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Solargiga Energy

## **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)**

### **CONTINUING CONNECTED TRANSACTIONS**

On 17 April 2009, the Company and Jinzhou Aoke entered into the Framework Agreement whereby (i) the Company agreed to sell, or procure its subsidiaries to sell, and Jinzhou Aoke agreed to purchase, or procure its subsidiaries to purchase, wire slurry; (ii) Jinzhou Aoke agreed to sell, or procure its subsidiaries to sell, and the Company agreed to purchase, or procure its subsidiaries to purchase, the Processed Materials; and (iii) the Company and Jinzhou Aoke agreed to terminate the Processing Agreement.

As at the date of this announcement, Jinzhou Aoke is owned as to 35% by Jinzhou Yuexin (a PRC company wholly owned by Mr. Tan, an executive Director) and as to 65% by Independent Third Parties. Accordingly, Jinzhou Aoke is an associate of Mr. Tan within the meaning of the Listing Rules and hence a connected person of the Company. The Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement will therefore constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable ratios under each of the Sale Caps and the Purchase Caps will exceed 2.5%, the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sale Transactions and the Purchase Transactions. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement.

A circular containing, among other things, further details relating to the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement, a letter from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement will be despatched to the Shareholders as soon as practicable.

## **BACKGROUND**

Reference is made to the Company's circular dated 2 September 2008 in relation to, among other things, the Processing Agreement.

On 12 August 2008, the Company entered into the Processing Agreement with Jinzhou Aoke whereby the Company agreed to engage, or procure its subsidiaries to engage, Jinzhou Aoke and/or its subsidiaries for processing of wire slurry into recycled abrasives and mineral oil, materials necessary for the slicing of solar ingots into solar wafers.

Following a recent discussion with Jinzhou Aoke concerning the latest development of the business model of Jinzhou Aoke, the Company and Jinzhou Aoke agreed to enter into the Framework Agreement. For more details for the reasons of entering into the Framework Agreement, please refer to the section headed "Reasons for the Sale Transactions and the Purchase Transactions" below.

## **THE FRAMEWORK AGREEMENT**

On 17 April 2009, the Framework Agreement was entered into between the Company and Jinzhou Aoke, a company incorporated in the PRC and owned as to 35% by Jinzhou Yuexin (a PRC company wholly owned by Mr. Tan, an executive Director) and as to 65% by Independent Third Parties. Details of the Framework Agreement are set out below:

### **1. The Sale Transactions**

- (a) Pursuant to the Framework Agreement, subject to the Sale Transactions having been approved by the Independent Shareholders in accordance with the Listing Rules, the Company agreed to sell, or procure its subsidiaries to sell and Jinzhou Aoke agreed to purchase, or procure its subsidiaries to purchase, wire slurry.
- (b) The basis of determining the prices for the Sale Transactions will be in accordance with the prevailing market price of wire slurry. Payment terms for the Sale Transactions will be determined based on normal commercial terms to be agreed after arm's length negotiations between the Group and the Jinzhou Aoke Group from time to time, including without limitation, payment by cash on delivery, payment with a credit term ranging from 30 to 90 days, etc. Other business terms of the Sale Transactions will be determined on an individual purchase order basis and the terms of which will be on normal commercial terms and no less favourable to the Company than terms available to or from Independent Third Parties.

- (c) For each of the three years ending 31 December 2011, the Sale Caps will not exceed:
  - (i) RMB16 million for the year ending 31 December 2009;
  - (ii) RMB32 million for the year ending 31 December 2010; and
  - (iii) RMB53 million for the year ending 31 December 2011.
- (d) For the three months ended 31 December 2008, the aggregate amount paid to the Group by Jinzhou Aoke for the sale of wire slurry to Jinzhou Aoke amounted to RMB666,000. The transaction amount was not substantial for the year ended 31 December 2008 because the Group did not commence the transactions to sell wire slurry to Jinzhou Aoke until the fourth quarter of 2008. The Company anticipates that the expected transaction amounts under the Sale Transactions will increase substantially in the coming three years due to the expected increase in the Group's production capacity of solar wafers and hence the amount of wire slurry available for sale under the Sale Transactions for the three years ending 31 December 2011. The bases of determining the Sale Caps are set out in paragraph (e) below.
- (e) Wire slurry are generated in the manufacturing process of solar wafers. Hence, the higher the production capacity of solar wafers, the higher the amount of wire slurry available for sale. The Sale Caps are determined by reference to (i) the anticipated increase in wafer production capacities arising from an expansion in the Group's manufacturing bases which are, subject to the prevailing market conditions, expected to reach approximately 99 million, 200 million and 325 million pieces of wafer by end of 2009, 2010 and 2011, respectively; (ii) the anticipated increase in Jinzhou Aoke's demand for wire slurry; and (iii) the average market price of wire slurry sold to an Independent Third Party and Jinzhou Aoke in 2008.

