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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

The Company refers to the announcement made on 3 December 2009 in relation to the renewal of the Agreements. The Agreements so renewed will expire on 31 December 2012. The Board announces that on 19 October 2012, the Company has entered into the New Agreements with the relevant connected persons in order to renew the term of each Agreement for three years from 1 January 2013 to 31 December 2015 (both days inclusive) on and subject to the terms and conditions of the New Agreements. Details of the New Agreements are as follows:

- (a) the New Service Agreement between the Company and Jinzhou Huarong pursuant to which Jinzhou Huarong agreed to provide water and heat services to the Group on and subject to the terms of the New Service Agreement; and
- (b) the New Materials Supply Agreement between the Company and Jinzhou Changhua pursuant to which Jinzhou Changhua agreed to supply, and the Group agreed to purchase, the Materials on and subject to the terms and conditions of the New Materials Supply Agreement.

The transactions under the New Agreements will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable ratios under the New Service Agreement will be more than 0.1% but less than 5%, the New Service Agreement will be exempt from the Independent Shareholders' approval requirement but will be subject to the reporting and announcement requirements pursuant to the Listing Rules. In respect of the New Materials Supply Agreement, as the applicable ratios in respect of the New Materials Supply Agreement will exceed 5%, the New Materials Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Company will seek the approval by the Independent Shareholders of the New Materials Supply Agreement and the annual caps in compliance with Rule 14A.48 of the Listing Rules. An EGM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the New Materials Supply Agreement and the annual caps in connection therewith. The Company will dispatch the circular containing, among others, further information on the New Materials Supply Agreement and the annual caps, the advice of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders in connection therewith, and the notice of the EGM will be despatched to the Shareholders on or before 12 November 2012.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 December 2009 in relation to the renewal of the Agreements.

The Agreements so renewed will expire on 31 December 2012. The Board announces that on 19 October 2012, the Company has entered into the New Agreements with the relevant connected persons in order to renew the term of each Agreement for three years from 1 January 2013 to 31 December 2015 (both days inclusive) on and subject to the terms and conditions of the New Agreements. Details of the New Agreements are set out below:

NEW SERVICE AGREEMENT

Date: 19 October 2012

Parties: (1) The Company
(2) Jinzhou Huarong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Jinzhou Huarong is owned as to 90% by Huaxin Silicon, a sole proprietorship established in the PRC and wholly owned by Mr. Tan, and as to 10% by an Independent Third Party. Jinzhou Huarong is an associate of Mr. Tan and hence a connected person of the Company.

Scope: Pursuant to the New Service Agreement, Jinzhou Huarong agreed to provide water and heat services to the Group on and subject to the terms of the New Service Agreement.

Term: The New Service Agreement has a term commencing on 1 January 2013 and ending on 31 December 2015 (both days inclusive).

Pricing: The basis of determining the service fees for the transactions under the New Service Agreement will be determined with reference to the prevailing market prices in local markets in the PRC based on the actual consumption of the water and heat supplied to the Group.

Other terms of the transactions under the New Service Agreement: The terms of the New Service Agreement and the transaction contemplated thereunder will be on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.

Payment of the service fees for the transactions under the New 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 Jinzhou Huarong will grant to the Group a credit period of 30 to 90 days.

Reasons for entering into the New Service Agreement

As Jinzhou Huarong is located in close proximity with the Group's operations in Jinzhou, Liaoning Province, the Group can ensure a timely and reliable supply of water and heat for production and consumption purposes and thereby enhance the efficiency of the Group's daily operations. Hence, the Directors consider that continuance of the existing transactions with Jinzhou Huarong for the supply of water and heat under the New Service Agreement would be beneficial to the normal operation of the Company and hence in the interests of the Company and its Shareholders as a whole.

