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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)**

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NEW CONTINUING CONNECTED TRANSACTIONS**

On 17 April 2009, the Company and Jinzhou Jixing (formerly known as Jinzhou Aoke New Materials Co., Ltd.\*) entered into the Existing Jixing Framework Agreement. On 2 November 2009, the Company and Jingxin Semi-conductor entered into the Existing Jingxin Guide Rollers Service Agreement.

The term of the Existing Agreements will expire on 31 December 2011. The Board announces that on 19 December 2011, in contemplation of the expiration of the Existing Agreements, the Company entered into the New Agreements for three years from 1 January 2012 to 31 December 2014 (both days inclusive) to renew the term of the transactions contemplated under each of the Existing Agreements on and subject to the terms and conditions of the New Agreements.

The Board also announces that on 19 December 2011, the Company entered into the Youlin Guide Rollers Service Agreement.

Details of the New Agreements and the Youlin Guide Rollers Service Agreement are as follows:

- (a) the New Jixing Framework Agreement was entered into between the Company and Jinzhou Jixing pursuant to which (i) the Company agreed to sell, or procure its subsidiaries to sell, and Jinzhou Jixing agreed to purchase, or procure its subsidiaries to purchase, wire slurry; and (ii) Jinzhou Jixing agreed to sell, or procure its subsidiaries to sell, and the Company agreed to purchase, or procure its subsidiaries to purchase, the Processed Materials, on and subject to the terms and conditions of the New Jixing Framework Agreement;
- (b) the New Jingxin Guide Rollers Service Agreement was entered into between the Company and Jingxin Semi-conductor pursuant to which the Company agreed to engage, or procure its subsidiaries to engage, Jingxin Semi-conductor for the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers, on and subject to the terms and conditions of the New Jingxin Guide Rollers Service Agreement; and
- (c) the Youlin Guide Rollers Service Agreement was entered into between the Company and Youlin Semi-conductor pursuant to which the Company agreed to engage, or procure its subsidiaries to engage, Youlin Semi-conductor for the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers, on and subject to the terms and conditions of the Youlin Guide Rollers Service Agreement.

The Directors consider that the transactions under the New Agreements and the Youlin Guide Rollers Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios under the respective aggregate annual amounts of the transactions contemplated under each of the New Agreements and the Youlin Guide Rollers Service Agreement are less than 5%, the transactions contemplated under each of the New Agreements and the Youlin Guide Rollers Service Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

## **INTRODUCTION**

References are made to the Company's announcements dated 17 April 2009 and 2 November 2009, respectively, and circulars dated 27 April 2009 and 9 December 2009, respectively, in relation to, among others, certain continuing connected transactions contemplated under the Existing Agreements.

On 17 April 2009, the Company and Jinzhou Jixing (formerly known as Jinzhou Aoke New Materials Co., Ltd.\*) entered into the Existing Jixing Framework Agreement. On 2 November 2009, the Company and Jingxin Semi-conductor entered into the Existing Jingxin Guide Rollers Service Agreement.

The term of the Existing Agreements will expire on 31 December 2011. The Board announces that on 19 December 2011, in contemplation of the expiration of the Existing Agreements, the Company entered into the New Agreements for three years from 1 January 2012 to 31 December 2014 (both days inclusive) in order to renew the term of the transactions contemplated under each of the Existing Agreements on and subject to the terms and conditions of the New Agreements.

The Board also announces that on 19 December 2011, the Company entered into the Youlin Guide Rollers Service Agreement whereby the Company agreed to engage (or procure its subsidiaries to engage) Youlin Semi-conductor for the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers, on and subject to the terms and conditions of the Youlin Guide Rollers Service Agreement.

Details of the New Agreements and the Youlin Guide Rollers Service Agreement are as follows:

### **NEW JIXING FRAMEWORK AGREEMENT**

Date: 19 December 2011

Parties: (1) the Company  
(2) Jinzhou Jixing

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, Jinzhou Jixing is a company incorporated in the PRC and owned as to 35% by Jinzhou Yuexin (a PRC company wholly owned by Mr. Tan Xin, the son of Mr. Tan) and as to 65% by Independent Third Parties.

