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BOER POWER HOLDINGS LIMITED

博耳電力控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1685)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF THE TARGET COMPANY

The Board is pleased to announce that on 21 October 2019, the Seller (a 60% indirectly-owned subsidiary of the Company), the Buyer and the Guarantor (a 60% indirectly-owned subsidiary of the Company and the sole shareholder of the Seller) entered into the Equity Transfer Agreement, pursuant to which the Seller has conditionally agreed to sell, and the Buyer has conditionally agreed to purchase, the Transferred Equity, representing the entire issued share capital of the Target Company in issue as at the date of this announcement, for a Transfer Price of RMB25,709,000 (equivalent to approximately HK\$28,566,000) which shall be settled by way of cash.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer is more than 5% and less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject only to the reporting and announcement requirements but is exempted from approval by the Shareholders under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 21 October 2019, the Seller (a 60% indirectly-owned subsidiary of the Company), the Buyer and the Guarantor (a 60% indirectly-owned subsidiary of the Company and the sole shareholder of the Seller) entered into the Equity Transfer Agreement, pursuant to which, among other things, the Buyer has conditionally agreed to purchase from the Seller, and the Seller has conditionally agreed to sell, the Transferred Equity, which represents the entire issued share capital of the Target Company as at the date of this announcement, at the Transfer Price of RMB25,709,000 (equivalent to approximately HK\$28,566,000), which shall be settled by way of cash.

THE EQUITY TRANSFER AGREEMENT

Details of the major terms and conditions of the Equity Transfer Agreement are set out below:

Date: 21 October 2019

Parties: (i) the Seller as vendor
(ii) the Buyer as purchaser
(iii) the Guarantor as guarantor

The Seller is a 60% indirectly-owned subsidiary of the Group and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Buyer and its ultimate beneficial owners are Independent Third Parties. The Buyer is principally engaged in consultation services, development and technical services in new energy industry, investments in photovoltaic power plants and environmental protection industry and research in photovoltaic power generation. The Guarantor, has agreed to guarantee the obligations of the Seller.

Assets to be disposed of

Subject to and in accordance with the terms and conditions of the Equity Transfer Agreement, the Seller has conditionally agreed to sell and the Buyer has conditionally agreed to purchase the Transferred Equity, representing the entire equity interest in the Target Company as at the date of this announcement.

Transfer Price

Pursuant to the Equity Transfer Agreement, the Transfer Price for the sale and purchase of the Transferred Equity shall be in the sum of RMB25,709,000 (equivalent to approximately HK\$28,566,000), which shall be payable by the Buyer within 7 Business Days of Completion by way of cash.

In the event that the net assets of the Target Company are less than RMB24,081,433 (equivalent to approximately HK\$26,757,000) as of the Completion Date upon supplemental audit, the Seller shall compensate the Buyer for the deficit. If the Seller fails to compensate the Buyer for the deficit, the Buyer has the right to deduct such deficit from the Transfer Price.

Basis of the Transfer Price

The Transfer Price was agreed after arm's length negotiation between the Buyer and the Seller with reference to the value of the entire shareholders' equity of the Target Company as at 30 June 2019 (the "**Reference Date**") according to the valuation report (the "**Valuation Report**") prepared by an independent valuer in the PRC. The aforesaid value of the entire shareholders' equity means the aggregate of enterprise discounted free cash flow, value of surplus assets and non-operating assets, minus the non-operating liabilities of the Target Company. Please refer to the section headed "Information on the Valuer and the Valuation Report" in this Announcement for further details on the Valuer and the Valuation Report.

Conditions precedent

Pursuant to the Equity Transfer Agreement, the obligations of the Seller and the Buyer to complete the transfer of the Transferred Equity are conditional upon fulfilment or waiver (if applicable) of the following conditions:

- (a) there is no actual or potential legal impediment, liens, pledges, guarantees, third-party pre-emptive rights, options or any other encumbrances against the Transferred Equity and the Target Company. If there exists any encumbrances referred to above, such encumbrances shall be terminated or waived in writing, and the Seller having assumed all responsibility and duly settled all the late payment fee due to China Kangfu International Leasing Co., Ltd.* (中國康富國際租賃股份有限公司);
- (b) the Equity Transfer Agreement and all other agreements referred to in the Equity Transfer Agreement having been duly signed by all relevant parties; all relevant parties have obtained all necessary approvals, consents and authorisations for the signing and performance of all such agreements; and the signing of all such agreements does not violate any relevant laws and regulations, company constitutional documents, contracts, or agreements entered into with any third party or government agencies;
- (c) the Target Company having obtained all approvals, qualifications and licences to commence operation; the Project having achieved an on-grid price of RMB0.88/kWh and the relevant conditions for such on-grid price being fulfilled; and having entered into agreement(s) with the grid operating company regarding electricity supply and purchase and grid integration;
- (d) the Target Company being in a normal operating state, and from the Reference Date to the Completion Date, the Target Company has not experienced any adverse changes in relation to, among others, its business operations, financial conditions and assets business prospects; there is no change in laws and regulations which may have adverse effects on the transactions contemplated under the Equity Transfer Agreement, the legality of such transactions and the operations of the Target Company; there are no litigations, judicial procedures, administrative procedures or other dispute procedures which may affect the transactions contemplated under the Equity Transfer Agreement;
- (e) the Seller having dismissed and resettled all employees of the Target Company and all compensation fees have been paid in full and there being no dispute in connection with the dismissal of the employees;
- (f) the Target Company having signed the supplemental agreement(s)/termination agreement(s) as set out in the Equity Transfer Agreement with the relevant contracting parties and such agreement(s) being effective, and the Target Company providing documentary proof to the satisfaction of the Buyer that such agreement(s) have been signed and are effective;
- (g) the Seller having provided the Buyer with documentary proof of the right of Heilongjiang Province Anda Livestock Farm* (黑龍江省安達畜牧場) to use the state-owned land where the Project is located (such as land use right certificate);

- (h) the Target Company having obtained documents issued by the local land resources bureau stating the land for the Project does not cover valuable minerals and does not involve in any mining rights;
- (i) the Target Company having obtained written consent from the relevant pipeline enterprise of Daqing Oilfield in the vicinity of the Project, agreeing to the construction of the Project, or approval documents issued by the local energy bureau approving the construction of the Project;
- (j) the representations and warranties given by the Seller as set out in the Equity Transfer Agreement remain true, accurate and complete up to the Date of Completion; the Seller having complied with all obligations and covenants which by their nature shall be complied before or at Completion under the Equity Transfer Agreement and all warranties specified in the Equity Transfer Agreement are true, accurate and not misleading in all respects.

The conditions set out above shall be fulfilled on or before 31 December 2020.

Guarantee

In consideration of the entry by the Seller into the Equity Transfer Agreement, the Guarantor, has agreed to undertake unconditionally and irrevocably as primary obligor the punctual performance by the Seller of its obligation to pay any agricultural land occupation tax and the corresponding late payment fee in respect of the agricultural land occupation tax (if any).

Completion

Subject to the fulfilment or waiver (where applicable) of conditions precedent, the Completion shall take place on the Completion Date.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company incorporated in the PRC principally engaged in the construction and operation of photovoltaic power plant and owns a 10MWp photovoltaic power plant in Heilongjiang province. The Target Company is wholly owned by the Seller.

Based on the valuation report prepared by the independent valuer in the PRC, the value of the entire shareholders' equity of the Target Company as at 30 June 2019 was approximately RMB25,800,000 (equivalent to approximately HK\$28,667,000). Set out below are the unaudited financial information of the Target Company for the 8 months ended 31 August 2019 and the audited financial information of the Target Company for the two financial years ended 31 December 2018 and 31 December 2017 prepared in accordance with the Business Enterprises Accounting Standard (企業會計準則) issued by the PRC Ministry of Finance:

	For the 8 months ended 31 August 2019 RMB'000	For the year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	7,947	12,287	4,030
Net profit/(loss) before and after taxation	<u>3,267</u>	<u>6,711</u>	<u>(2,237)</u>

Upon completion of the Equity Transfer, the Target Company will be wholly-owned by the Buyer, and accordingly, the Target Company will cease to be a subsidiary of the Company and will cease to be consolidated in the audited consolidated accounts of the Company.

