

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MAJOR TRANSACTION IN RELATION TO THE PROPOSED ACQUISITION, THE PROPOSED DISPOSAL AND THE DEBT SETTLEMENT AGREEMENT

The Board is pleased to announce that on 31 March 2017, Jinzhou Yangguang (a wholly-owned subsidiary of the Company) and Liaoning Oxiranchem entered into the Agreement, pursuant to which Liaoning Oxiranchem has conditionally agreed to sell and Jinzhou Yangguang has conditionally agreed to purchase 63% equity interest in Jinzhou Aoke for a consideration of RMB53,000,000. Upon Completion, Jinzhou Yangguang will own 100% equity interest in Jinzhou Aoke which will become a wholly-owned subsidiary of the Company.

Pursuant to the Agreement, Jinzhou Yangguang has conditionally agreed to sell and Liaoning Oxiranchem has conditionally agreed to purchase 100% equity interest in Golmud Solargiga for a consideration of RMB155,400,000. After the completion of the Proposed Disposal, the Group's respective fixed assets and bank loans will be offset. Financial structure of the Group will be improved as a result. Further, with reference to the Disposal Consideration and the net book value of Golmud Solargiga, upon completion of the Proposed Disposal, the Group expects to recognise an unaudited gain on disposal which amounted to RMB34,781,000.

Completion of the Proposed Disposal and the Proposed Acquisition is conditional upon fulfillment or waiver (as the case may be) of the conditions precedent as described under the paragraph headed "Conditions Precedent" in this announcement.

On 31 March 2017, to facilitate completion of the Proposed Acquisition and the Proposed Disposal, Jinzhou Yangguang and Liaoning Oxiranchem entered into the Debt Settlement Agreement for purpose of settlement of certain indebtedness and other liabilities in relation to Jinzhou Aoke and Golmud Solargiga on the terms set out in the paragraph headed “Debt Settlement Agreement” of this announcement.

The applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal contemplated under the Agreement is more than 25% but less than 75%. The applicable percentage ratios in respect of the Proposed Acquisition contemplated under the Agreement is more than 5% but less than 25%.

Pursuant to Rule 14.24 of the Listing Rules, as the Directors take the view that the Proposed Acquisition, the Proposed Disposal and the arrangement under the Debt Settlement Agreement are inter-related with one another, they will be regarded as one transaction involving both an acquisition and a disposal. The Company will classify the transaction by reference to the larger of the percentage ratios of the Proposed Acquisition or the Proposed Disposal and comply with the applicable requirements of the Listing Rules based on such classification.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal contemplated under the Agreement is more than 25% but less than 75%, the Proposed Disposal, the Proposed Acquisition and the transactions under the Debt Settlement Agreement taken as a whole constitute a major transaction for the Company and is subject to reporting, announcement, circular and shareholders’ approval requirements under Chapter 14 of the Listing Rules, except that the requirements of the contents of the circular to be issued will only apply to the Proposed Disposal.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, neither Shareholders nor any of their respective associates have any material interest in the Proposed Disposal, the Proposed Acquisition and the transactions under the Debt Settlement Agreement. As such, no Shareholder would be required to abstain from voting in favour of the resolution approving the Proposed Disposal, the Proposed Acquisition and the transactions under the Debt Settlement Agreement at the AGM.

INTRODUCTION

The Board is pleased to announce that on 31 March 2017, Jinzhou Yangguang (a wholly-owned subsidiary of the Company) and Liaoning Oxiranchem entered into the Agreement, pursuant to which (i) Liaoning Oxiranchem has conditionally agreed to sell and Jinzhou Yangguang has conditionally agreed to purchase 63% equity interest in Jinzhou Aoke, for a consideration of RMB53,000,000; and (ii) Jinzhou Yangguang has conditionally agreed to sell and Liaoning Oxiranchem has conditionally agreed to purchase 100% equity interest in Golmud Solargiga for a consideration of RMB155,400,000. Details of the Agreement are set out below.

THE EQUITY TRANSFER AGREEMENT

The major terms of the Agreement are set out below:

Date: 31 March 2017

Parties: (i) Jinzhou Yangguang
(ii) Liaoning Oxiranchem

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save and except that Liaoning Oxiranchem holds 63% equity interest in Jinzhou Aoke in which Jinzhou Yangguang (a wholly-owned subsidiary of the Company) is interested as to 37%, Liaoning Oxiranchem and its ultimate beneficial owner are Independent Third Parties.

