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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)

**(I) VERY SUBSTANTIAL DISPOSAL AND
CONNECTED TRANSACTION
PROPOSED DISPOSAL OF 45.0% EQUITY INTEREST IN A
NON-WHOLLY OWNED SUBSIDIARY; AND
(II) PROPOSED DECLARATION OF SPECIAL DIVIDEND**

Financial Adviser to the Company



Independent Financial Adviser to

the Independent Board Committee and the Independent Shareholders



THE DISPOSAL

The Board is pleased to announce that after trading hours on 28 October 2022, the Company's indirect wholly-owned subsidiary, Jinzhou Yangguang, and the Purchasers entered into the Equity Transfer Agreement, pursuant to which Jinzhou Yangguang conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the 45.0% equity interest in Qujing Yangguang at a Consideration of RMB1,350.0 million. Upon Completion, Qujing Yangguang will cease to be a subsidiary of the Company.

LISTING RULE IMPLICATIONS

For the purpose of calculation of the percentage ratios of the Disposal, the Deemed Disposal is aggregated with the Disposal as a single transaction pursuant to Rule 14.22 of the Listing Rules as they are to be completed within a 12-month period. Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal, in aggregate with the Deemed Disposal, is more than 75%, the Disposal constitutes a very substantial disposal of the Company, and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, among the Purchasers, Purchasers A are controlled by Mr. Tan Wenhua, the executive Director, Chairman of the Board and a substantial shareholder of the Company, and/or by Mr. Tan Xin, an executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua. Therefore, Purchasers A are connected persons of the Company pursuant to the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PROPOSED DECLARATION OF SPECIAL DIVIDEND

Subject to approval of the Independent Shareholders at the EGM and Completion taking place, the Board intends to declare and distribute the Special Dividend of HK\$0.07 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. Further announcement(s) will be made by the Company in this regard as and when appropriate.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Disposal and the proposed declaration of the Special Dividend. The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying, has been established to make recommendation to the Independent Shareholders regarding the Disposal. Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, further details of the Disposal and the proposed declaration of the Special Dividend, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, financial information of the Disposal Group and the Remaining Group, and a notice convening the EGM, is expected to be despatched to the Shareholders before 21 November 2022 as additional time is required to finalise certain information to be included in the circular.

Completion may or may not proceed as it is subject to a number of conditions precedent which may or may not be fulfilled, and since the Special Dividend is subject to Completion, it may or may not be declared. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that after trading hours on 28 October 2022, the Company's indirect wholly-owned subsidiary, Jinzhou Yangguang, and the Purchasers entered into the Equity Transfer Agreement, pursuant to which Jinzhou Yangguang conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the 45.0% equity interest in Qujing Yangguang at a Consideration of RMB1,350.0 million. Upon Completion, Qujing Yangguang will cease to be a subsidiary of the Company.

The principal terms of the Equity Transfer Agreement are set out below.

EQUITY TRANSFER AGREEMENT

Date 28 October 2022 (after trading hours)

Parties

Vendor: Jinzhou Yangguang

Purchasers A: Entities controlled by Mr. Tan Wenhua and/or Mr. Tan Xin

Purchasers B: Entities controlled by China Lesso Group

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, Jinzhou Yangguang will dispose of its 45.0% equity interest in Qujing Yangguang to the Purchasers with effect from the Completion Date.

Consideration

The Consideration of RMB1,350.0 million was determined after arm's length commercial negotiations amongst the parties to the Equity Transfer Agreement based on normal commercial terms, with reference to, among other things, (i) the preliminary valuation of the 45.0% equity interest in Qujing Yangguang undertaken by Hong Kong Appraisal Advisory Limited, an independent professional valuer based on market approach, the appraisal value of which was RMB1,272.0 million as at 30 June 2022; (ii) the net asset value of the Disposal Group as at 30 June 2022; (iii) the business prospects of the Disposal Group; and (iv) the factors as set out in the paragraph headed "Reasons for and Benefits of the Disposal" in this announcement below.

The Purchasers will make their respective contributions to the Consideration as follows:

- Purchasers A will contribute as to not less than RMB900.0 million nor more than RMB1,050 million and acquire not less than 30.0% nor more than 35.0% equity interest in Qujing Yangguang; and
- Purchasers B will contribute to the remaining Consideration and acquire the remaining equity interest in the 45.0% equity interest in Qujing Yangguang after Purchasers A determine the equity interest in Qujing Yangguang that they will acquire.