Scope: Pursuant to the New Jixing Framework Agreement:

- (1) the Company agreed to sell, or procure its subsidiaries to sell, and Jinzhou Jixing agreed to purchase, or procure its subsidiaries to purchase, wire slurry; and
- (2) Jinzhou Jixing agreed to sell, or procure its subsidiaries to sell, and the Company agreed to purchase, or procure its subsidiaries to purchase, the Processed Materials.

Term: The New Jixing Framework Agreement has a fixed term commencing on 1 January 2012 and ending on 31 December 2014 (both days inclusive).

Pricing: The basis of determining the prices for the Sale Transactions or the Purchase Transactions (as the case may be) will be determined with reference to the prevailing market price of wire slurry or the Processed Materials (as the case may be).

Other terms: Other business terms of the Sale Transactions or the Purchase Transactions (as the case may be) will be determined on an individual order basis and the terms of which are on normal commercial terms and no less favourable to the Company than the terms available to or from Independent Third Parties (as the case may be).

Payments for the Sale Transactions or the Purchase Transactions (as the case may be) will be determined based on normal commercial terms to be agreed after arm's length negotiation between the Group and Jinzhou Jixing 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.

### **Reasons for and benefits of entering into the New Jixing Framework Agreement**

Recycled abrasives and mineral oil cost less than new abrasives and mineral oil. When mixed with new abrasives and mineral oil in a prescribed proportion, the mixture can be used in the slicing of solar wafers from solar ingots. Jinzhou Jixing is principally engaged in the recycling of wire slurry and sale of Processed Materials, the factory of which is located in Jinzhou. With the close proximity between the Company and Jinzhou Jixing, transportation costs will be relatively lower when compared with other wire slurry processing companies which are not located in Jinzhou. As such, the Directors consider that it would be more cost efficient to sell wire slurry to and purchase the Processed Materials from Jinzhou Jixing. The Directors believe that the entering into of the Sale Transactions and the Purchase Transactions contemplated under the New Jixing Framework Agreement, the terms of which are no less favourable than terms available to Independent Third Parties, will continue to provide an additional income source to the Group and will continue to lower the overall production cost which is in line with the Group's strategy.

### **Implications under the Listing Rules**

Jinzhou Jixing is owned as to 35% by Jinzhou Yuexin (a PRC company wholly owned by Mr. Tan Xin, the son of Mr. Tan) and as to 65% by Independent Third Parties. For the purpose of the Sale Transactions and the Purchase Transactions, the Directors considered that Jinzhou Jixing should be treated as an associate of Mr. Tan and hence a connected person of the Company. Hence, the Directors consider that the Sale Transactions and the Purchase Transactions under the New Jixing Framework Agreement should continue to be subject to the continuing connected transactions requirements under Chapter 14A of the Listing Rules in order to provide the Shareholders and potential investors with information relating to the transactions contemplated under the New Jixing Framework Agreement on a voluntary basis. As the applicable percentage ratios under the respective aggregate annual amounts of the Sale Transactions and the Purchase Transactions contemplated under the New Jixing Framework Agreement are less than 5%, the Sale Transactions and the Purchase Transactions contemplated under the New Jixing Framework Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

## NEW JINGXIN GUIDE ROLLERS SERVICE AGREEMENT

Date: 19 December 2011

Parties: (1) the Company  
(2) Jingxin Semi-conductor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Jingxin Semi-conductor is owned as to 40% by Ms. Chen Man, the daughter-in-law of Mr. Tan, as to 10% by Ms. Chen Man's aunt, and as to 50% by Independent Third Parties.

Scope: Pursuant to the New Jingxin Guide Rollers Service Agreement, the Company agreed to engage, or procure its subsidiaries to engage, Jingxin Semi-conductor for the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers.

Term: The New Jingxin Guide Rollers Service Agreement has a fixed term commencing on 1 January 2012 and ending on 31 December 2014 (both days inclusive).

Pricing: The basis of determining the prices for the transactions under the New Jingxin Guide Rollers Service Agreement will be determined with reference to the prevailing market price for the provision of service for re-coating and re-grooving guide rollers.

Other terms: The terms of the New Jingxin Guide Rollers Service Agreement and the transaction contemplated thereunder will be determined on an individual order basis and the terms of which are on normal commercial terms and no less favourable to the Company than the terms available from Independent Third Parties.