Proposed Acquisition

Pursuant to the Agreement, Jinzhou Yangguang has conditionally agreed to acquire, and Liaoning Oxiranchem has conditionally agreed to sell 63% equity interest in Jinzhou Aoke for a consideration of RMB53,000,000 ("**Purchase Consideration**").

The Purchase Consideration was arrived at after arm's length negotiations between the Parties with reference to the fair value of Jinzhou Aoke of approximately RMB104,696,000 as at 31 December 2016, as appraised by an independent valuer appointed by the Parties, by adopting the cost approach. The appraised value of Jinzhou Aoke represents a premium of approximately 4.6% over the net asset value of Jinzhou Aoke as at 31 December 2016. The Purchase Consideration represents approximately 19.6% discount to 63% of the appraised value of Jinzhou Aoke.

Subject to the fulfilment and satisfaction of the conditions precedent as set out in the paragraph headed "Conditions Precedent" of this announcement, completion of the Proposed Acquisition shall take place upon completion of the equity transfer registration procedures with SAIC.

Upon completion of the Proposed Acquisition, Jinzhou Aoke will become a wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial results of the Group.

Proposed Disposal

Pursuant to the Agreement, Jinzhou Yangguang has conditionally agreed to sell and Liaoning Oxiranchem has conditionally agreed to purchase 100% equity interest in Golmud Solargiga for a total consideration of RMB155,400,000 (“**Disposal Consideration**”).

The Disposal Consideration was arrived at after arm’s length negotiations between the Parties with reference to the fair value of Golmud Solargiga of approximately RMB155,973,000 as at 31 December 2016, as appraised by an independent valuer appointed by the Parties, by adopting the cost approach and the market approach. The fair value of Golmud Solargiga represents a premium of approximately 29.3% over the net asset value of Golmud Solargiga as at 31 December 2016. The Disposal Consideration represents approximately 0.3% discount to the appraised value of Golmud Solargiga.

Subject to the fulfilment and satisfaction of the conditions precedent as set out in the paragraph headed “Conditions Precedent” of this announcement, completion of the Proposed Disposal shall take place upon completion of the equity transfer registration procedures with SAIC.

Settlement of Consideration

On Completion:

- (i) the Purchase Consideration payable to Liaoning Oxiranchem shall be set off against part of the Disposal Consideration in an amount of RMB53,000,000 payable to Jinzhou Yangguang; and
- (ii) the balance of the Disposal Consideration in an amount of RMB102,400,000 shall be settled in accordance with the terms of the Debt Settlement Agreement as detailed in the paragraph headed “Debt Settlement Agreement” of this announcement below.

Conditions Precedent

The Agreement relating to the Proposed Acquisition and Proposed Disposal shall be conditional upon fulfilment of the following Conditions Precedent:

- (i) Jinzhou Yangguang having complied with the requirements under its articles of association, the Listing Rules and other applicable requirements in respect of the Agreement and the transactions contemplated thereunder;
- (ii) Liaoning Oxiranchem having complied with the requirements under its articles of association, the rules and regulations of the CSRC and the Shenzhen Stock Exchange; and having obtained all necessary approvals for the Agreement (and the transactions contemplated thereunder); and
- (iii) the approval by the Shareholders of the Company in respect of the Agreement (and the transactions contemplated thereunder) having been obtained in accordance with the Listing Rules and the requirements of the Stock Exchange.

Financial effects of the Proposed Disposal on the Group

The Group expects to record an unaudited gain of approximately RMB34,781,000 from the Proposed Disposal. The estimated gain on the Proposed Disposal is calculated with reference to the Disposal Consideration and the net book value of Golmud Solargiga.

Proceeds from the Proposed Disposal

As disclosed in the paragraphs headed “Settlement of Consideration” and “Debt Settlement Agreement” of this announcement, the Purchase Consideration will be set off against part of the Disposal Consideration. The remaining amount of the Disposal Consideration will be used to set off against the amount due to Liaoning Oxiranchem in accordance with the terms of the Debt Settlement Agreement.

