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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)**

### **(1) CAPITAL INJECTION INTO JINZHOU JINMAO PHOTOVOLTAIC TECHNOLOGY CO., LTD. CONSTITUTING A DISCLOSEABLE TRANSACTION**

**AND**

### **(2) ACQUISITION OF MINORITY INTERESTS IN JINZHOU JINMAO PHOTOVOLTAIC TECHNOLOGY CO., LTD. CONSTITUTING A CONNECTED TRANSACTION**

#### **THE CAPITAL INJECTION AGREEMENT**

On 17 December 2013, Jinzhou Yangguang, a wholly-owned subsidiary of the Company, Kinmac Holding and Sunvision Capital entered into the Capital Injection Agreement pursuant to which Jinzhou Yangguang agreed to inject a further capital of RMB100 million by way of cash contribution into the Target Subsidiary, a non-wholly owned subsidiary of the Company. Upon completion of the Capital Injection, the Target Subsidiary was held as to (i) 86% by Jinzhou Yangguang; (ii) 10% by Kinmac Holding; and (iii) 4% by Sunvision Capital. Moreover, the total registered capital of the Target Subsidiary was increased from RMB40 million to RMB140 million. The Capital Injection was completed on 24 December 2013.

As the applicable percentage ratios in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Due to an inadvertent oversight, the Company has failed to timely comply with the notification and announcement requirements under the Listing Rules in respect of the Capital Injection. The omission was discovered in the process of preparing the annual report of the Company for the year ended 31 December 2013 and the Company has notified the Stock Exchange and has taken steps to rectify and omission by way of this announcement.

## **THE S&P AGREEMENT**

On 28 April 2014, Jinzhou Yangguang and Kinmac Holding entered into the S&P Agreement pursuant to which Jinzhou Yangguang agreed to acquire and Kinmac Holding agreed to sell 10% equity interests in the Target Subsidiary beneficially owned by Kinmac Holding at a consideration of RMB14 million. Upon Completion, Jinzhou Yangguang will own 96% equity interests in the Target Subsidiary.

As Kinmac Holding is currently a substantial shareholder of the Target Subsidiary which is a non-wholly owned subsidiary of the Company, Kinmac Holding is a connected person by virtue of its substantial shareholding in the Target Subsidiary and the Acquisition is therefore a connected transaction under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition are more than 1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **THE CAPITAL INJECTION AGREEMENT**

On 17 December 2013, Jinzhou Yangguang, a wholly-owned subsidiary of the Company, Kinmac Holding and Sunvision Capital entered into the Capital Injection Agreement pursuant to which Jinzhou Yangguang agreed to inject a further capital of RMB100 million into the Target Subsidiary, a non-wholly owned subsidiary of the Company. Upon completion of the Capital Injection, the Target Subsidiary was held as to (i) 86% by Jinzhou Yangguang; (ii) 10% by Kinmac Holding; and (iii) 4% by Sunvision Capital. Moreover, the total registered capital of the Target Subsidiary was increased from RMB40 million to RMB140 million. Details of the Capital Injection Agreement and the Capital Injection are set out below:-

- Parties:**
- (1) Jinzhou Yangguang
  - (2) Kinmac Holding
  - (3) Sunvision Capital

**Capital Injection:** Immediately prior to the Capital Injection, the registered capital of the Target Subsidiary was RMB40 million which had been fully paid up. The Target Subsidiary was owned as to (i) 51% by Jinzhou Yangguang; (ii) 35% by Kinmac Holding; and (iii) 14% by Sunvision Capital.

Under the terms of the Capital Injection Agreement, Jinzhou Yangguang agreed to further inject a capital of RMB100 million into the Target Subsidiary by way of cash contribution. The amount of the Capital Injection was determined after arm's length negotiation between the parties to the Capital Injection Agreement with reference to the estimated funding and general working capital required for the operation of the Target Subsidiary for the purposes described in the section headed "Reason for the Capital Injection and the Acquisition" below. Kinmac Holding and Sunvision Capital did not inject any further capital into the Target Subsidiary pursuant to the Capital Injection Agreement and their interests in the Target Subsidiary were diluted accordingly. Upon completion of the Capital Injection, the Target Subsidiary was held as to (i) 86% by Jinzhou Yangguang; (ii) 10% by Kinmac Holding; and (iii) 4% by Sunvision Capital and the total registered capital of the Target Subsidiary was increased from RMB40 million to RMB140 million. The Capital Injection was completed on 24 December 2013.

The amount of the Capital Injection was funded by way of internal resources and the Capital Injection has been contributed by Jinzhou Yangguang in full.

The amount of the Capital Injection would be utilized for the general working capital requirements of the Target Subsidiary.

## **THE S&P AGREEMENT AND THE ACQUISITION**

On 28 April 2014, Jinzhou Yangguang entered into the S&P Agreement pursuant to which Jinzhou Yangguang agreed to purchase, and Kinmac Holding agreed to sell, 10% equity interests in the Target Subsidiary beneficially owned by Kinmac Holding. Details of the S&P Agreement and the Acquisition are set out below:-

**Parties:** Jinzhou Yangguang, as purchaser.

Kinmac Holding, as vendor.