FINANCIAL EFFECTS OF THE EQUITY TRANSFER AND USE OF PROCEEDS

Based on the preliminary assessment on the unaudited financial information as at 31 August 2019, it is estimated that the Group will record a gain of approximately RMB2,456,000 (equivalent to approximately HK\$2,729,000) as a result of the Equity Transfer, being the sale proceeds less the carrying amount of the net assets of the Target Company. The actual gain or loss as a result of the Equity Transfer to be recorded by the Group is subject to final audit to be performed by the auditors of the Company. The net proceeds from the transaction are intended to be used for the Group's business development and general working capital.

REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER

The Group principally engages in the design, manufacture, and distribution of high-end integrated electrical distribution systems and solutions, and provides related value-added services.

The Target Company is a project based company set up for the purpose of constructing and holding a 10MWp photovoltaic power plant in Anda county, Heilongjiang province in the PRC. Photovoltaic power generation is a new source of energy which the PRC government encourages enterprises to invest in.

Investment in the development and construction of photovoltaic power plants require a high level of capital injection. As the implementation of photovoltaic power plants mainly involve obtaining approvals and carrying out construction work, private enterprises, such as our Group, are having an edge in such developments due to their flexibility. It is common that once construction of photovoltaic power plants is completed, central government-owned and state-owned enterprises would desire to acquire the same.

The Directors are of the view that, as compared with retaining the Target Company and operating the 10MWp photovoltaic power plant held by the Target Company, disposing the Target Company will enable the Group to quickly recover the capital injected into the Project and realise profits, improve the liquidity of the Group and allow the Group to promptly capture new opportunities by investing in other new projects in which the Group has an edge to develop as mentioned above.

Having considered the advantages and benefits to the Group by adopting the business model of developing and constructing photovoltaic power plants and then disposing the same to generate revenue, as stated above, the Directors are of the view that the Group will continue to pursue such business model going forward when suitable opportunities arise.

IMPLICATIONS OF THE LISTING RULES

As the highest of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Equity Transfer is more than 5% and less than 25%, the Equity Transfer constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules, and is subject only to the reporting and announcement requirements but is exempted from approval by the Shareholders under Chapter 14 of the Listing Rules.

INFORMATION ON THE VALUER AND THE VALUATION REPORT

Information on the Valuer

The Valuation Report was prepared by the Valuer, which is a governing unit (理事單位) of the China Asset Valuation Association* (中國資產評估協會) and an executive governing unit (常務理事單位) of the Shanghai Assets Valuation Association* (上海資產評估協會). It holds the Assets Valuation Qualification Certificate* (資產評估資格證書) issued by the Shanghai Municipal Finance Bureau (上海市財政局) and Qualification of Securities and Futures Valuation* (證券、期貨特許評估業務資格) issued by the PRC Ministry of Finance and the CSRC.

Information on the Valuation Report

The Valuation Report was prepared based on the Basic Standard for Asset Valuation* (資產評估基本準則) issued by the PRC Ministry of Finance and the Asset Valuation Practice Standards* (資產評估執業準則) and Code of Ethics* (職業道德準則) issued by the China Asset Valuation Association* (中國資產評估協會). The methodology adopted in the preparation of the Valuation Report is income method. In deciding such methodology, the Valuer considered factors such as, among others, reasons for the valuation, nature of the target of the valuation, types of value to be evaluated and data collection condition.

The Valuer made the following assumptions in providing the valuation on the Target Company:

1. that the parties to the transaction on the Target Company have equal bargaining power and have equal opportunity to obtain market information to enable them to make rational judgement on the function and use of the Target Company and the transaction consideration;
2. that the Target Company will continue to be utilised, and in the same manner for the same purposes such assets are currently being utilised;