DEBT SETTLEMENT AGREEMENT

On 31 March 2017, to facilitate completion of the Proposed Acquisition and the Proposed Disposal, Jinzhou Yangguang and Liaoning Oxiranchem entered into the Debt Settlement Agreement for purpose of settlement of certain indebtedness and other liabilities in relation to Jinzhou Aoke and Golmud Solargiga. The major terms of the Debt Settlement Agreement are set out below:

Date: 31 March 2017

Parties: (i) Jinzhou Yangguang
(ii) Liaoning Oxiranchem

Major terms:

Each of Jinzhou Yangguang and Liaoning Oxiranchem agrees that, among other things:

1. as at 31 December 2016, Jinzhou Aoke was indebted to Liaoning Oxiranchem for an amount of approximately RMB33,800,000. Jinzhou Aoke novated the repayment obligation of such indebtedness to Jinzhou Yangguang. After such novation, Jinzhou Yangguang shall assume all obligations as debtor in respect of such indebtedness due to Liaoning Oxiranchem in the amount of approximately RMB33,800,000;
2. as at 17 March 2017, Jinzhou Yangguang and a subsidiary of the Company were indebted to Golmud Solargiga for an aggregate amount of approximately RMB74,800,000. The said subsidiary novated its repayment obligation of such indebtedness to Jinzhou Yangguang. Meanwhile, Golmud Solargiga agreed to assign its rights and benefits in the said amount of approximately RMB74,800,000 to Liaoning Oxiranchem. After such novation and assignment, Jinzhou Yangguang shall assume all obligations as debtor in respect of such indebtedness due to Liaoning Oxiranchem in the amount of approximately RMB74,800,000;

3. certain banking facilities of Jinzhou Aoke were secured by corporate guarantee provided by Liaoning Oxiranchem. Upon completion of the Proposed Acquisition, such guarantee shall be released and Jinzhou Yangguang shall assume the obligations as guarantor in respect of such indebtedness;
4. certain banking facilities of Golmud Solargiga were secured by, among other things, certain guarantee and collateral provided by Jinzhou Yangguang, a subsidiary of the Company and a Director. Upon completion of the Proposed Disposal, such guarantee and collateral shall be released and Liaoning Oxiranchem shall assume the obligations as guarantor in respect of such indebtedness; and
5. as stated in paragraphs 1 and 2 above, Jinzhou Yangguang agreed to assume all obligations as debtor in respect of RMB108,616,200 due to Liaoning Oxiranchem as at 31 March 2017. Coupled with the Purchase Consideration, the total amount due to Liaoning Oxiranchem shall be RMB161,616,200 which will be set off against the Disposal Consideration (i.e. RMB155,400,000) payable to Jinzhou Yangguang. After such set-off, Jinzhou Yangguang shall pay the balance of the amount due in the sum of RMB6,216,200 to Liaoning Oxiranchem in cash within 15 days after completion of the Proposed Disposal.

REASONS FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION AND THE PROPOSED DISPOSAL

Reasons for the Proposed Acquisition

The Group is one of the leading manufacturers of monocrystalline silicon solar products in the PRC. Through advantages in its vertical integration, the Group focuses on manufacturing and sales of mono-crystalline silicon solar ingots and wafers; processing of silicon solar ingots and wafers; manufacturing and sales of photovoltaic cells and modules; and design and operating of photovoltaic power plants.

Jinzhou Aoke is principally engaged in the production of multi-crystalline wafers. However, with its relatively small manufacturing capacity, it was unable to achieve economy of scale on its own, which resulted in the continued losses. Through the Group's acquisition, the Group will be able to utilise Jinzhou Aoke's existing plant and production facilities more effectively and flexibly, in turn create effective conditions for future improved profitability. As such, the Group has planned to transform and upgrade Jinzhou Aoke's multi-crystalline wafer manufacturing capacity and integrate as part of the Group's mono-crystalline wafer production capacity. Further, the warehouses and related facilities of Jinzhou Aoke will be utilised for future expansion of the Group's photovoltaic module capacity. This will amplify the benefits from the Group's vertical integration strategy, and allow the Group to meet the needs of its downstream customers for photovoltaic modules.

