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## **Solargiga Energy Holdings Limited**

**陽光能源控股有限公司**

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

**(Stock Code: 757)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY**

#### **THE DISPOSAL**

On 8 December 2021 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), Purchaser A and Purchaser B entered into an agreement, pursuant to which the Vendor agreed to sell, Purchaser A and Purchaser B agreed to acquire 50.5% and 0.5% of the equity interest in the Target Company at a consideration of approximately RMB53,885,000 and RMB534,000 respectively.

Upon Completion, the Group will not hold any equity interest in the Target Company. The Target Company will cease to be a subsidiary of the Company, and the assets and liabilities and performance of the Target Company will not be accounted into the consolidated financial statements of the Group.

#### **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements but is exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is held by the Vendor, Purchaser A and Purchaser B as to 51%, 24.5% and 24.5% respectively. Purchaser A and Purchaser B are substantial shareholders of the Target Company and, therefore, they are connected persons of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) Purchaser A and Purchaser B are connected persons at the subsidiary level, (2) the Board has approved the Disposal; and (3) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Disposal is subject to the notification and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

The Board is pleased to announce that, on 8 December 2021 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), Purchaser A and Purchaser B entered into an agreement, pursuant to which the Vendor agreed to sell, Purchaser A and Purchaser B agreed to acquire 50.5% and 0.5% of the equity interest in the Target Company at a consideration of approximately RMB53,885,000 and RMB534,000 respectively.

## **THE DISPOSAL AGREEMENT**

The principal terms of the Disposal Agreement are as follows:

### **Date**

8 December 2021

### **Parties**

- (a) Vendor (a wholly-owned subsidiary of the Company);
- (b) Purchaser A; and
- (c) Purchaser B.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company, and is held by the Vendor, Purchaser A and Purchaser B as to 51%, 24.5% and 24.5% respectively. Purchaser A and Purchaser B are substantial shareholders of the Target Company and, therefore, they are connected persons of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules.

## **DISPOSAL OF EQUITY INTEREST**

Pursuant to the Disposal Agreement, the Vendor agreed to sell, Purchaser A and Purchaser B agreed to acquire 50.5% and 0.5% of the equity interest in the Target Company, respectively. Upon Completion, the Group will not hold any equity interest in the Target Company. The Target Company will cease to be a subsidiary of the Company, and the assets and liabilities and performance of the Target Company will not be accounted into the consolidated financial statements of the Group.

## **CONSIDERATION**

Pursuant to the Disposal Agreement, (i) the Consideration payable by Purchaser A and Purchaser B are approximately RMB53,885,000 and RMB534,000, respectively; (ii) not less than 51% of the Consideration shall be settled within ten working days after the signing of the Disposal Agreement; and (iii) the remaining balance shall be settled on or before 31 July 2022.

The Consideration was arrived at after arm's length negotiations between the Purchasers and the Vendor, with reference to the valuation report based on asset-based approach on the entire equity interest in the Target Company of approximately RMB106,702,000 as at 30 November 2021 prepared by Qinghai Zhonghengxin Assets Appraisal Co., Ltd.\* (青海中恒信資產評估有限公司), an independent valuer engaged by the Group, and the corresponding shareholding ratio.

The Directors consider the Consideration is determined after arm's length negotiation and is fair and reasonable and on normal commercial terms and that the entering into of the Disposal Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **COMPLETION**

Completion shall take place upon completion of the relevant industrial and commercial registration of changes. Upon Completion, the Target Company will cease to be a subsidiary of the Company.

As at the date of this announcement, the Target Company is held by the Vendor, Purchaser A and Purchaser B as to 51%, 24.5% and 24.5% respectively. Upon Completion, the Target Company will be held by Purchaser A and Purchaser B as to 75% and 25% respectively.

## INFORMATION ON THE TARGET COMPANY

The Target Company was established in the PRC with limited liability. Further information on the Target Company as at the date of this announcement is set out below:

### (a) Corporate Information

Name	:	Solargiga Energy (Qinghai) Co., Ltd. (陽光能源(青海)有限公司)
Date of establishment	:	31 December 2008
Place of establishment	:	PRC
Scope of business	:	Principally engaged in manufacturing of non-metallic mineral products, manufacturing of electronic special materials, sales of non-metallic minerals and products, sales of photovoltaic equipment and components, etc.
Registered capital	:	RMB90,000,000

### (b) Financial information

The following table sets out the total asset value and net asset value of the Target Company as at 31 December 2019, 31 December 2020 and 30 November 2021, respectively:

	As at 30 November 2021 <i>RMB'000</i> (unaudited)	As at 31 December 2020 <i>RMB'000</i> (audited)	As at 31 December 2019 <i>RMB'000</i> (audited)
Total asset value	266,796	365,753	367,479
Net asset value	105,389	160,120	203,041

The following table sets out the revenue, profit before tax and profit after tax of the Target Company for the two financial years ended 31 December 2020 and the eleven months ended 30 November 2021:

	<b>For the eleven months ended 30 November 2021</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Revenue	642,612	540,421	552,049
Profit before tax	23,915	17,584	45,626
Profit after tax	21,512	17,584	45,046

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

In light of the increasing market demand for high-end photovoltaic products in recent years, the small production capacity and ageing production lines of the Target Company are not in line with economic scale and production efficiency. After considering and reviewing the operating conditions of Target Company, the directors consider the Disposal could reduce future operating costs and risks. It is expected that the Disposal will strengthen the Group's cash flow and enable the Group to increase liquidity and reallocate existing resources for future development.