Payments for the transactions under the New Jingxin Guide Rollers Service Agreement will either be cash on delivery or on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties. It is agreed that Jingxin Semi-conductor will grant to the Group a credit period of 30 to 90 days.

## **Reasons for and benefits of entering into the New Jingxin Guide Rollers Service Agreement**

Re-coating and re-grooving guide rollers installed in wire saws is an important component for the slicing of solar ingots into wafers. The Directors believe that with the services to be continuously provided by Jingxin Semi-conductor under the New Jingxin Guide Rollers Service Agreement, the Group's guide rollers can be re-coated and re-grooved to the satisfaction of the Group and in accordance with the specifications and standards required by the Group, thereby enabling the Group to maintain the quality of its solar wafers.

## **Implications under the Listing Rules**

Jingxin Semi-conductor is owned as to 40% by Ms. Chen Man, the daughter-in-law of Mr. Tan, as to 10% by Ms. Chen Man's aunt and as to 50% by Independent Third Parties. For the purpose of the transactions under the New Jingxin Guide Rollers Service Agreement, the Directors consider that Jingxin Semi-conductor should be treated as an associate of Mr. Tan and hence a connected person of the Company. Hence, the Directors consider that the transactions under the New Jingxin Guide Rollers Service Agreement should be subject to the continuing connected transaction requirements under Chapter 14A of the Listing Rules in order to provide the Shareholders and potential investors with information relating to the transactions contemplated under the New Jingxin Guide Rollers Service Agreement on a voluntary basis. As the applicable percentage ratios under the respective aggregate annual amounts of the transactions contemplated under the New Jingxin Guide Rollers Service Agreement are less than 5%, the transactions contemplated under the New Jingxin Guide Rollers Service Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

## **YOULIN GUIDE ROLLERS SERVICE AGREEMENT**

Date: 19 December 2011

Parties: (1) the Company  
(2) Youlin Semi-conductor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Youlin Semi-conductor is owned as to 87% by Ms. Chen Man, the daughter-in-law of Mr. Tan, and as to 13% by Independent Third Parties. Youlin Semi-conductor is therefore an associate of Mr. Tan and hence a connected person of the Company.

Scope: Pursuant to the Youlin Guide Rollers Service Agreement, the Company agreed to engage, or procure its subsidiaries to engage, Youlin Semi-conductor for the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers.

**Term:** The Youlin Guide Rollers Service Agreement has a fixed term commencing on 1 January 2012 and ending on 31 December 2014 (both days inclusive).

**Pricing:** The basis of determining the prices for the transactions under the Youlin Guide Rollers Service Agreement will be determined with reference to the prevailing market price for the provision of service for re-coating and re-grooving guide rollers.

**Other terms:** The terms of the Youlin Guide Rollers Service Agreement and the transaction contemplated thereunder will be determined on an individual order basis and the terms of which are on normal commercial terms and no less favourable to the Company than the terms available from Independent Third Parties.

Payments for the transactions under the Youlin Guide Rollers Service Agreement will either be cash on delivery or on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties. It is agreed that Youlin Semi-conductor will grant to the Group a credit period of 30 to 90 days.

### **Reasons for and benefits of entering into the Youlin Guide Rollers Service Agreement**

Re-coating and re-grooving guide rollers installed in wire saws is an important component for the slicing of solar ingots into wafers. The Directors believe that with the services to be provided by Youlin Semi-conductor under the Youlin Guide Rollers Service Agreement, the Group's guide rollers can be re-coated and re-grooved to the satisfaction of the Group and in accordance with the specifications and standards required by the Group, thereby enabling the Group to maintain the quality of its solar wafers.

### **Implications under the Listing Rules**

As mentioned above, Youlin Semi-conductor is owned as to 87% by Ms. Chen Man, the daughter-in-law of Mr. Tan, and as to 13% by Independent Third Parties. Youlin Semi-conductor is therefore an associate of Mr. Tan and hence a connected person of the Company. Accordingly, the transactions under the Youlin Guide Rollers Service Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios under the respective aggregate annual amounts of the transactions contemplated under the Youlin Guide Rollers Service Agreement are less than 5%, the Youlin Guide Rollers Service Agreement are only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under the Listing Rules.