As Kinmac Holding is currently a substantial shareholder of the Target Subsidiary which is a non-wholly owned subsidiary of the Company, Kinmac Holding is a connected person by virtue of its substantial shareholding in the Target Subsidiary.

**Interests to be acquired:** 10% equity interests in the Target Subsidiary.

Before the Acquisition, the Target Subsidiary is owned as to 86% by Jinzhou Yangguang, 10% by Kinmac Holding and 4% by Sunvision Capital and is accounted as a subsidiary of the Company. Upon Completion, Jinzhou Yangguang will own 96% equity interests in the Target Subsidiary.

The equity interest held by Kinmac Holding was acquired by its contribution of registered capital in the amount of RMB14 million at the time of the establishment of the Target Subsidiary.

**Consideration:**

The consideration for the Acquisition is RMB14 million (the “**Consideration**”) which was arrived at after arm’s length negotiations between Jinzhou Yangguang and Kinmac Holding and was determined with reference to 10% of the registered capital of the Target Subsidiary.

The Consideration will be funded by way of internal resources and is payable in cash within 30 days after Jinzhou Yangguang has received from Kinmac Holding the application documents required to be submitted to relevant regulatory authorities in the PRC for the approval of the Acquisition.

As soon as all approvals and registration in relation to the Acquisition have been effected in accordance with PRC law, Jinzhou Yangguang and Kinmac Holding shall proceed to Completion of the S&P Agreement within 15 days after the Consideration is paid by Jinzhou Yangguang. If Completion does not take place due to the default of a party to the S&P Agreement, the defaulting party shall indemnify the non-defaulting against any loss or damage caused by such default.

**INFORMATION ON THE TARGET SUBSIDIARY**

The Target Subsidiary is incorporated in the PRC with limited liability. Further information on the Target Subsidiary as at the date of this announcement is set out below:-

**(a) Corporate Information**

Name	: Jinzhou Jinmao Photovoltaic Technology Co., Ltd. (錦州錦懋光伏科技有限公司)
Date of incorporation	: 17 July 2009
Place of incorporation	: PRC
Scope of business	: Manufacturing of photovoltaic modules and design and installation of photovoltaic systems
Registered capital	: RMB140,000,000 (fully paid-up)

**(b) Financial information**

*For the three years ended 31 December 2013*

	<b>For the year ended 31 December 2013 RMB'000</b>	<b>For the year ended 31 December 2012 RMB'000</b>	<b>For the year ended 31 December 2011 RMB'000</b>
Unaudited total asset value	753,232	212,880	220,886
Unaudited net asset value	128,087	7,641	20,417
Unaudited net profits/ (losses) before tax	36,994	(28,058)	(14,634)
Unaudited net profits/ (losses) after tax	35,728	(28,058)	(14,634)

Upon completion of the Acquisition, Kinmac Holding will cease to have any interests in the Target Subsidiary.

**INFORMATION ON THE GROUP AND JINZHOU YANGGUANG**

The Group is a leading supplier of upstream and downstream vertical integrated solar energy services. Its products are not only sold to the customers in the upstream and mid-stream industries but also directly sold to end customers. Accordingly, each and every photovoltaic product is for external sale, which includes the manufacture and sales of monocrystalline silicon solar ingots and wafers; the manufacture and sales of photovoltaic cells; the manufacture and sales of photovoltaic modules; the installation of photovoltaic systems; and construction of photovoltaic power plant. Its business scope covers the whole industrial chain of the photovoltaic industry, focusing on providing one-stop solar energy service. Currently, the Group has an annual capacity of approximately 1.2GW for monocrystalline silicon ingot production, an annual capacity of approximately 900MW for solar wafer production, as well as an annual capacity of approximately 300MW and 400MW for photovoltaic cells and modules production, respectively.

Jinzhou Yangguang is incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company which is principally engaged in the manufacturing and processing of monocrystalline ingots and wafers.

**INFORMATION ON KINMAC HOLDING**

Kinmac Holding, a company incorporated in Samoa, is an investment holding company. As Kinmac Holding is currently a substantial shareholder of the Target Subsidiary which is a non-wholly owned subsidiary of the Company, Kinmac Holding is a connected person by virtue of its substantial shareholding in the Target Subsidiary.

## **INFORMATION ON SUNVISION CAPITAL**

Sunvision Capital is a company incorporated in Samoa and is principally engaged in investment holding. As at the date of this announcement, Sunvision beneficially owns 13,598,571 ordinary shares with a par value of HK\$0.10 each in the capital of the Company, representing approximately 0.42% of the issued share capital of the Company. Other than its shareholding in the Company and in the Target Subsidiary, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Sunvision Capital is independent of and not connected with the Company and its connected persons.

