencement date of production up to 31 August 2019 at a monthly license fee of RMB80,000 (equivalent to approximately HK\$93,040).

Shanghai Yinglai is a company established in the PRC with limited liabilities and is controlled by Mr. Johnny Huang, an executive director of the Company. Shanghai Yinglai is the owner of 6 patents of technological know-how registered in the PRC for use in the CIGS thin film production.

The terms of license and service agreement were arrived at after arm's length negotiation between the Target Group and Shanghai Yinglai with reference to the services to be provided. The license and service agreement will provide the Target Group with the necessary assistance in ensuring the smooth commencement of CIGS thin film manufacturing business and also the application of the necessary know-how in its CIGS production.

## **REASONS FOR THE ACQUISITION**

The Company is an investment holding company. The Group is principally engaged in the manufacturing of metal casting parts and components in the PRC.

In line with the supportive policy towards developing renewable energy for a better environment protection, the PRC government has been implementing policies to create a favourable business environment for the development of photovoltaic energy business. Such moves include but not limited to simplifying new project approval process and speeding up subsidy payment and grid connection. In the future, with more emphasis on the distributed photovoltaic generation from the PRC government, the CIGS thin film of the Target Group may benefit from the increasing demand and application of CIGS thin film with BIPV approach on building envelope and other distributed photovoltaic power generation.

In view of the supportive PRC government and the good cooperative relationship with the local government, the Directors believe that the Acquisition presents the Group with a good opportunity to diversify its investment portfolio although the Company obtained a minority interest. The Company entered into the Acquisition Agreement with Vendor with a view to maximize return to the Company and its shareholders in the long run. In addition, with the Profit Guarantee provided by the Vendor and the future prospects of the Target Group in the photovoltaic energy sector in the PRC, the Directors are of the view that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements but exempted from Shareholders' approval under Chapter 19 of the GEM Listing Rules.

## **CHANGE OF USE OF PROCEEDS FROM PLACING OF UNLISTED WARRANTS**

References are made to the announcements of Company dated 31 May 2016, 26 July 2016 and 8 August 2016 (the “**Announcements**”) and the circular of the Company dated 17 June 2016 (the “**Circular**”) in relation to, among others, the proposed placing of unlisted warrants under specific mandate. Capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular unless defined otherwise.

As disclosed in the Announcements and the Circular, the Company originally intended to apply the net proceeds from the issue of the warrants of approximately HK\$13,200,000 for the general working capital of the Group. In light of the capital requirement for the Acquisition, the Board has resolved to re-allocate HK\$10,000,000 from the Net Proceeds for funding the Consideration of the Acquisition. Save as disclosed above, there is no other change in the use of Net Proceeds. The Company considers that the change in use of Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the proposed acquisition of the Sale Shares pursuant to the Acquisition Agreement
“Acquisition Agreement”	the Acquisition Agreement dated 27 September 2016 and entered into between the Vendor and Purchaser in relation to the sale and purchase of the Sale Shares
“Board”	board of the Directors
“Business Day”	a day (other than Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Jete Power Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on GEM
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement which took place on the date of the Acquisition Agreement
“Connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the consideration of HK\$10,000,000 payable by the Purchaser to the Vendor pursuant to the Acquisition Agreement at Completion
“Director(s)”	director(s) of the Company
“Dongtai Company”	冠美旭(東台)能源科技有限公司 (transliterated as Guanmeixu Dongtai Energy Technology Company Limited <sup>#</sup> ), a company established in the PRC, which is wholly and beneficially owned by the Target Company and is the operating subsidiary of the Target Group

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the GEM Listing Rules
“Net Proceeds”	the net proceeds from the issue of unlisted warrants of the Company of approximately HK\$13,200,000 completed on 8 August 2016
“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
“Purchaser”	New Way Capital Resources Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Sale Shares”	such number of shares of the Target Company of US\$1.00 each, which represent 39% of the entire issued share capital of the Target Company as at the date of Completion
“Shanghai Yinglai”	英萊新能(上海)有限公司 (transliterated as Yinglai New Energy (Shanghai) Limited <sup>#</sup> ), a company established in the PRC, and is controlled by Mr. Johnny Huang, an executive Director
“Share(s)”	ordinary share(s) of HK\$0.002 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	the Stock Exchange of Hong Kong Limited

“Target Company”	Novel Sino Group Holdings Limited, a company incorporated in the BVI which is wholly and beneficially owned by the Vendor before the Completion
“Target Group”	the Target Company and the Dongtai Company
“Vendor”	Mr. Yang Bingzhong (楊秉忠), the sole beneficial shareholder of the Target Company prior to the Completion and the vendor to the Acquisition Agreement, an Independent Third Party
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board  
**Jete Power Holdings Limited**  
**Choi Chiu Ming Jimmy**  
*Co-Chairman and Executive Director*

Hong Kong, 27 September 2016

# *The English transliteration of the Chinese names in this announcement, where indicated, is included for information only, and should not be regarded as the official English names of such Chinese names.*

*In this announcement, amounts denominated in RMB have been converted into HK\$ at the rate of RMB1 = HK\$1.163 for the purpose of illustration only. No representation is made to the effect that any amount in RMB or HK\$ have been, could have been or will be converted at the above rate or at any other rates or at all.*

*As at the date of this announcement, the Company has (i) two executive Directors, namely Mr. Choi Chiu Ming Jimmy and Mr. Johnny Huang; and (ii) three independent non-executive Directors, namely Ms. Leung Shuk Lan, Mr. Tang Yiu Wing and Mr. Wong Ka Shing.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the Company website at [www.jetepower.com](http://www.jetepower.com).*