## HISTORICAL AMOUNTS OF THE TRANSACTIONS

Set out below are (a) the actual transaction amounts for the year ended 31 December 2010 and the nine months ended 30 September 2011, and (b) the annual caps for the years ended 31 December 2010 and ending 31 December 2011, in respect of the transactions contemplated under the Existing Agreements:

	Audited transaction amount for the year ended 31 December 2010	Annual cap for the year ended 31 December 2010	Unaudited transaction amount for the nine months ended 30 September 2011	Annual cap for the year ending 31 December 2011
The Sale Transactions	RMB15,302,000	RMB32,000,000	RMB21,840,000	RMB53,000,000
The Purchase Transactions	RMB3,210,000	RMB107,000,000	RMB8,238,000	RMB174,000,000
Existing Jingxin Guide Rollers Service Agreement	RMB2,653,000	RMB5,341,000	RMB1,957,000	RMB10,120,000

The Group expects that during the period between the date of this announcement and 31 December 2011, it will not enter into transactions with Youlin Semi-conductor for the provision of service for re-coating and re-grooving guide rollers.

## PROPOSED ANNUAL CAPS UNDER THE NEW AGREEMENTS AND THE YOULIN GUIDE ROLLERS SERVICE AGREEMENT

Set out below are the proposed annual caps under the New Agreements and the Youlin Guide Rollers Service Agreement:

	Annual cap for the year ending 31 December 2012	Annual cap for the year ending 31 December 2013	Annual cap for the year ending 31 December 2014
The Sale Transactions	RMB42,500,000	RMB42,500,000	RMB42,500,000
The Purchase Transactions	RMB22,000,000	RMB22,000,000	RMB22,000,000
New Jingxin Guide Rollers Service Agreement	RMB3,000,000	RMB3,000,000	RMB3,000,000
Youlin Guide Rollers Service Agreement	RMB3,500,000	RMB3,500,000	RMB3,500,000

The basis of the above proposed annual caps are as follows:

- (a) The proposed annual caps under the Sale Transactions are determined with reference to, among other things, (i) the Group's current silicon solar wafer production capacity of 600 MW; (ii) the anticipated increase in Jinzhou Jixing's demand for wire slurry; and (iii) the average market price of wire slurry sold to an Independent Third Party and Jinzhou Jixing in 2011.

- (b) The proposed annual caps under the Purchase Transactions are determined with reference to, among other things, (i) the actual quantity of abrasives and mineral oil used by the Group in 2010; (ii) the Group's current silicon solar wafer production capacity of 600 MW; (iii) 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 Jixing from the processing of wire slurry to be supplied by the Group; and (iv) the estimated price of recycled abrasives and mineral oil to be purchased from Jinzhou Jixing 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.
- (c) The proposed annual caps under the New Guide Rollers Agreement are determined with reference to, among other things, (i) the Group's current silicon solar wafer production capacity of 600 MW; and (ii) the projected service fee for re-coating and re-grooving guide rollers in the next three financial years.
- (d) The proposed annual caps under the Youlin Guide Rollers Agreement are determined with reference to, among other things, (i) the Group's current silicon solar wafer production capacity of 600 MW; and (ii) the projected service fee for re-coating and re-grooving guide rollers in the next three financial years.

## **GENERAL INFORMATION**

The Group is one of the leading manufacturers of monocrystalline silicon solar ingots, measured in terms of production output and sales, in the PRC. The Group is principally engaged in (a) manufacturing and sales of monocrystalline and multicrystalline silicon solar ingots and wafers; (b) processing of silicon solar ingots and wafers; (c) upgrading of polysilicon raw materials; (d) manufacturing and sales of photovoltaic cells and modules; and (e) design and installation of photovoltaic systems.

Jinzhou Jixing is incorporated in the PRC and is principally engaged in the business of recycling and reprocessing of wire slurry, lubricants (潤劑) and silicon materials (硅微粉).

Jingxin Semi-conductor is established in the PRC and is principally engaged in the business of guide rollers re-coating and re-grooving.

Youlin Semi-conductor is established in the PRC and is principally engaged in the business of guide rollers re-coating and re-grooving.