Settlement Terms

The Consideration is to be settled by the Purchasers in two milestone payments as follows:

- (i) 51.1% of the Consideration or RMB689.85 million will be settled by cash and (i) for Purchasers which were established in the PRC, payable on the Completion Date; and (ii) for Purchaser which was established in Hong Kong, payable within 10 days after the Completion Date or within 5 Business Days after opening the payment account that complies with foreign exchange regulations, whichever is later; and
- (ii) the remaining 48.9% of the Consideration or RMB660.15 million will be settled by cash and payable within six months after the Completion Date.

The above settlement terms of the Consideration were arrived at after arm's length commercial negotiations amongst the parties to the Equity Transfer Agreement.

As there will be a time gap between the Completion Date and the date of settlement of the second milestone payment, the Company has conducted an internal risk assessment on the above payment arrangement. To the best knowledge, information, and belief of the Directors, having made all reasonable enquiries, each of the Purchasers has sufficient assets to settle both milestone payments of the Consideration.

Conditions precedent

Completion is conditional upon the fulfilment (or waiver, if applicable) of the following conditions precedent:

- (i) the Equity Transfer Agreement and the Disposal having been approved by the Board and the Independent Shareholders at the EGM, and the Director(s) and Shareholder(s) who have material interest in the Disposal having abstained from voting at the EGM in accordance with the Listing Rules;
- (ii) the existing shareholders of Qujing Yangguang having approved the Disposal and giving up the pre-emptive right, the tag-along right and other similar rights;
- (iii) the Purchasers, Qujing Yangguang and the existing shareholders of Qujing Yangguang having entered into a shareholder agreement of Qujing Yangguang upon Completion, which takes effect from the Completion Date;
- (iv) all other requisite internal and external authorisation, approval, fillings and consents of relevant third parties for the Disposal having been obtained; and
- (v) all intra-group balances (non-trade items) and guarantees between the Remaining Group and the Disposal Group having been released.

Save for the conditions precedents referred to in items (i) to (ii) above, the rest of the conditions precedents above are waivable by the Purchasers. In the event of item (v) above is to be waived by the Purchasers, the Company will comply to the applicable connected transaction rules under Chapter 14A of the Listing Rules.

Completion

Completion shall take place on the Completion Date according to the terms and conditions of the Equity Transfer Agreement. Upon Completion, the Company will cease to have any interest in the Disposal Group and the financial information of Disposal Group will no longer be consolidated into the Group's consolidated financial statements. Completion shall take place as soon as practicable but in any event no later than the Long Stop Date.

INFORMATION ON THE DISPOSAL GROUP

Qujing Yangguang

Qujing Yangguang is a joint stock limited company established in the PRC with a registered capital of RMB163,323,866 divided into 163,323,866 ordinary shares with a par value of RMB1.0 each. As at the date of this announcement, Qujing Yangguang is owned as to approximately 45.0% by Jinzhou Yangguang (an indirect wholly-owned subsidiary of the Company), and an indirect non-wholly owned subsidiary of the Company. Qujing Yangguang is principally engaged in the manufacture and trading, and the provision of processing services for, of monocrystalline silicon solar ingots and wafers.

Jinzhou Youhua

Jinzhou Youhua is a limited liability company established in the PRC.

Jinzhou Youhua was formerly an indirect wholly-owned subsidiary of the Company. Pursuant to an equity transfer agreement dated 25 February 2022 entered into between Solargiga Energy (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company ("**Solargiga Energy**"), as vendor and Qujing Yangguang, as purchaser, Solargiga Energy had agreed to sell and Qujing Yangguang had agreed to acquire the entire equity interest in Jinzhou Youhua (the "**Jinzhou Youhua Transfer**"). For further details of the Jinzhou Youhua Transfer, please refer to the announcement of the Company dated 25 February 2022. Completion of the Jinzhou Youhua Transfer took place on 17 March 2022. As at the date of this announcement, Jinzhou Youhua is a wholly-owned subsidiary of Qujing Yangguang, and hence an indirect non-wholly owned subsidiary of the Company. Jinzhou Youhua is a company principally engaged in manufacturing and trading of monocrystalline silicon solar ingots and wafers.