### **CONFIRMATION FROM THE DIRECTORS IN RELATION TO THE DISPOSAL**

The Directors (including the independent non-executive Directors) have reviewed the Disposal and are of the view that the Disposal is on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Disposal has been approved by the Board. None of the Directors is or is deemed to have a material interest in the transactions contemplated under the Disposal Agreement.

### **THE FINANCIAL IMPACT ON THE DISPOSAL**

Upon Completion, the Group will not hold any equity interest in the Target Company and the financial performance of the Target Company will not be accounted into the consolidated financial statements of the Group.

Upon Completion, the Group expects to record estimated unaudited profit of approximately RMB670,000 as a result of the Disposal, which is calculated with reference to the difference between (i) the total consideration and (ii) equity interest of 51% of the unaudited net asset value of the Target Company as at 30 November 2021. The actual gain as a result of the Disposal to be recorded by the Group may be subject to accounting adjustment and shall be subject to audit by the auditors of the Company, which may be different from the amount disclosed above.

## **USE OF PROCEEDS**

The net proceeds from the Disposal, after deducting expenses in relation to the Disposal, are estimated to be approximately RMB54,419,000. The Company intends to apply such net proceeds as general working capital.

## **INFORMATION OF THE PURCHASERS**

Purchaser A is Mr. Luo Qian (羅乾). To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, as at the date of this announcement, the Target Company is owned as to approximately 24.5% by Purchaser A. As such, Purchaser A is a substantial shareholder of a subsidiary of the Company, he is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

Purchaser B is Mr. Bao Quanjun (鮑全軍). To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, as at the date of this announcement, the Target Company is owned as to approximately 24.5% by Purchaser B. As such, Purchaser B is a substantial shareholder of a subsidiary of the Company, he is therefore a connected person of the Company at the subsidiary level pursuant to Chapter 14A of the Listing Rules.

## **INFORMATION ON THE GROUP AND THE VENDOR**

The Group focuses on the manufacturing and sales of upstream monocrystalline silicon ingots and wafers and downstream photovoltaic modules in the photovoltaic industry. Among them, the major customers of monocrystalline silicon ingots and wafers are large midstream solar cell manufacturers and the major customers of photovoltaic modules are large domestic state-owned enterprises, multinational corporations and other photovoltaic end-user customers. Moreover, the Group is engaged in the installation of photovoltaic systems and the development, design, construction, operation and maintenance of photovoltaic generation plants.

The Vendor, a limited company incorporated in Hong Kong, is a wholly-owned subsidiary of the Company as at the date of this announcement, and is principally engaged in the trading of photovoltaic products.

## LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal exceeds 5% but is less than 25%, the Disposal constitutes a discloseable transaction for the Company and is therefore subject to the notification and announcement requirements but is exempt from Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Target Company is an indirect non-wholly owned subsidiary of the Company, and is held by the Vendor, Purchaser A and Purchaser B as to 51%, 24.5% and 24.5% respectively. Purchaser A and Purchaser B are substantial shareholders of the Target Company and, therefore, they are connected persons of the Company at the subsidiary level according to Rule 14A.07(1) of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) Purchaser A and Purchaser B are connected persons of the Company at the subsidiary level, (2) the Board has approved the Disposal; and (3) the independent non-executive Directors have confirmed that the terms of the Disposal are fair and reasonable and the Disposal is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, the Disposal is subject to the notification and announcement requirements but is exempt from the circular, independent financial advice and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“Board”	the board of Directors
“Company”	Solargiga Energy Holdings Limited (陽光能源控股有限公司) (stock code: 757), a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal pursuant to the terms and conditions of the Disposal Agreement
“Consideration”	the consideration for the Disposal payable by Purchaser A and Purchaser B under the Disposal Agreement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the equity interests of the Target Company pursuant to the Disposal Agreement
“Disposal Agreement”	the sale and purchase agreement is entered into between the Vendor, Purchaser A and Purchaser B on 8 December 2021 in relation to the Disposal

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement
“Purchaser A”	Mr. Luo Qian
“Purchaser B”	Mr. Bao Quanjun
“Purchasers”	collectively, Purchaser A and Purchaser B
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Solargiga Energy (Qinghai) Co., Ltd. (陽光能源(青海)有限公司), an indirect non-wholly owned subsidiary of the Company as at the date of this announcement, details of which are set out in the paragraph headed “Information on the Target Company” in this announcement
“Vendor”	Solargiga Energy (Hong Kong) Company Limited, a limited company incorporated in Hong Kong, is a wholly-owned subsidiary of the Company as at the date of this announcement
“%”	per cent.

By Order of the Board  
**Solargiga Energy Holdings Limited**  
**Wang Junze**  
*Executive Director*

Hong Kong, 8 December 2021

*\* For identification purpose only*

*As at the date of this announcement, the executive Directors are Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Junze, the non-executive Director is Mr. Hsu You Yuan and the independent non-executive Directors are Dr. Wong Wing Kuen, Albert, Ms. Feng Wenli and Mr. Lian Tao.*