Reasons for the Proposed Disposal

Golmud Solargiga was a wholly-owned subsidiary of the Group. It mainly engaged in the operation and maintenance of a photovoltaic solar plant located in Qinghai Province, China. After the completion of the Proposed Disposal, the Group's respective fixed assets and bank loans will be offset. Financial structure of the Group will be improved as a result. Further, with reference to the Disposal Consideration and the net book value of Golmud Solargiga, upon completion of the Proposed Disposal, the Group expects to recognise an unaudited gain on disposal amounted to RMB34,781,000.

Accordingly, the Directors (including the independent non-executive Directors) consider that both the Proposed Acquisition and the Proposed Disposal are in the best interest of the Company and the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ON THE PARTIES INVOLVED

Information on the Group

The Group is a leading supplier of upstream and downstream vertically integrated solar energy services. Its products are sold to customers in the upstream and mid-stream industries, as well as to end users directly. The Group was principally engaged in manufacturing and sales of monocrystalline silicon solar ingots and wafers; processing of silicon solar ingots and wafers; manufacturing and sales of photovoltaic cells and modules; and design and operating of photovoltaic power plants.

Information on Jinzhou Yangguang

Jinzhou Yangguang, an indirect wholly-owned subsidiary of the Company, was incorporated in the PRC and is principally engaged in manufacturing of monocrystalline silicon solar ingots and wafers.

Information on Liaoning Oxiranchem

Liaoning Oxiranchem was incorporated under the laws of the PRC and is principally engaged in the business of manufacturing mineral oil for silicon wafer slicing process, polyether monomers and polyethylene glycol, and its shares are listed on the Chinext of the Shenzhen Stock Exchange (stock code: 300082.SZ).

Information on Jinzhou Aoke

Jinzhou Aoke is a joint venture company incorporated under the laws of the PRC and currently owned as to 37% by Jinzhou Yangguang and 63% by Liaoning Oxiranchem. Jinzhou Aoke is principally engaged in the manufacturing and processing of polycrystalline silicon solar ingots and wafers.

Set out below is certain unaudited financial information of Jinzhou Aoke (prepared in accordance with IFRS) for the financial year ended 31 December 2015 and 31 December 2016.

| | Year ended 31 December | |
|----------------------|-------------------------------|----------------|
| | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 41,720 | 40,817 |
| Loss before taxation | 50,193 | 35,374 |
| Loss after taxation | 50,193 | 35,374 |
| Total asset value | 301,020 | 375,145 |
| Net asset value | 100,112 | 150,305 |

Upon Completion, the Jinzhou Aoke will become an indirect wholly-owned subsidiary of the Company.

Information on Golmud Solargiga

Golmud Solargiga, an indirect wholly-owned subsidiary of the Company, was incorporated under the laws of the PRC and is principally engaged in operation of photovoltaic power plants.

Set out below is certain unaudited financial information of Golmud Solargiga (prepared in accordance with IFRS) for the financial year ended 31 December 2015 and 31 December 2016.

| | Year ended 31 December | |
|------------------------|-------------------------------|----------------|
| | 2016 | 2015 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 29,354 | 38,305 |
| Profit before taxation | 2,209 | 9,029 |
| Profit after taxation | 2,015 | 8,947 |
| Total asset value | 317,221 | 330,384 |
| Net asset value | 120,619 | 118,604 |

LISTING RULES IMPLICATIONS

The applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal contemplated under the Agreement is more than 25% but less than 75%. The applicable percentage ratios in respect of the Proposed Acquisition contemplated under the Agreement is more than 5% but less than 25%.

Pursuant to Rule 14.24 of the Listing Rules, as the Directors take the view that the Proposed Acquisition, the Proposed Disposal and the arrangement under the Debt Settlement Agreement are inter-related with one another, they will be regarded as one transaction involving both an acquisition and a disposal. The Company will classify the transaction by reference to the larger of the percentage ratios of the Proposed Acquisition or the Proposed Disposal and comply with the applicable requirements of the Listing Rules based on such classification.

As one of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Proposed Disposal contemplated under the Agreement is more than 25% but less than 75%, the Proposed Disposal, the Proposed Acquisition and the transaction under the Debt Settlement Agreement taken as a whole constitutes a major transactions for the Company and is subject to reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules, except that the requirements of the contents of the circular to be issued will only apply to the Proposed Disposal.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, neither Shareholders nor any of their respective associates have any material interest in the Proposed Disposal, the Proposed Acquisition and the transaction under the Debt Settlement Agreement. As such, no Shareholder would be required to abstain from voting in favour of the resolution approving the Proposed Disposal, the Proposed Acquisition and the transactions under the Debt Settlement Agreement at the AGM.