Jinzhou Changhua

Jinzhou Changhua is a limited liability company established in the PRC. It was acquired by Qujing Yangguang on 22 March 2022 from two Independent Third Parties. Jinzhou Changhua is a wholly-owned subsidiary of Qujing Yangguang and hence an indirect non-wholly owned subsidiary of the Company as at the date of this announcement. Jinzhou Changhua is principally engaged in the manufacturing of graphite and graphite related products.

The following is a summary of the unaudited consolidated financial information of the Disposal Group for the two years ended 31 December 2020 and 2021:

	For the year ended	
	31 December	
	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	1,140,791	1,813,487
Profit before taxation	105,479	284,510
Profit after taxation	100,863	253,190

As at 30 June 2022, the Disposal Group's unaudited consolidated net asset value was approximately RMB458.4 million.

The unaudited consolidated financial information extracted from the unaudited consolidated financial statements of the Disposal Group for the two years ended 31 December 2020 and 2021 which are prepared in accordance with the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The financial information in relation to the Disposal Group will be set out in the circular to be despatched to the Shareholders which will be reviewed by the independent auditors of the Company.

INFORMATION ON THE PURCHASERS

Purchasers A

Purchasers A are entities established in the PRC which are controlled by Mr. Tan Wenhua, the executive Director, Chairman of the Board and a substantial shareholder of the Company, and/or Mr. Tan Xin, the executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua. Therefore, as Mr. Tan Wenhua and Mr. Tan Xin are connected persons of the Company under Chapter 14A of the Listing Rules, Purchasers A are also connected persons of the Company. Purchasers A are all principally engaged in investment holding.

Purchasers B

Purchasers B are entities established in the PRC and Hong Kong which are controlled by China Lesso Group, a company listed on the Main Board of the Stock Exchange (stock code: 2128) and a leading large-scale industrial conglomerate that manufactures piping and building materials in mainland China. China Lesso Group is expanding its business into new photovoltaic business and provides a wide range of photovoltaic systems and products and all-in-one professional services comprising consultation, design, research and development, engineering, installation, maintenance and operation. Purchasers B and China Lesso Group are Independent Third Parties.

