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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 18 December 2020, Qujing Yangguang (a non wholly-owned subsidiary of the Company), the Vendor and the Financier entered into the Finance Lease Arrangement, pursuant to which (i) the Financier agreed to purchase the Equipment from the Vendor at the consideration of RMB44,950,000, and (ii) the Financier agreed to lease the Equipment to Qujing Yangguang in tranches for a lease term of 36 months for each tranche.

Since one 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.

THE FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 18 December 2020, Qujing Yangguang (a non wholly-owned subsidiary of the Company), the Vendor and the Financier entered into the Finance Lease Arrangement, pursuant to which (i) the Financier agreed to purchase the Equipment from the Vendor at the consideration of RMB44,950,000, and (ii) the Financier agreed to lease the Equipment to Qujing Yangguang in tranches for a lease term of 36 months for each tranche. The Group recognised the Equipment 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) Principal terms of the Sale and Purchase Agreement

Date	18 December 2020
Parties	(i) Qujing Yangguang (as the Lessee); (ii) Qingdao Huatong Finance Lease Co., Ltd* (青島華通融資租賃有限責任公司) (as the Financier and the Purchaser); and (iii) Qingdao Gaoce Technology Shareholding Co., Ltd* (青島高測科技股份有限公司) (as the Vendor)
Subject assets	the Equipment
Consideration of the subject assets payable to the Vendor	RMB44,950,000
Basis of determination of consideration of the subject assets	The consideration of the Equipment was determined after arms' length negotiations between parties to the Sale and Purchase Agreement with reference to the prevailing market price of the Equipment.
Manner of payment of consideration	Pursuant to the Sale and Purchase Agreement, the Equipment will be supplied in 4 tranches. The consideration of the first tranche Equipment shall be RMB10,620,000. The Lessee shall pay the Vendor a deposit of 10% of the total amount of the first tranche Equipment (ie. RMB1,062,000) for the Vendor to commence production of the first tranche Equipment. Upon completion of production of the first tranche Equipment, a payment notice shall be issued to the Financier and the Financier shall then pay the Vendor the outstanding balance of the consideration of the first tranche Equipment (i.e. RMB9,558,000) within 5 days upon receiving such payment notice. The first tranche Equipment shall be delivered to the Lessee upon settlement of such outstanding balance. The manner of payment for other tranches of the Equipment shall be the same of that of the first tranche Equipment. The total amount of deposit payable by Qujing Yangguang under the Sale and Purchase Agreement shall be RMB4,495,000.

(b) Principal terms of the Finance Lease Agreement

Date	18 December 2020
Parties	(i) Qujing Yangguang (as the Lessee); and (ii) Qingdao Huatong Finance Lease Co., Ltd* (青島華通融資租賃有限責任公司) (as the Financier)
Assets to be leased	the Equipment
Aggregate lease payment	<p>Pursuant to the Finance Lease Agreement, the principal lease amount payable by Qujing Yangguang to the Financier shall be RMB40,455,000 (i.e. 90% of the total consideration of the Equipment under the Sale and Purchase Agreement). Qujing Yangguang shall also pay to the Financier an aggregate administrative fee of RMB1,578,000 (i.e. 1.3% of the annual lease payment) and an estimated aggregate interest payment of approximately RMB5,134,000. The estimated aggregate lease interest payment is calculated based on an interest rate of 6.3% per annum (which shall be adjusted annually with reference to the then LPR).</p> <p>The principal lease amount and the estimated aggregate interest and administrative fee shall be payable by Qujing Yangguang to the Financier in 12 instalments for each tranche of the Equipment.</p> <p>The principal lease amount, lease interest and the administrative fee under the Finance Lease Agreement were determined after arm's length negotiations between the parties to the Finance Lease Agreement with reference to the principal amount of the lease, the prevailing market interest rate and the handling fee for finance lease of comparable equipment.</p>
Lease term	The lease term of each tranche of the Equipment is 36 months. The starting date of the lease term shall be the date when the Financier pays to the Vendor for each tranche of the Equipment in accordance with the Sale and Purchase Agreement.