GENERAL

The AGM will be convened as soon as practicable to consider, and if thought fit, to approve the Agreement, the Debt Settlement Agreement and the transactions contemplated thereunder.

A circular containing, among other things, further information in respect of the Proposed Disposal, Proposed Acquisition, the Debt Settlement Agreement and other information as required under the Listing Rules, together with the notice convening the AGM and the proxy form in respect of the AGM is expected to be despatched to the Shareholders on or before 5 May 2017, as the Company expects that it requires more time to collate the information to be included in the circular.

The Directors (including the independent non-executive Directors) consider that the Agreement and its terms (including the Proposed Acquisition, the Proposed Disposal and the Debt Settlement Agreement) are fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole. No Directors has a material interest in the Proposed Acquisition and the Proposed Disposal and the Board has approved the Agreement and the transactions contemplated thereunder.

As Completion is subject to the fulfilment or waiver (as the case may be) of the Conditions Precedent, the Proposed Acquisition, the Proposal Disposal and the transactions under the Debt Settlement Agreement may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

Unless the context otherwise requires, the terms used in this announcement shall have the following meanings:

| | |
|-----------------------------|---|
| “AGM” | the annual general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Agreement, including the Proposed Acquisition, the Proposed Disposal and the transactions under the Debt Settlement Agreement |
| “Agreement” | the equity transfer agreement dated 31 March 2017 made between Jinzhou Yangguang and Liaoning Oxiranchem in relation to the the Proposed Acquisition and the Proposed Disposal |
| “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 Agreement and the Debt Settlement Agreement |
| “Consideration” | the consideration payable by the relevant purchaser to the relevant vendor under the Agreement, as the case may be |
| “CSRC” | China Securities Regulatory Commission |
| “Debt Settlement Agreement” | the debt settlement agreement dated 31 March 2017 made between Jinzhou Yangguang and Liaoning Oxiranchem for purpose of settlement of certain indebtedness and liabilities in relation to Jinzhou Aoke and Golmud Solargiga |
| “Director(s)” | the director(s) of the Company |
| “Disposal Consideration” | the consideration for the Proposed Disposal |
| “Golmud Solargiga” | Golmud Solargiga Energy Electric Power Co., Ltd* (格爾木陽光能源電力有限公司), a limited liability company incorporated under the laws of the PRC which is wholly owned by Jinzhou Yangguang prior to completion of the Agreement |
| “Group” | the Company and its subsidiaries |

* For identification only

| | |
|--------------------------------|---|
| “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 |
| “Jinzhou Aoke” | Jinzhou Aoke New Energy Co., Ltd.* (錦州奧克陽光新能源有限公司), a limited liability company incorporated under the laws of the PRC, which is owned as to 37% by Jinzhou Yangguang and 63% by Liaoning Oxiranchem prior to completion of the Agreement |
| “Jinzhou Yangguang” | Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a limited liability company incorporated under the laws of the PRC which is wholly owned by the Company as at the date of this announcement |
| “Liaoning Oxiranchem” | Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司), a limited liability company incorporated under the laws of the PRC, holding approximately 63% equity interest in Jinzhou Aoke |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Parties” | Jinzhou Yangguang and Liaoning Oxiranchem |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Proposed Acquisition” | the proposed acquisition of 63% equity interest in Jinzhou Aoke in accordance with the terms of the Agreement |
| “Proposed Disposal” | the proposed disposal of 100% equity interest in Golmud Solargiga in accordance with the terms of the Agreement |
| “Purchase Consideration” | the consideration for the Proposed Acquisition |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SAIC” | the State Administration for Industry and Commerce of the PRC |

* For identification only

| | |
|--------------------|--|
| “SFC” | the Securities and Futures Commission |
| “Shareholder(s)” | holder(s) of the Share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Companies” | Jinzhou Aoke and Golmud Solargiga |
| “%” | per cent |

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

Hong Kong, 31 March 2017

As at the date of this announcement, the executive Directors are Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Chunwei, the non-executive Director is Mr. Hsu You Yuan and the independent non-executive Directors are Ms. Fu Shuangye, Dr. Wong Wing Kuen, Albert and Mr. Zhang Chun.