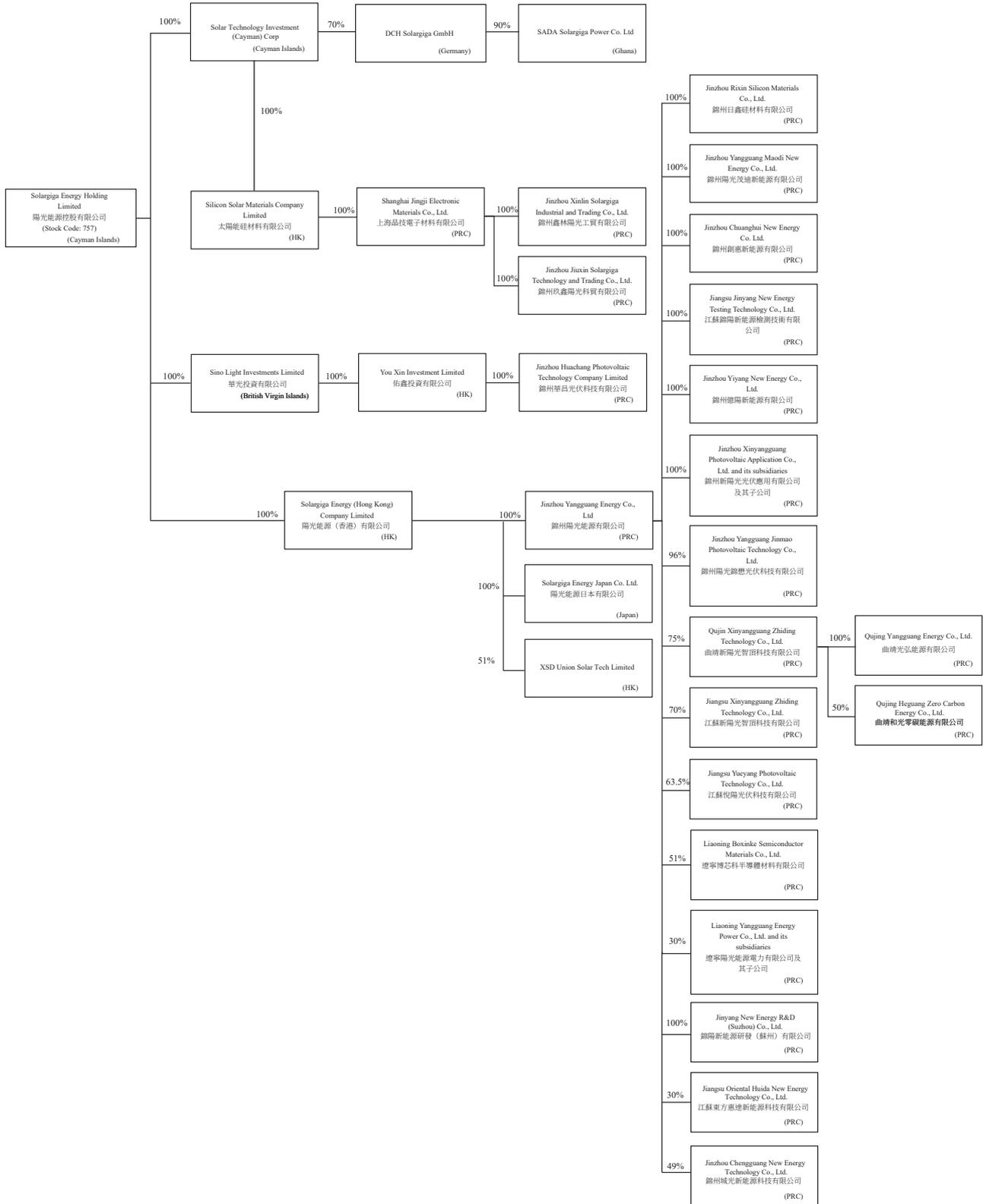
INFORMATION ON THE GROUP AND THE REMAINING GROUP

The Group is a leading supplier of solar energy services, with business focus on the manufacturing and trading of upstream monocrystalline silicon solar ingots and wafers and downstream photovoltaic modules in the photovoltaic industry. The Group also engages in the construction and operation of photovoltaic power systems and the semiconductor business.

Upon Completion, the Remaining Group will principally engage in (i) the manufacture and trading of photovoltaic modules; (ii) the construction and operation of photovoltaic power systems; and (iii) the semiconductor business.

It is expected that the intra-group balances (non-trade items) and guarantees between the Remaining Group and the Disposal Group will be released prior to Completion. Currently, the Disposal Group purchases part of its polysilicon materials and sells silicon wafers overseas through the Remaining Group. The Disposal Group will not conduct its procurement and sales through the Remaining Group directly upon Completion. Therefore, it is expected that there will be no continuing connected transactions between the Disposal Group and the Remaining Group subsequent to Completion.

After Disposal



The Company is of the view that there is clear business delineation between the Disposal Group and the Remaining Group. The Disposal Group is principally engaged in the manufacture and trading of, and the provision of processing services for, monocrystalline silicon solar ingots and wafers. As set out below, the businesses of the Disposal Group and the Remaining Group differ in terms of products, customers, procurement of major materials, and manufacturing process:

	The Disposal Group	The Remaining Group
Main products	Solar ingots and wafers	Photovoltaic modules, photovoltaic power systems and semiconductor products
Major customers	Large-scale mid-stream solar cell manufacturers	Large-scale investors in power stations and other photovoltaic end-users
Major materials for production	Polysilicon materials	(i) Solar cell and photovoltaic glass; and (ii) Photovoltaic modules
Manufacturing process	The manufacturing equipment and techniques are not interchangeable	

FINANCIAL EFFECTS OF THE DISPOSAL

The Company expects to record an unaudited profit before tax as a result of the Disposal of approximately RMB1,100.0 million, being the difference between the Consideration of RMB1,350.0 million and (i) the unaudited consolidated net asset value of the Disposal Company attributable to the Shareholders as at 30 June 2022 of approximately RMB246.1 million; and (ii) the estimated transaction costs of approximately RMB3.9 million to be incurred from the Disposal, subject to finalisation as at the Completion Date. The above figures are for illustrative purpose only. The actual gain in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Disposal Group at Completion and subject to the review and final audit by the independent auditors of the Company.