Implications under the Listing Rules

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Jinzhou Huarong is owned as to 90% by Huaxin Silicon, a sole proprietorship established in the PRC and wholly-owned by Mr. Tan, and as to 10% by an Independent Third Party. Jinzhou Huarong is an associate of Mr. Tan and hence a connected person of the Company. Consequently, the transactions under the New Service Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable ratios under the New Service Agreement will be more than 0.1% but less than 5%, the New Service Agreement will be exempt from the Independent Shareholders' approval requirement but will be subject to the reporting and announcement requirements pursuant to the Listing Rules.

NEW MATERIALS SUPPLY AGREEMENT

Date: 19 October 2012

Parties: (1) The Company
(2) Jinzhou Changhua

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Jinzhou Changhua is owned as to 40% by Huaxin Silicon, which is wholly owned by Mr. Tan, and as to 60% by PLC. PLC is owned as to 65% by Mr. Chong's wholly owned companies and as to 35% by Independent Third Parties. Jinzhou Changhua is therefore an associate of each of Mr. Tan (an executive Director) and Mr. Chong (a former non-executive Director who resigned on 1 December 2011). Hence, Jinzhou Changhua is a connected person of the Company.

Scope: Pursuant to the New Materials Supply Agreement, Jinzhou Changhua agreed to supply, and the Group agreed to purchase, the Materials on and subject to the terms and conditions of the New Materials Supply Agreement.

Term: The New Materials Supply Agreement has a term commencing on 1 January 2013 and ending on 31 December 2015 (both days inclusive).

Pricing: The basis of determining the prices for the transactions under the New Materials Supply Agreement will be determined based on the expected purchase amount of the Materials with reference to the prevailing market prices.

Other terms of the transactions under the New Material Supply Agreement: The terms of the transactions under the New Materials Supply Agreement 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 from Independent Third Parties.

Payments for the transactions under the New Materials Supply 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 Jinzhou Changhua will grant to the Group a credit period of 30 to 90 days.

Condition: The New Materials Supply Agreement is subject to approval by the Independent Shareholders.

Reasons for entering into the New Materials Supply Agreement

Graphite materials are essential materials for the Group's production of silicon ingots. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) consider that the continuance of the transactions for the supply of the Materials would enable the Group to ensure a steady and reliable source of the Materials for the Group's production of ingots and thereby enable the Group to maintain the quality of its silicon ingots and hence longer length for each silicon ingot produced from the silicon ingots puller.

Implications under the Listing Rules

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Jinzhou Changhua is owned as to 40% by Huaxin Silicon, which is wholly owned by Mr. Tan, and as to 60% by PLC. PLC is owned as to 65% by Mr. Chong's wholly-owned companies and as to 35% by Independent Third Parties. Jinzhou Changhua is therefore an associate of each of Mr. Tan (an executive Director) and Mr. Chong (a former non-executive Director who resigned on 1 December 2011). Hence, Jinzhou Changhua is a connected person of the Company. Furthermore, Mr. Chong will have resigned as a non-executive Director for more than 12 months after 1 December 2012 and will cease to be a connected person of the Company under Rule 14A.11(2) of the Listing Rules. Nevertheless, Jinzhou Changhua will remain an associate of Mr. Tan by reason of his 40% shareholding in Jinzhou Changhua. Consequently, the transactions under the New Materials Supply Agreement will constitute continuing connected transactions for the Company under the Listing Rules. As the applicable ratios in respect of the New Materials Supply Agreement will exceed 5%, the New Materials Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Jinzhou Youxin, which is a party to the Existing Materials Supply Agreement as a supplier of quartz crucibles to the Group, is owned as to 25% by PLC and 75% by Independent Third Parties. Jinzhou Youxin is therefore no longer an associate of Mr. Chong by virtue of Rule 1.01 of the Listing Rules. In addition, as mentioned above, Mr. Chong will cease to be a connected person of the Company under Rule 14A.11(2) of the Listing Rules after 1 December 2012. Any transactions between the Group and Jinzhou Youxin (if any) after expiry of the Existing Materials Supply Agreement will no longer be subject to the continuing connected transactions requirements under Chapter 14A of the Listing Rules.