The Directors (including the independent non-executive Directors) consider that the terms of the New Agreements and the Youlin Guide Rollers Service Agreement were negotiated on arm's length basis and the transactions contemplated thereunder will be conducted in the usual and ordinary course of businesses of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the terms of the New Agreements and the Youlin Guide Rollers Service Agreement, the transactions contemplated thereunder and the proposed annual caps of the New Agreements and the Youlin Guide Rollers Service Agreement are fair and reasonable and in the interest of the Group and the Shareholders as a whole.

Mr. Tan is an executive Director, the Chairman of the Company and a substantial Shareholder holding approximately 27.45% of the issued shares of the Company as at the date of this announcement and hence a connected person of the Company. He has abstained from voting on the board resolutions approving the transactions contemplated under the New Agreements and the Youlin Guide Rollers Service Agreement. Save as the aforesaid, no Director has any material interest in the transactions contemplated under the New Agreements and the Youlin Guide Rollers Service Agreement and therefore none of the Directors was required to abstain from voting on the resolutions approving the transactions contemplated under the New Agreements and the Youlin Guide Rollers Service Agreement.

## **DEFINITIONS**

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

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Solargiga Energy Holdings Limited (stock code: 757), 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
“Existing Agreements”	the Existing Framework Agreement and the Existing Jingxin Guide Rollers Service Agreement
“Existing Jixing Framework Agreement”	the agreement dated 17 April 2009 entered into between the Company and Jinzhou Jixing in respect of, among other things, the Sale Transactions and the Purchase Transactions
“Existing Jingxin Guide Rollers Service Agreement”	the framework service agreement dated 2 November 2009 entered into between the Company and Jingxin Semi-conductor in respect of the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“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, independent of and not connected with the Company and its connected persons
“Jingxin Semi-conductor”	錦州京鑫半導體材料有限公司 (Jinzhou Jingxin Semi-conductor Material Company Limited*), a company established in the PRC
“Jinzhou Jixing”	錦州吉興新材料有限公司 (Jinzhou Jixing New Materials Co., Ltd.*) (formerly known as 錦州奧克新材料有限公司 (Jinzhou Aoke New Materials Co., Ltd.*) ), a company incorporated in the PRC
“Jinzhou Jixing Group”	Jinzhou Jixing and its subsidiaries
“Jinzhou Yuexin”	錦州悅鑫硅材料有限公司 (Jinzhou Yuexin Silicon Materials Co., Ltd.*), a company incorporated in the PRC and wholly owned by Mr. Tan Xin, the son of Mr. Tan
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tan”	Mr. Tan Wenhua, an executive Director, the Chairman of the Company, a substantial Shareholder and hence a connected person of the Company
“New Agreements”	the New Framework Agreement and the New Jingxin Guide Rollers Service Agreement
“New Jixing Framework Agreement”	the agreement dated 19 December 2011 entered into between the Company and Jinzhou Jixing in respect of the Sale Transactions and the Purchase Transactions
“New Jingxin Guide Rollers Service Agreement”	the framework service agreement dated 19 December 2011 entered into between the Company and Jingxin Semi-conductor in respect of the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers
“percentage ratio(s)”	has the same meaning as ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China

“Processed Materials”	recycled abrasives and mineral oil which are the essential materials for the slicing of solar ingots into solar wafers
“Purchase Transactions”	the transactions in connection with the purchase of the Processed Materials as contemplated under the Existing Jixing Framework Agreement or the New Jixing Framework Agreement (as the case may be)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Transactions”	the transactions in connection with the sale of the wire slurry as contemplated under the Existing Jixing Framework Agreement or the New Jixing Framework Agreement (as the case may be)
“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
“Youlin Guide Rollers Service Agreement”	the framework service agreement dated 19 December 2011 entered into between the Company and Youlin Semi-conductor in respect of the provision of services for re-coating and re-grooving guide rollers which is necessary for the slicing of solar ingots into solar wafers
“Youlin Semi-conductor”	錦州佑林半導體材料有限公司 (Jinzhou Youlin Semi-conductor Material Company Limited*), a company established in the PRC
“%”	per cent.

\* English translation of the Chinese official name is for identification purposes only.

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

Hong Kong, 19 December 2011

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