USE OF PROCEEDS

The Group expects to realise net proceeds of the Disposal of approximately RMB1,289.7 million from the Disposal, after deducting the transaction costs, will be used by the Group in the following manner:

Net proceeds	Use of proceeds	Amount
From First Milestone Payment	<ul style="list-style-type: none"> expansion and growth of the business of the Remaining Group including, acquisition of suitable targets; 	<ul style="list-style-type: none"> RMB150.0 million
	<ul style="list-style-type: none"> the repayment of bank loans and other borrowings of the Remaining Group; 	<ul style="list-style-type: none"> RMB120.0 million
	<ul style="list-style-type: none"> the proposed distribution of the Special Dividend to the Shareholders (representing the Special Dividend of HK\$0.07 per Share based on the number of outstanding Shares as at the date of this announcement); and 	<ul style="list-style-type: none"> RMB222.6 million
	<ul style="list-style-type: none"> general working capital of the Remaining Group. 	<ul style="list-style-type: none"> RMB136.9 million
From Second Milestone Payment	<ul style="list-style-type: none"> expansion and growth of the business of the Remaining Group including investment in project development; 	<ul style="list-style-type: none"> RMB250.0 million
	<ul style="list-style-type: none"> for the repayment of bank loans and other borrowings of the Remaining Group; and 	<ul style="list-style-type: none"> RMB330.0 million
	<ul style="list-style-type: none"> general working capital of the Remaining Group. 	<ul style="list-style-type: none"> RMB80.2 million

PROPOSED DECLARATION OF SPECIAL DIVIDEND

Subject to approval of the Independent Shareholders at the EGM and Completion taking place, the Board intends to declare and distribute the Special Dividend of HK\$0.07 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. Further announcement(s) will be made by the Company in this regard as and when appropriate.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal unlocks immediate value to the Shareholders and enables the Shareholders to earn the Special Dividend of HK\$0.07 per Share upon Completion. The Special Dividend represents a yield of approximately 29.3% based on the closing Share price of HK\$0.239 on the Last Trading Date and 27.9% based on the average closing Share price of HK\$0.251 for the 30 trading days up to and including the Last Trading Date. As at the Last Trading Date, the Shares had a three-month average daily trading value of approximately HK\$0.4 million, which is significantly lower than the quantum of the proposed Special Dividend in the aggregate amount of approximately RMB222.6 million (equivalent to approximately HK\$244.9 million). The Special Dividend provides immediate liquidity to the Shareholders allowing them to monetise a portion of their investment in the Company.

Given a clear business delineation between the Disposal Group and the Remaining Group, the Disposal will streamline the Company's businesses to focus on the retained businesses to make them more competitive and specialised, and to unveil the hidden value of the retained businesses. The Company believes that there is substantial room for growth in the Remaining Group's businesses, taking into account the following:

- (i) Globally, China is the largest producer of solar power and dominates the global solar photovoltaics market. The Remaining Group has engaged in module production since 2009, and has accumulated extensive experience and advanced production technology and processes in photovoltaic module production. The P-type Passivated Emitter and Rear Cell module of the monocrystalline products that the Remaining Group focuses on has not only become the mainstream in the market, but the Remaining Group has also further expanded and strengthened the development and sales of other high-efficiency and high-end module products. The Group recorded external shipment volume of photovoltaic modules of approximately 2,865.0MW, 2,842.3MW and 1,318.1MW in the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 respectively. In October 2021, the National Development and Reform Commission of the PRC issued the “Notice on Further Deepening the Market-oriented Reform of Feed-in Tariffs for Coal-fired Power Generation” (《關於進一步深化燃煤發電上網電價市場化改革的通知》), which ensures a stable income for new projects and marks the official entry of photovoltaics into the grid parity era. In addition, in the same month, the State Council of the PRC also issued “Action Plan for Peaking Carbon Emissions before 2030” (《二零三零年前碳達峰行動方案》), which pointed out that it is necessary to develop new energy and promote the largescale and high-quality development of solar power generation comprehensively. It is also essential to promote the diversified layout of photovoltaic power generation to ensure the realisation of the carbon peaking target by 2030. The scheme means that photovoltaic power generation has become one of the key development directions of China’s 14th Five Year Plan (2021-2025), driving the replacement of traditional energy sources and benefiting the development of the photovoltaic industry in the long run. With a long operating history and an established reputation for its product quality, the Remaining Group is poised to benefit from the growth in global demand for photovoltaic products as all countries are stepping up their renewable energy efforts, as well as domestic demand for photovoltaic products with renewable energy gaining a more prominent position in China’s 14th Five Year Plan (2021-2025).

