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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 TRANSACTION FINANCE LEASE ARRANGEMENT

On 9 March 2023, Qujing Guanghong (a non wholly-owned subsidiary of the Company), the Vendors and the Financier entered into the Finance Lease Arrangement, pursuant to which (i) Qujing Guanghong shall, on behalf of the Financier, purchase the Equipment and Relevant Facilities from the Vendors at the consideration of not more than RMB190,000,000, and (ii) the Financier agreed to lease the Equipment and Relevant Facilities to Qujing Guanghong for a term of 6 months.

Since one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Finance Lease Arrangement based on the value of the right-of-use assets recognised by the Group exceeds 5% but does not exceed 25%, the Finance Lease Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but not subject to the circular and Shareholders' approval requirements.

THE FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 9 March 2023, Qujing Guanghong (a non wholly-owned subsidiary of the Company), the Vendors and the Financier entered into the Finance Lease Arrangement, pursuant to which (i) Qujing Guanghong shall, on behalf of the Financier, purchase the Equipment and Relevant Facilities from the Vendors at the consideration of not more than RMB190,000,000, and (ii) the Financier agreed to lease the Equipment and Relevant Facilities to Qujing Guanghong for a term of 6 months. The Group recognised the leasing of the Equipment and Relevant Facilities as right-of-use assets in the financial statements in accordance with the Hong Kong Financial Reporting Standards.

Set out below are details of the Finance Lease Arrangement:

(a) Entrusted Purchase Agreement

On 9 March 2023, Qujing Guanghong and the Financier entered into the Entrusted Purchase Agreement, pursuant to which the Financier ratified and confirmed the sale and purchase arrangements under the First Agreement and the Second Agreement and entrusted Qujing Guanghong to purchase the Equipment and Relevant Facilities on behalf of the Financier.

Set out below are the principal terms of the Entrusted Purchase Agreement:

Date	9 March 2023
Parties	(i) CMB Financial Leasing Co., Ltd (as the Financier and the purchaser); and (ii) Qujing Guanghong (as the Lessee and the entrusted agent)
Subject assets	the Equipment and Relevant Facilities
Entrustment arrangement	<i>Entrustment arrangement in relation to the First Agreement</i> On 9 March 2023, the First Vendor, as vendor, and Qujing Guanghong, as the entrusted agent of the Financier who is the purchaser, entered into the First Agreement for the sale and purchase of the Monocrystalline Silicon Modules at the consideration of approximately RMB143,224,000. The consideration under the First Agreement was determined after arm's length negotiations between the parties thereto with reference to the prevailing market value of equipment similar to the Monocrystalline Silicon Modules. Pursuant to the Entrusted Purchase Agreement, (i) the Financier has ratified and confirmed the sale and purchase arrangement under the First Agreement, and has entrusted Qujing Guanghong to purchase and accept delivery of the Monocrystalline Silicon Modules on behalf of the Financier; and (ii) as entrusted agent of the Financier, Qujing Guanghong shall take all necessary measures to ensure that ownership of the Monocrystalline Silicon Modules is vested in the Financier.

Entrustment arrangement in relation to the Second Agreement

On 9 March 2023, the Second Vendor, as vendor, and Qujing Guanghong, as the entrusted agent of the Financier who is the purchaser, entered into the Second Agreement for the procurement of the EPC Equipment and construction of the Relevant Facilities for the Photovoltaic Project at the consideration of approximately RMB46,776,000. The consideration under the Second Agreement was determined after arm's length negotiations between the parties thereto with reference to the prevailing market rate of equipment similar to the EPC Equipment and of the construction works for the Relevant Facilities.

Pursuant to the Entrusted Purchase Agreement, (i) the Financier has ratified and confirmed the procurement and construction arrangement under the Second Agreement, and has entrusted Qujing Guanghong to purchase and accept delivery of the EPC Equipment and the Relevant Facilities on behalf of the Financier; and (ii) as entrusted agent of the Financier, Qujing Guanghong shall take all necessary measures to ensure that ownership of the EPC Equipment and the Relevant Facilities is vested in the Financier.

The aggregate agreed consideration under the First Agreement and the Second Agreement is RMB190,000,000.