## **2. The Purchase Transactions**

- (a) Pursuant to the Framework Agreement, subject to the Purchase Transactions having been approved by the Independent Shareholders in accordance with the Listing Rules, Jinzhou Aoke agreed to sell, or procure its subsidiaries to sell, and the Company agreed to purchase, or procure its subsidiaries to purchase, the Processed Materials.
- (b) The basis of determining the prices for the Purchase Transactions will be in accordance with the prevailing market price of the Processed Materials. Payment terms for the Purchase Transactions will be determined based on normal commercial terms to be agreed after arm's length negotiations between the Group and Jinzhou Aoke Group from time to time, including without limitation, payment by cash on delivery, payment with a credit term ranging from 30 to 90 days, etc. Other business terms of the Purchase Transactions will be determined on an individual purchase order basis and the terms of which will be on normal commercial terms and no less favourable to the Company than terms available to or from Independent Third Parties.

- (c) For each of the three years ending 31 December 2011, the Purchase Caps will not exceed:
  - (i) RMB53 million for the year ending 31 December 2009;
  - (ii) RMB107 million for the year ending 31 December 2010; and
  - (iii) RMB174 million for the year ending 31 December 2011.
- (d) Abrasives and mineral oil are essential materials for the slicing of solar ingots into solar wafers. Hence, the higher the production capacity of solar wafers, the higher the amount of the Group's requirements of the Processed Materials. The Purchase Caps are determined by reference to (i) the actual quantity of abrasives and mineral oil used by the Group in 2008; (ii) the anticipated increase in wafer production capacities arising from an expansion in the Group's manufacturing bases which are, subject to the prevailing market conditions, expected to reach approximately 99 million, 200 million and 325 million pieces of wafer by end of 2009, 2010 and 2011, respectively; (iii) the estimated quantity of recycled abrasives and mineral oil to be purchased from Jinzhou Aoke; (iv) the average recycled rate of abrasives and mineral oil, respectively and hence the estimated quantity of recycled abrasives and mineral oil to be produced by Jinzhou Aoke from the processing of wire slurry to be supplied by the Group; and (v) the estimated price of recycled abrasives and mineral oil to be purchased from Jinzhou Aoke which are determined by reference to the market price of brand new abrasives and mineral oil purchased from Independent Third Parties and the processing fee of wire slurry charged by Independent Third Parties.

### **3. Conditions Precedent**

The Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement are subject to approval by the Independent Shareholders in the Annual General Meeting.

### **4. Term**

Subject to the Sale Transactions and the Purchase Transactions having been approved by the Independent Shareholders, the Framework Agreement will take effect from 17 April 2009 and will expire on 31 December 2011.

### **5. Termination of the Processing Agreement**

The Processing Agreement will be terminated upon the signing of the Framework Agreement.

## **REASONS FOR THE SALE TRANSACTIONS AND THE PURCHASE TRANSACTIONS**

As stated in the circular of the Company dated 2 September 2008, the Group has entered into agreement with Jinzhou Aoke for processing of wire slurry into the Processed Materials for the slicing of solar ingots into solar wafers at a processing fee payable by the Group.

At the time when the Processing Agreement was entered in August 2008, Jinzhou Aoke was principally engaged in the recycling and processing of wire slurry sourced mainly from the Group at that time. Subsequently, the Company was informed that the scope of Jinzhou Aoke's business has been enlarged to include the sale of Processed Materials in addition to its processing business, and that Jinzhou Aoke has since then commenced its operation for the sale of the Processed Materials to other third parties aside from the Group. The specifications of the Processed Materials sold to other third parties are not typically required by the Group.

The Sale Transactions will provide an additional income source to the Group while the Purchase Transactions would enable the Group to adopt a flexible purchase policy to purchase the Processed Materials on a selective basis with reference to the quality standard of the Processed Materials satisfactory to the Group.

In view of the change in Jinzhou Aoke's scope of business and the aforesaid advantages to the Group, the Company considers that it would be in the interest of the Group and the Independent Shareholders as a whole to terminate the Processing Agreement and enter into the Sale Transactions and the Purchase Transactions separately.