- (ii) The Group’s photovoltaic power system business includes traditional distributed power station engineering, procurement and construction business, building applied photovoltaics business and building integrated photovoltaics (“**BIPV**”) business. The Remaining Group is carrying out a series of research and development projects in cooperation with various institutions, of which four series of BIPV products have passed China Compulsory Certificate certification, China Quality Certificate Centre certification, and GB8624-2012 building materials and products combustion performance test certification. On 21 October 2021, the State Council of the PRC issued “Opinions on Promoting Green Development of Urban and Rural Construction” (《關於推動城鄉建設綠色發展的意見》) to promote the green development of urban and rural construction. These opinions set a target that by 2025 the institutional mechanisms and policy systems for green development in urban and rural areas will be basically established, the quality of urban and rural ecological environment will be improved, and by 2035 green development will cover urban and rural areas in a comprehensive way, with an increased cut in carbon emissions. With the favorable policy support of the PRC government’s vigorous advocacy of “hit peak emissions” and “carbon neutrality” and the construction of “green buildings” and “zero energy buildings”, pursuant to “Opinions on Promoting Green Development of Urban and Rural Construction” (《關於推動城鄉建設綠色發展的意見》), given the current huge building volume in the PRC, it is anticipated that the Remaining Group’s BIPV business would have broad development prospects and become a new development hotspot in the photovoltaic industry.
- (iii) China has become the fastest growing country in the global semiconductor industry and the world’s largest semiconductor application market. The Remaining Group’s semiconductor business has shown rapid growth since it was officially put into operation in 2019. The Company expects that its semiconductor business will continue to maintain strong growth in the next few years, and will contribute profits to the Group, driven by a booming market and the PRC government’s substantial investment in semiconductors.

The Disposal represents a good opportunity for the Company to realise a considerable gain on disposal of approximately RMB1,100.0 million together with a substantial net proceeds, which will strengthen the Remaining Group's financial position, gearing and working capital. As at 30 June 2022, guarantee in the amount of RMB346.9 million was provided by the Remaining Group to the Disposal Group, while guarantee in amount of RMB105.6 million was provided by the Disposal Group for the Remaining Group. The aforesaid guarantee will be released upon Completion. In addition, as set out in the section headed "Use of Proceeds", the Remaining Group will use a portion of net proceeds to reduce its indebtedness. The Company will deploy certain amount of funds from the Disposal to develop the Remaining Group's businesses, which are critical to stay competitive locally and internationally and to sustain long-term growth. As at 30 June 2022, the Group's gearing ratio, which is calculated as the ratio of total borrowings, less cash and cash equivalents, to the total of share capital and reserves, was 499.0%. It is expected that the Remaining Group's gearing ratio will be approximately 69.8% upon Completion.

The terms of the Equity Transfer Agreement (including the Consideration) were arrived at after arm's length commercial negotiation amongst the Company and the Purchasers. In view of the above, the Directors (other than members of the Independent Board Committee who will express their views after considering the advice from the Independent Financial Adviser) are of the opinion that the terms and conditions of the Equity Transfer Agreement (including the Consideration) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

For the purpose of calculation of the percentage ratios of the Disposal, the Deemed Disposal is aggregated with the Disposal as a single transaction pursuant to Rule 14.22 of the Listing Rules as they are to be completed within a 12-month period. Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal, in aggregate with the Deemed Disposal, is more than 75%, the Disposal constitutes a very substantial disposal of the Company, and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, among the Purchasers, Purchasers A are controlled by Mr. Tan Wenhua, the executive Director, Chairman of the Board and a substantial shareholder of the Company, and/or by Mr. Tan Xin, an executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua. Therefore, Purchasers A are connected persons of the Company pursuant to the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Tan Wenhua and Mr. Tan Xin had abstained from voting on the Board resolutions approving the Equity Transfer Agreement, the Disposal and the proposed declaration of the Special Dividend. Apart from the above, none of the Directors has any material interest in the Equity Transfer Agreement, the Disposal and the proposed declaration of the Special Dividend and was required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement, the Disposal and the proposed declaration of the Special Dividend.