Upon the relevant conditions as set out in the paragraph headed "Conditions to payment" below in this announcement having been fulfilled, the Financier shall pay Qujing Guanghong the Entrusted Amount, being RMB190,000,000 or the aggregate actual consideration under the First Agreement and the Second Agreement (whichever is lower), in accordance with the Entrusted Purchase Agreement.

Manner of payment	The Entrusted Amount, amounting to a maximum of RMB190,000,000 in total, shall be payable to Qujing Guanghong upon the relevant conditions to payment as set out in the paragraph headed "Conditions to payment" below in this announcement having been fulfilled.
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Conditions to payment Set out below is a summary of the key conditions to each draw-down of the Entrusted Amount to be fulfilled by Qujing Guanghong:

- (a) having delivered to the Financier the duly executed Finance Lease Agreement and other necessary documents as required under the Entrusted Purchase Agreement and the Finance Lease Agreement, including the share charge to be executed by the First Vendor in favour of the Financier and the charge to be executed by Qujing Guanghong in favour of the Financier (please refer to the paragraph headed “(b) Finance Lease Agreement — Security” below in this announcement for further details);
- (b) having provided the Financier with the value-added tax invoices issued by the Vendors in relation to the Equipment (or any part thereof);
- (c) having provided the Financier with a written confirmation issued by the designated third party consultant on the grid connection status of the Relevant Facilities (or any part thereof); and
- (d) having not breached the terms of the Entrusted Purchase Agreement and the Finance Lease Agreement.

Ownership of the subject assets Qujing Guanghong shall accept delivery of the Equipment and Relevant Facilities on the Financier’s behalf, upon which the ownership of the Equipment and Relevant Facilities shall be vested in the Financier.

(b) Finance Lease Agreement

Set out below are the principal terms of the Finance Lease Agreement:

Date 9 March 2023

Parties (i) Qujing Guanghong (as the Lessee)
(ii) CMB Financial Leasing Co., Ltd. (招商金融租賃有限公司) (as the Financier); and

Assets to be leased the Equipment and Relevant Facilities

Aggregate lease payment and other fees	<p>Pursuant to the Finance Lease Agreement, the principal lease amount payable by Qijing Guanghong to the Financier shall be not more than RMB190,000,000, (equivalent to RMB190,000,000 or the aggregate actual consideration under the First Agreement and the Second Agreement, whichever is lower). Qijing Guanghong shall also pay to the Financier an estimated aggregate lease interest payment of approximately RMB4,776,000. The estimated aggregate lease interest payment is calculated based on a fixed interest rate of 5.01% per annum.</p> <p>The principal lease amount and the estimated aggregate interest shall be payable by Qijing Guanghong to the Financier in one lump sum at the end of the lease term.</p> <p>In addition to the above lease payments, Qijing Guanghong shall pay to the Financier pre-lease interests during the pre-lease period, details of which are set out in the paragraph headed “Pre-lease period” below in this announcement. The pre-lease interests will be charged on a daily basis at the same fixed rate as that of the lease (i.e. 5.01% per annum), and such interests shall be payable semi-annually.</p> <p>The payments to be made under the Finance Lease Agreement were determined after arm’s length negotiations between the parties with reference to the total consideration under the First Agreement and the Second Agreement and the prevailing market interest rate for finance leases of comparable equipment and facilities.</p>
Lease term	<p>The lease term is 6 months commencing from the date of the completion of the construction works for the Photovoltaic Project and in any event not later than the last date of the pre-lease period.</p>
Pre-lease period	<p>The pre-lease period is 12 months commencing from the date on which the first draw-down of the Entrusted Amount from the Financier is made to Qijing Guanghong and ending on the date of commencement of the lease term.</p>
Ownership of the Equipment and Relevant Facilities	<p>During the lease period, the ownership of the Equipment and Relevant Facilities shall be vested in the Financier. If Qijing Guanghong has properly and fully performed all obligations under the Finance Lease Agreement, upon the expiry of the lease period, Qijing Guanghong is entitled to acquire the Equipment and Relevant Facilities at the consideration of RMB1.0 in nominal value.</p>

Security

The obligations of Qujing Guanghong shall be secured by (a) a share charge to be executed by the First Vendor in favour of the Financier over the entire equity interest in Qujing Guanghong owned by the First Vendor; and (b) a charge to be executed by Qujing Guanghong in favour of the Financier over all receivables arising from income of the Photovoltaic Project from time to time.