HISTORICAL AMOUNTS OF THE TRANSACTIONS UNDER THE AGREEMENTS

Set out below are (a) the actual transaction amounts for the two years ended 31 December 2011 and the nine months ended 30 September 2012 and (b) the annual caps for the three years ending 31 December 2012 in respect of the transactions under the Agreements:

	Audited transaction amount for the year ended 31 December 2010	Annual cap for the year ended 31 December 2010	Audited transaction amount for the year ended 31 December 2011	Annual cap for the year ended 31 December 2011	Unaudited transaction amount for the nine months ended 30 September 2012	Annual cap for the year ending 31 December 2012
Existing Service Agreement	RMB1,459,000	RMB2,176,000	RMB2,031,000	RMB2,333,000	RMB1,128,000	RMB2,450,000
Existing Materials Supply Agreement	RMB34,737,000 <i>(note 1)</i>	RMB164,485,000	RMB55,133,000 <i>(note 2)</i>	RMB292,039,000	RMB31,060,000 <i>(note 3)</i>	RMB419,594,000

Notes:

1. This figure indicates the aggregate amount of the purchase price paid by the Group to Jinzhou Changhua in relation to the sale and purchase of graphite materials for the year ended 31 December 2010. The purchase price paid by the Group to Jinzhou Youxin in respect of the sale and purchase of quartz crucibles pursuant to the Existing Materials Supply Agreement amounted to RMB58,429,000 for the year ended 31 December 2010.
2. This figure indicates the aggregate amount of the purchase price paid by the Group to Jinzhou Changhua in relation to the sale and purchase of graphite materials for the year ended 31 December 2011. The purchase price paid by the Group to Jinzhou Youxin in respect of the sale and purchase of quartz crucibles pursuant to the Existing Materials Supply Agreement amounted to RMB110,886,000 for the year ended 31 December 2011.
3. This figure indicates the aggregate amount of the purchase price paid by the Group to Jinzhou Changhua in relation to the sale and purchase of graphite materials for the nine months ended 30 September 2012. The purchase price paid by the Group to Jinzhou Youxin in respect of the sale and purchase of quartz crucibles pursuant to the Existing Materials Supply Agreement amounted to RMB50,864,000 for the nine months ended 30 September 2012.

PROPOSED ANNUAL CAPS UNDER THE NEW AGREEMENTS

Set out below are the proposed annual caps under the New Agreements:

	Annual cap for the year ending 31 December 2013	Annual cap for the year ending 31 December 2014	Annual cap for the year ending 31 December 2015
New Service Agreement	RMB2,361,000	RMB2,479,000	RMB2,603,000
New Materials Supply Agreement	RMB103,784,000	RMB108,973,000	RMB114,421,000

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

- (a) The proposed annual caps under the New Service Agreement are determined with reference to (i) the expected increase in the Group's production capacity for the three years ending 31 December 2015; (ii) the increase in the expected consumption of water and heat in the production process resulting therefrom; (iii) the expected utilisation rate of the Group's production capacity for the three years ending 31 December 2015; and (iv) the expected inflation rate in the PRC for 2013.
- (b) The proposed annual caps under the New Materials Supply Agreement are determined with reference to (i) the costs incurred by the Group for the purchase of the Materials for the nine months ended 30 September 2012; (ii) the expected increase in the Group's production capacity for the three years ending 31 December 2015; (iii) the expected increase in demand for the Materials for the production requirements of the Group in anticipation of the expected increase in demand for the Group's products; and (iv) the expected utilisation rate of the Group's production capacity for the three years ending 31 December 2015.

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) manufacturing and sales of photovoltaic cells and modules; and (d) design and installation of photovoltaic systems.

Jinzhou Huarong is established in the PRC and is principally engaged in property management and provision of water and heat to factories. Jinzhou Changhua is established in the PRC and is principally engaged in production of graphite materials and carbon products.