## **GENERAL INFORMATION**

The Group is one of the leading manufacturers of monocrystalline silicon ingots, measured in terms of production output and sales in the PRC. It is engaged in the manufacturing of monocrystalline silicon ingots and wafers and the recycling and processing of scrap polysilicon. Silicon ingots and wafers are used for the manufacturing of photovoltaic cells which are important component of the solar energy generation system. Wire slurry are generated in the manufacturing process of solar wafers which can be reprocessed to produce the Processed Materials. The Processed Materials are essential materials for the slicing of solar ingots into solar wafers.

Jinzhou Aoke is incorporated in the PRC. Jinzhou Aoke is principally engaged in the business of recycling and processing of wire slurry, lubricants and silicon materials and the sale of the Processed Materials.

## **IMPLICATIONS OF THE LISTING RULES**

As at the date of this announcement, Jinzhou Aoke is owned as to 35% by Jinzhou Yuexin (a PRC company wholly owned by Mr. Tan, an executive Director) and as to 65% by Independent Third Parties. Accordingly, Jinzhou Aoke is an associate of Mr. Tan within the meaning of the Listing Rules and hence a connected person of the Company. The Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement will therefore constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable ratios under each of the Sale Caps and the Purchase Caps will exceed 2.5%, the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Sale Transactions and the Purchase Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the terms of the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement have been negotiated on arm's length basis and the Sale Transactions and the Purchase Transactions will be conducted on normal commercial terms. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) are of the view that as far as the Independent Shareholders are concerned, the terms of the Sale Transactions and the Purchase Transactions are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sale Transactions and the Purchase Transactions. The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement.

Ordinary resolutions will be proposed at the forthcoming Annual General Meeting to consider and, if thought fit, approve the terms of the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement. Mr. Tan and his associates will abstain from voting for the resolutions approving the Sale Transactions and the Purchase Transactions. The circular containing, among other things, further details relating to the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement, the letter from the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders on the terms of the Sale Transactions and the Purchase Transactions contemplated under the Framework Agreement will be despatched to the Shareholders as soon as practicable.

## **DEFINITIONS**

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

“Annual General Meeting”	annual general meeting of the Company to be convened to approve, among other things, the Sale Transactions and the Purchase Transactions or any adjournment thereof
“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Solargiga Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange

“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Agreement”	an agreement dated 17 April 2009 between the Company and Jinzhou Aoke in connection with the Sale Transactions, the Purchase Transactions and the termination of the Processing Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Sale Transactions and the Purchase Transactions
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale Transactions and the Purchase Transactions
“Independent Shareholders”	the Shareholders other than Mr. Tan and his associates
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, not connected with the Company and its connected persons
“Jinzhou Aoke”	Jinzhou Aoke New Materials Co., Ltd.* (錦州奧克新材料有限公司), a company incorporated in PRC
“Jinzhou Aoke Group”	Jinzhou Aoke and its subsidiaries
“Jinzhou Yuexin”	Jinzhou Yuexin Silicon Materials Co., Ltd.* (錦州悅鑫硅材料有限公司), a company incorporated in PRC and wholly owned by Mr. Tan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tan”	Mr. Tan Wenhua, an executive Director, a Shareholder and a connected person of the Company

\* English translation of Chinese official name is for identification purpose only

“PRC”	the People’s Republic of China
“Processing Agreement”	the processing agreement dated 12 August 2008 entered into between the Company and Jinzhou Aoke, the details of which were set out in the Company’s circular dated 2 September 2008
“Processed Materials”	recycled abrasives and mineral oil which are the essential materials for the slicing of solar ingots into solar wafers
“Purchase Caps”	the annual transaction amount of the Purchase Transactions for the three years ending 31 December 2011
“Purchase Transactions”	the transactions in connection with the purchase of the Processed Materials as contemplated under the Framework Agreement
“RMB”	Renminbi, the lawful currency of PRC
“Sale Caps”	the annual transaction amounts under the Sale Transactions for the three years ending 31 December 2011
“Sale Transactions”	the transactions in connection with the sale of the wire slurry as contemplated under the Framework Agreement
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“wire slurry”	wire slurry generated in the manufacturing process of solar wafers which can be reprocessed to produce the Processed Materials
“%”	per cent.

By Order of the Board  
**Solargiga Energy Holdings Limited**  
**Hsu You Yuan**  
*Executive Director*

Hong Kong, 17 April 2009

*As at the date of this announcement, Mr. Tan Wenhua, Mr. Hsu You Yuan and Ms. Zhang Liming are executive Directors, Mr. Chiao Ping Hai and Mr. Chong Kin Ngai are non-executive Directors and Ms. Fu Shuangye, Dr. Lin Wen, Mr. Wong Wing Kuen, Albert and Mr. Zhang Chun are independent non-executive Directors.*