THE RIGHT-OF-USE ASSETS IN RESPECT TO THE FINANCE LEASE ARRANGEMENT

In accordance with Hong Kong Financial Reporting Standards 16, the Group is required to recognise the leasing of the Equipment and Relevant Facilities as right-of-use assets, and as a result, the entry into of the Finance Lease Arrangement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules. The value of the right-of-use assets to be recognised by the Group in its consolidated financial statements under the Finance Lease Arrangement is not more than RMB190,000,000, which is calculated based on the aggregated present values of lease payments under the Finance Lease Agreement discounted using the interest rate implicit in the lease, with initial direct costs incurred and lease payments made at or before the commencement date.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Finance Lease Arrangement was entered into in order to gain access to the Equipment and to facilitate the construction of the Relevant Facilities for the Photovoltaic Project in Qujing City, Yunnan Province, the PRC.

The Directors consider that the Finance Lease Arrangement enables the Group to reduce its initial cash outflow and retain more financial resources for its operations.

The terms of the Finance Lease Arrangement have been agreed after arm's length negotiations between the relevant parties. The Directors consider that the terms of the Finance Lease Arrangement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE EQUIPMENT AND RELEVANT FACILITIES

The Equipment comprises the Monocrystalline Silicon Modules and the EPC Equipment, which are to be used for the construction of the Relevant Facilities for the Photovoltaic Project pursuant to the Second Agreement. The EPC Equipment comprises of an energy management system and other auxiliary facilities for the Photovoltaic Project situated in Yunan Province, the PRC.

The Relevant Facilities comprise the photovoltaic power systems to be constructed by the Second Vendor pursuant to the Second Agreement for the Photovoltaic Project.

Qijing Guanghong shall bear any maintenance, taxation and other costs and levies associated with the Equipment and Relevant Facilities under the Finance Lease Arrangement.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in (i) the manufacture and trading of photovoltaic module business, (ii) the construction and operation of photovoltaic power systems and (iii) semiconductor business.

Qijing Guanghong

Qijing Guanghong is a company established in the PRC with limited liability, and a non wholly-owned subsidiary of the Company as at the date of this announcement. As at the date of this announcement, Qijing Guanghong is owned as to 100% by Qijing Xinyangguang, which is indirectly owned as to 75% by the Company and directly owned as to 25% by Ms. Cao Ying, and hence an indirect non wholly-owned subsidiary of the Company. Qijing Guanghong is principally engaged in photovoltaic power generation projects in the PRC.

Qijing Xinyangguang

Qijing Xinyangguang is a company established in the PRC with limited liability, and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. As at the date of this announcement, Qijing Xinyangguang is owned as to 75% by the Company, and owned as to 25% by Ms. Cao Ying. Qijing Xinyangguang is principally engaged in the construction of photovoltaic power plants.

Ms. Cao Ying is a connected person at subsidiary level for being a substantial shareholder of Qijing Xinyangguang. Save as aforesaid, Ms. Cao Ying is independent of and not connected with the Company and its connected persons.

Second Vendor

The Second Vendor is a company established in the PRC with limited liability which is wholly owned by Zhang Yunfei. Its business scope includes: architectural decoration engineering, electric power engineering, municipal public engineering, communication engineering, mechanical and electrical equipment installation engineering, earthwork engineering, water conservancy and hydropower engineering, highway engineering, landscaping engineering, power transmission and transformation engineering, lighting engineering, pipeline engineering, design and construction of housing construction projects, fire protection facilities projects, waterproof, anti-corrosion and thermal insulation projects; subcontracting of construction labor services; general freight; and sales of electrical equipment. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Second Vendor and its ultimate beneficial owner is an Independent Third Party.

The Financier

The Financier is principally engaged in financial leasing and launched the financial solutions for the ten industries of aviation, shipping, energy, infrastructure, equipment manufacturing, environment, healthcare and cultural tourism, public transportation and logistics, smart interconnection and integrated circuit. It provides the lessees' needs in respect of equipment procurement, sales promotion, asset revitalization, balancing of tax liabilities and improvement of financial structure.

As at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Financier is owned as to 100% by China Merchants Bank, a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange (stock code: 3968). To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Financier and its ultimate beneficial owners is an Independent Third Party.