3. that the production and operation activities of the Target Company can continue under the current conditions after the transaction, and such production and operation activities will not substantially change in the foreseeable future; any impact on the business operation of the Target Company due to the economic activities involved in the transaction is not considered;
4. that there will be no major changes in the relevant laws, regulation, policies; no major changes in the political, economic and social environment in the jurisdiction where the parties to the transaction are situated; and there is no major changes in interest rates, exchanges rates, tax bases, tax rates and levies;
5. that the management team of the Target Company discharge their obligation responsibly and apply effective management, and the assets being evaluated did not violate any laws and regulations in the course of business operations;
6. mortgages, guarantees that may be undertaken in the future, and any special means of carrying out the transaction related to the assets being evaluated which may result in additional consideration for the transaction, and the effects such matters may have on the result of the valuation are not considered;
7. that the accounting policies adopted in the preparation of the Target Company's historical financial information provided to the Valuer and the accounting policies adopted in the preparation of the Valuation Report are consistent in all material aspects;
8. that there is no major change in the current economic policies;
9. that any production operation of the assets being evaluated comply with all relevant laws and regulations;
10. that is no major change in the socio-economic environment in the geographical area where the Target Company is situated;
11. that any project of the Target Company currently under construction can be completed on time, and reach the expected scale of operation within a reasonable time;
12. that the industry in which the Target Company operates remains stable and the current laws, regulation and economic policies related to the production and operation of the Target Company remain stable;
13. that the Target Company is able to conduct normal and continuous production and operation in accordance with the business scale, capability, operating conditions, business scope and business policy as planned by the management team of the Target Company;
14. that any agreement(s) entered into by the Target Company prior to the Reference Date of the Valuation Report can be executed according to the agreement(s);

15. that the Target Company has the financing ability to match the scale of future operations to ensure normal future operations;
16. calculations of income is based on one-year period as the profit forecast period, assuming that revenue and expenditure occur uniformly during each forecast period;
17. that the Target Company maintains its existing level of management, its strict internal control system and continuously improving personnel quality, which can ensure that its various regulatory indicators will be maintained at the historical levels in the future and meeting the requirements of the relevant regulatory authorities; and
18. future earnings do not include any factor of synergies that may result from the sale and purchase of the Target Company.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day(s)”	any day (other than a public holiday) on which banks in the PRC are generally open for business
“Buyer”	Shang Shi Hang Tian Xing He Energy (Shanghai) Co., Ltd* (上實航天星河能源(上海)有限公司)
“Company”	Boer Power Holdings Limited (博耳電力控股有限公司), an exempted limited liability company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1685)
“Completion”	completion of the sale and purchase of the Transferred Equity pursuant to the Equity Transfer Agreement
“Completion Date”	the date on which Completion takes place which shall be within fifteen (15) Business Days after all conditions precedent under the Equity Transfer Agreement have been fulfilled or otherwise waived
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Equity Transfer”	the disposal of Transferred Equity by the Seller to the Buyer

“Equity Transfer Agreement”	the conditional Equity Transfer Agreement dated 21 October 2019 entered into between the Seller, the Buyer and the Guarantor in respect of the sale and purchase of the Transferred Equity
“Group”	the Company and its subsidiaries
“Guarantor”	Boer Energy Jiangsu Company Limited* (博耳能源江蘇有限公司)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its directors, chief executive, and substantial shareholders of the Company or any of its subsidiaries or their respective associates under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
“Project”	the construction of a 10MWp photovoltaic power plant in Anda county, Heilongjiang province in the PRC
“RMB”	Renminbi, the lawful currency of PRC
“Seller”	Shenzhen Zhongjuruida Industrial Co., Ltd.* (深圳中聚瑞達實業有限公司), a company incorporated in PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Anda Zhongju New Energy Technology Co., Ltd.* (安達中聚新能源科技有限公司), a limited liability company incorporated in PRC

“Transfer Price”	RMB25,709,000 (equivalent to approximately HK\$28,566,000)
“Transferred Equity”	the 100% equity interest in the Target Company
“Valuer”	Wanlong (Shanghai) Assets Valuation Co. Ltd.* (萬隆 (上海) 資產評估有限公司)

* Denote that the English translations of terms, or the names of the Chinese companies or entities for which no official English translation exists, and are provided for identification purposes only. In the event of any inconsistency between the Chinese terms or names and their English translation, the Chinese terms or names shall prevail.

For and on behalf of the Board
Boer Power Holdings Limited
Qian Yixiang
Chairman

Hong Kong, 21 October 2019

In this announcement, translation of RMB into HK\$ is based on the exchange rate of HK\$1: RMB0.90. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the above exchange rate or any other rates.

As at the date hereof, the Board comprises of (i) four executive Directors: Mr. Qian Yixiang, Ms. Jia Lingxia, Mr. Zha Saibin and Mr. Qian Zhongming; and (ii) three independent non-executive Directors: Mr. Yeung Chi Tat, Mr. Tang Jianrong and Mr. Qu Weimin.