The Directors (including the independent non-executive Director) considered that the terms of the New Service Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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 New Materials Supply 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 (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Adviser) are of the view that the terms of the New Materials Supply Agreement and the proposed annual caps contemplated thereunder are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole.

The Company will seek the approval by the Independent Shareholders of the New Materials Supply Agreement and the annual cap amounts in compliance with Rule 14A.48 of the Listing Rules.

EGM

An EGM will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the New Materials Supply Agreement and the annual caps in connection therewith. The Company will dispatch the circular containing, among others, further information on the New Materials Supply Agreement and the annual caps, the advice of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders and the recommendation of the Independent Board Committee to the Independent Shareholders in connection therewith, and the notice of the EGM will be despatched to the Shareholders on or before 12 November 2012.

DEFINITIONS

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

“Agreements”	the Existing Service Agreement and the Existing Materials Supply Agreement
“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
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	extraordinary general meeting of the Company to be convened to approve, among other things, the New Materials Supply Agreement and the annual cap in connection therewith or any adjournment thereof
“Existing Materials Supply Agreement”	the framework supply agreement dated 2 December 2009 entered into between the Company, Jinzhou Changhua and Jinzhou Youxin in respect of the supply of the Materials and quartz crucibles to the Group

“Existing Service Agreement”	the framework service agreement dated 2 December 2009 entered into between the Company and Jinzhou Huarong in respect of the provision of water and heat to the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaxin Silicon”	錦州華新硅材料經營部 (Jinzhou Huaxin Silicon Material Trading Department*), a sole proprietorship enterprise established in the PRC and wholly-owned by Mr. Tan, and engaged in investment holding
“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 transactions contemplated under the New Materials Supply Agreement
“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 New Materials Supply Agreement and the annual cap amount in connection therewith
“Independent Shareholders”	the Shareholders other than Mr. Tan, Mr. Chong, PLC and their respective 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 enquiry, not connected with the Company and its connected persons
“Jinzhou Changhua”	錦州昌華碳素制品有限公司 (Jinzhou Changhua Carbon Products Company Limited*), a company established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, owned as to 40% by Huaxin Silicon and as to 60% by PLC as at the date of this announcement
“Jinzhou Huarong”	錦州華榮物業管理有限公司 (Jinzhou Huarong Property Management Company Limited*), a company established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, owned as to 90% by Huaxin Silicon and as to 10% by an Independent Third Party as at the date of this announcement

“Jinzhou Youxin”	錦州佑鑫電子材料有限公司 (Jinzhou Youxin Electronic Materials Co., Ltd.*), a sino-foreign joint venture established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, owned as to 75% by Independent Third Parties and as to 25% by PLC as at the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Materials”	graphite materials for the Group’s production of silicon ingots
“Mr. Chong”	Mr. Chong Kin Ngai, a former non-executive Director who resigned on 1 December 2011
“Mr. Tan”	Mr. Tan Wenhua, an executive Director and a substantial Shareholder holding approximately 28.35% of the issued shares of the Company as at the date of this announcement and hence a connected person of the Company
“New Agreements”	the New Service Agreement and the New Materials Supply Agreement
“New Materials Supply Agreement”	the framework supply agreement dated 19 October 2012 entered into between the Company and Jinzhou Changhua in respect of the supply of the Materials to the Group
“New Service Agreement”	the framework service agreement dated 19 October 2012 entered into between the Company and Jinzhou Huarong in respect of the provision of water and heat services to the Group
“PLC”	Prosperity Lamps and Components Limited, a Shareholder which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, is owned as to 65% by Mr. Chong’s wholly owned companies and, as to 35% by Independent Third Parties
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)” shareholder(s) of the Company
“Stock Exchange” The Stock Exchange of Hong Kong Limited
“%” per cent.

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

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

Hong Kong, 19 October 2012

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