LISTING RULES IMPLICATIONS

Since one or more of the applicable percentage ratio (as defined in the Listing Rules) in respect of the Finance Lease Arrangement based on the value of the right-of-use assets recognised by the Group exceeds 5% but does not exceed 25%, the Finance Lease Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but not subject to the circular and Shareholders' approval requirements.

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;
“Director(s)”	director(s) of the Company;
“Entrusted Amount”	a total amount of not more than RMB190,000,000 to be paid by the Financier to Qujing Guanghong under the Entrusted Purchase Agreement;
“Entrusted Purchase Agreement”	the entrusted purchase agreement entered into between the Financier and Qujing Guanghong on 9 March 2023 for the purchase of the Equipment and Relevant Facilities by Qujing Guanghong as the entrusted agent on behalf of the Financier;
“EPC Equipment”	comprising an energy management system and other auxiliary facilities to be procured by the Second Vendor for the Photovoltaic Project pursuant to the Second Agreement;

“Equipment”	comprising the Monocrystalline Silicon Modules and the EPC Equipment, to be used for the construction of the Relevant Facilities for the Photovoltaic Project pursuant to the Second Agreement and to be leased by the Financier to Qujing Guanghong pursuant to the Finance Lease Agreement, details of which are set out in the paragraph headed “Information of the Equipment and Relevant Facilities” in this announcement;
“Finance Lease Agreement”	the finance lease agreement entered into between Qujing Guanghong and the Financier on 9 March 2023 for lease of the Equipment and Relevant Facilities by the Financier to Qujing Guanghong;
“Finance Lease Arrangement”	the transactions contemplated under the Entrusted Purchase Agreement, the First Agreement, the Second Agreement, and the Finance Lease Agreement;
“Financier”	CMB Financial Leasing Co., Ltd. (招商金融租賃有限公司), a company established in the PRC with limited liability;
“First Agreement”	the agreement entered into between Qujing Guanghong on behalf of the Financier and the First Vendor on 9 March 2023 for the sale and purchase of the Monocrystalline Silicon Modules;
“First Vendor” or “Qujing Xinyangguang”	Qujing Xinyangguang Zhiding Technology Co. Ltd. (曲靖新陽光智頂科技有限公司), a limited liability company established in the PRC, indirectly owned as to 75% by the Company and directly owned as to 25% by Ms. Cao Ying, who is independent of and not connected with the Company and its connected persons, other than being a substantial shareholder of the First Vendor at subsidiary level, and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party who is independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Monocrystalline Silicon Modules”	monocrystalline silicon modules to be manufactured and supplied by the First Vendor to Qujing Guanghong pursuant to the First Agreement;
“Photovoltaic Project”	the photovoltaic project to be operated by the Group involving the grid-connection of the Relevant Facilities to be constructed pursuant to the Second Agreement in Section III of Economic Development Zone of Qujing City, Yunnan Province, the PRC;

“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;
“Qujing Guanghong” or “Lessee”	Qujing Guanghong Energy. Co, Ltd* (曲靖光弘能源有限公司), a limited company established in the PRC, indirectly owned as to 75% by the Company and directly wholly-owned by the First Vendor as at the date of this announcement;
“Relevant Facilities”	the photovoltaic power systems to be constructed by the Second Vendor pursuant to the Second Agreement for the Photovoltaic Project and to be leased by the Financier to Qujing Guanghong pursuant to the Finance Lease Agreement, details of which are set out in the paragraph headed “Information of the Equipment and Relevant Facilities” in this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Agreement”	the agreement entered into between Qujing Guanghong on behalf of the Financier and the Second Vendor on 9 March 2023 for the procurement of the EPC Equipment and construction of the Relevant Facilities for the Photovoltaic Project;
“Second Vendor”	Yunnan Guansheng Construction Engineering Co., Ltd.* (雲南冠勝建設工程有限公司), a company established in the PRC with limited liability;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	collectively, the First Vendor and the Second Vendor; and
“%”	per cent.

By Order of the Board
Solargiga Energy Holdings Limited
Tan Wenhua
Chairman

Hong Kong, 9 March 2023

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. Chung Wai Hang and Ms. Tan Ying.

* For identification purposes only