GENERAL

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Disposal and the proposed declaration of the Special Dividend. The Independent Board Committee comprising all independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying, has been established to make recommendation to the Independent Shareholders regarding the Disposal. Octal Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, apart from Mr. Tan Wenhua, Mr. Tan Xin and their respective associates, no Shareholder has material interest in the transaction contemplated under the Equity Transfer Agreement. Therefore, only Mr. Tan Wenhua, Mr. Tan Xin and their respective associates shall abstain from voting at the resolution considering and approving the Disposal and the proposed declaration of the Special Dividend at the EGM. Save as disclosed above, no other Shareholder shall be required to abstain from voting at the resolution(s) considering and approving the transaction contemplated under the Equity Transfer Agreement at the EGM.

A circular containing, among other things, further details of the Disposal and the proposed declaration of the Special Dividend, a letter of recommendation from the Independent Board Committee to the Independent Shareholders, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, financial information of the Disposal Group and the Remaining Group, and a notice convening the EGM, is expected to be despatched to the Shareholders before 21 November 2022 as additional time is required to finalise certain information to be included in the circular.

Completion may or may not proceed as it is subject to a number of conditions precedent which may or may not be fulfilled, and since the Special Dividend is subject to Completion, it may or may not be declared. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the Shares.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday or Sunday or public holiday in the PRC)
“China” or “PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“China Lesso Group”	China Lesso Group Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 2128)
“Company”	Solargiga Energy Holdings Limited (陽光能源控股有限公司), a company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 757)
“Completion”	completion of the Disposal

“Completion Date”	the date when all conditions precedent in accordance with the Equity Transfer Agreement are fulfilled, but no later than the Long Stop Date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	a total consideration of RMB1,350.0 million payable by the Purchasers to Jinzhou Yangguang in respect of the Disposal pursuant to the Equity Transfer Agreement
“Deemed Disposal”	the reduction of the Company’s equity interest in Qujing Yangguang from approximately 53.70% to 45.0%, which constituted a deemed disposal of the Group’s 8.70% equity interest in Qujing Yangguang under Rule 14.29 of the Listing Rules, as per the Company’s announcement and circular dated 29 April 2022 and 29 July 2022 respectively
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 45.0% equity interest in Qujing Yangguang by Jinzhou Yangguang to the Purchasers pursuant to the Equity Transfer Agreement
“Disposal Group”	Qujing Yangguang and its subsidiaries, including Jinzhou Youhua and Jinzhou Changhua
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Disposal and the proposed declaration of the Special Dividend
“Equity Transfer Agreement”	the conditional equity transfer agreement entered into amongst Jinzhou Yangguang and the Purchasers on 28 October 2022 (after trading hours) in respect of the Disposal
“Group”	the Company and its subsidiaries

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board which comprises all the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying, to advise the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend
“Independent Financial Adviser” or “Octal Capital”	Octal Capital Limited, a corporation licensed by the Securities and Futures Commission for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend
“Independent Shareholders”	the Shareholders other than Shareholders who have material interest in the Disposal and the proposed declaration of the Special Dividend
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Jinzhou Changhua”	Jinzhou Changhua Carbon Products Co., Ltd.* (錦州昌華碳素製品有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Qujing Yangguang and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement

“Jinzhou Yangguang”	Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Jinzhou Youhua”	Jinzhou Youhua Silicon Materials Co., Ltd.* (錦州佑華硅材料有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Qujing Yangguang and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Last Trading Date”	28 October 2022
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Long Stop Date”	30 June 2023 (or such other date as the parties to the Equity Transfer Agreement may agree in writing)
“Purchasers”	Purchasers A and Purchasers B
“Purchasers A”	entities established in the PRC and controlled by Mr. Tan Wenhua and/or Mr. Tan Xin
“Purchasers B”	entities established in the PRC and Hong Kong and controlled by China Lesso Group
“Qujing Yangguang”	Qujing Yangguang New Energy Co., Ltd (曲靖陽光新能源股份有限公司), a joint stock limited company established in the PRC and an indirect non-wholly owned subsidiary of the Company as at the date of this announcement
“Remaining Group”	the Group excluding the Disposal Group upon Completion
“RMB”	Renminbi, legal currency of the PRC

“Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Special Dividend”	the special cash dividend intended to be declared and distributed by the Company to the Shareholders subject to the approval of the Independent Shareholders at the EGM and Completion taking place
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 28 October 2022

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.

Unless otherwise specified, for the purpose of this announcement and for the purpose of illustration only, the translation of RMB into HK\$ in this announcement has been based on the rate of RMB1.00: HK\$1.10.

** In this announcement, certain English terms of Chinese terms are translation of those Chinese terms, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese terms shall prevail.*