## **REASONS FOR THE CAPITAL INJECTION AND THE ACQUISITION**

The Target Subsidiary is principally engaged in research and development, design, production and sales of photovoltaic modules and provision of comprehensive services as an integrated business and operates as the production base for the photovoltaic modules business of the Group. The Group had taken up orders of photovoltaic modules from Sharp Corporation ("Sharp"), a well-known enterprise from Japan, and the amount of such purchase orders from Sharp has increased significantly since June 2013. The Group has therefore become the largest solar product supplier of Sharp in the PRC. The production capacity of the Target Subsidiary was approximately 150MW at the beginning of 2013 and was expanded to 175MW in the third quarter of 2013. With gradual expansion, the annual average effective production capacity of the Target Subsidiary for 2013 reached to approximately 230MW, and the Target Subsidiary has generated a profit after tax of RMB35,728,000, of which 51% was attributable to Jinzhou Yangguang prior to the Capital Injection. As the Target Subsidiary's own production capacity was not sufficient to cater for the surging demand of Sharp, the Target Subsidiary was required to engage third-party subcontractors for processing in order to fulfill the orders.

The Group anticipates that the purchases from Sharp, a major customer, will be increased significantly by more than 30% in the Japanese fiscal year 2014 compared with that of the Japanese fiscal year 2013. To increase the sales of production capacity and yet not overly place undue reliance on outsourcing as well as strengthen the customer relationship, the Target Subsidiary's own production capacity has already expanded to 400MW at the end of 2013. Corresponding with expansion of production capacity and significant growth in turnover of the Target Subsidiary, the Directors considered that it would be in the interests of the Company and the Shareholders as a whole for Jinzhou Yangguang to inject further capital of RMB100 million into the Target Subsidiary to meet its general working capital requirements in December 2013.

During the financial year ended 31 December 2013, the shipment volume of solar modules of the Target Subsidiary was approximately 222.5 MW (excluding the shipment volume from the Group's external subcontractors), and the total volume increased by approximately 299.5% when compared with the shipment volume of 55.7MW in the financial year ended 31 December 2012. Taking account of the promising prospects of the solar module business in Japan and the PRC, the Company believes that it is in the interests of the Company and its Shareholders to further increase its controlling stake in the Target Subsidiary by way of the Acquisition so as to further increase the shareholding control in the Target Subsidiary.

Taking account of the benefits of the Capital Injection and the Acquisition described above, the Directors (including the independent non-executive Directors) believe that the Capital Injection and the Acquisition are in the best interest of the Company and the terms of the Capital Injection Agreement and the S&P Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios in respect of the Capital Injection are more than 5% but less than 25%, the Capital Injection constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Due to an inadvertent oversight, the Company has failed to timely comply with the notification and announcement requirements under the Listing Rules in respect of the Capital Injection. The omission was discovered in the process of preparing the annual report of the Company for the year ended 31 December 2013 and the Company has notified the Stock Exchange and has taken steps to rectify the omission by way of this announcement. Going forward, the Company will closely monitor the effectiveness and efficiency of its compliance system and the relevant corporate governance measures, particularly in the areas of, among other things, notifiable and connected transactions, so as to prevent the future occurrence of any similar incidents.

As Kinmac Holding is currently a substantial shareholder of the Target Subsidiary which is a non-wholly owned subsidiary of the Company, Kinmac Holding is a connected person by virtue of its substantial shareholding in the Target Subsidiary and the Acquisition is therefore a connected transaction under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition are more than 1% but less than 5%, the Acquisition is only subject to the reporting and announcement requirements and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

So far as the Directors are aware, none of the Directors has any material interest in the Capital Injection and the Acquisition and no Director is required to abstain from voting on the Board resolution in respect of the Capital Injection and the Acquisition.

## **DEFINITION**

In this announcement, the following words have the following meanings:-

“Acquisition”	the proposed acquisition by Jinzhou Yangguang of 10% equity interests in the Target Subsidiary beneficially owned by Kinmac Holding
“Capital Injection”	the capital injection in the amount of RMB100 million to the registered capital of the Target Subsidiary by Jinzhou Yangguang by way of cash contribution pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	a capital injection agreement entered into by Jinzhou Yangguang, Kinmac Holding and Sunvision Capital dated 17 December 2013 in respect of the Capital Injection

“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 S&P Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a third party who is independent of and not connected with the Company and its connected person(s) of the Company
“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
“Kinmac Holding”	Kinmac Holding Limited, a company incorporated under the laws of Samoa
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MW”	megawatt
“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
“S&P Agreement”	the sale and purchase agreement dated 28 April 2014 entered into by and between Kinmac Holding as vendor and Jinzhou Yangguang as purchaser in respect of the Acquisition
“Shareholders”	the holders of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto under the Listing Rules
“Sunvision Capital”	Sunvision Capital Investment Limited, a company incorporated under the laws of Samoa

“Target Subsidiary”	Jinzhou Jinmao Photovoltaic Technology Co., Ltd. (錦州錦懋光伏科技有限公司), a company incorporated in the PRC with limited liability, which is owned as to 86% by Jinzhou Yangguang, 10% by Kinmac Holding and 4% by Sunvision Capital as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent

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

Hong Kong, 28 April 2014

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