Security deposit payable by the Lessee to the Financier	5% of the principal lease amount, payable by the Lessee to the Financier. The security deposit will be used to offset any amounts due or payable by the Lessee under the Finance Lease Agreement. If there is no outstanding amount due by the Lessee under the Finance Lease Agreement, the security deposit shall be refunded to the Lessee after the end of the lease term.
Guarantee	<p>The following guarantee and security shall be provided to the Financier pursuant to the Finance Lease Agreement:</p> <p>(i) Jinzhou Yangguang (a wholly-owned subsidiary of the Company) shall provide a joint and several liability guarantee under the Finance Lease Guarantee for the due and punctual performance of all and any part of the Lessee's obligations under the Finance Lease Agreement; and</p> <p>(ii) The Vendor shall provide the Financier a general liability repurchase guarantee (with a maximum amount of RMB20,000,000). In this regard, the Lessee, the Financier and the Vendor entered into the Repurchase Agreement, pursuant to which the Financier may request the Vendor to repurchase the Equipment from the Financier in the event if the Lessee fails to fulfil its payment obligation under the Finance Lease Agreement.</p>
Legal ownership of the Equipment	The legal ownership of the Equipment will be vested in the Financier throughout the lease term. Upon the expiry of the lease term, subject to the Lessee having settled all the lease payment and any other payables under the Finance Lease Agreement and without any event of default, the Lessee shall have the right to repurchase the Equipment at a nominal consideration of RMB100 per tranche of the Equipment.
Pledge	Pursuant to the Asset Pledge Agreement, although the ownership of the Equipment shall be vested in the Financier throughout the lease term, the Equipment shall be treated as security of the obligations of the Lessee under the Finance Lease Agreement during the lease term.

(c) Repurchase Guarantee

In consideration of the Vendor entering into the Repurchase Agreement, Jinzhou Yangguang (as the guarantor) and the Vendor entered into the Repurchase Guarantee, pursuant to which Jinzhou Yangguang agreed to provide a joint and several liability guarantee in favour of the Vendor for any liability and payment payable by the Vendor under the Repurchase Agreement.

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 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 approximately RMB41,651,000, which is calculated based on the aggregated present values of lease payments 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 AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The production base of Qujing Yangguang, which mainly produce low-cost high-efficiency monocrystalline silicon ingots and wafers, is located in Yunan Province, the PRC. The Finance Lease Arrangement is entered to expand the equipment fleet for the production of silicon ingot.

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 ON THE EQUIPMENT

The Equipment comprises mono-silicon cutting machine, squaring machines and grinding and polishing machines for the production of silicon ingot at the production base of the Lessee situated in Yunan Province, the PRC.

The Lessee shall bear any maintenance, taxation and other costs and levies associated with the Equipment under the Finance Lease Arrangement.

INFORMATION OF THE PARTIES

The Group is a leading supplier of upstream and downstream vertical integrated solar energy services. Its products are not only sold to the upper-stream and mid-stream customers in the photovoltaic industries but also directly sold to end customers. Accordingly, each and every of its photovoltaic product is for external sale, its businesses include the manufacture and sales of monocrystalline silicon solar ingots and wafers; the manufacture and sales of photovoltaic modules; the installation of photovoltaic systems; and construction of photovoltaic power plant, focusing on providing one-stop solar energy service.

Qujing Yangguang is a company with limited liability incorporated under the PRC law, a non-wholly owned subsidiary of the Company as at the date of this announcement, principally engaged in production and sale of silicon and its products. As at the date of this announcement, Qujing Yangguang is owned as to 70% by Jinzhou Yangguang (a wholly-owned subsidiary of the Company), 20% by Jack Win Investment Holdings Limited and 10% by Jinzhou Xiaojuren Investment Centre (Limited Partnership)* (錦州小巨人投資中心(有限合夥)).

Jinzhou Yangguang is a limited liability company incorporated under the laws of the PRC, which is indirectly wholly-owned by the Company as at the date of this announcement.

The Vendor is a company listed on the Shanghai Stock Exchange (stock code: 688556) and is principally engaged in the design, development, production, sales, adjustment, maintenance and business-related technology service, consultation and training of equipment and machinery, moulds, break-off-the-edge tools, computer hardware and software, large scale integrated circuit and automatic system. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

The Financier is principally engaged in the financial leasing, leasing, purchase and assignment of leased property from domestic and overseas sellers, treatment of residual value of and maintenance of leased property, consultation on leasing transactions, operational leasing and business factoring related to its principal business. 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.

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 75% by Qingdao Huatong Finance Holding Ltd* (青島華通金融控股有限責任公司) and 25% by Huasing International Holdings Co., Limited, both of which are ultimately wholly-owned by the State-owned Asset Supervision and Administration Commission of the People's Government of Qingdao* (青島市人民政府國有資產監督管理委員會).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Qingdao Huatong Finance Holding Ltd* (青島華通金融控股有限責任公司) is a limited liability company established in the PRC and is principally engaged in investment management. Huasing International Holdings Co., Limited is an investment holding company incorporated in Hong Kong with limited liability.

LISTING RULES IMPLICATIONS

Since one 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:

“Asset Pledge Agreement”	the asset pledge agreement dated 18 December 2020 entered into between the Financier and the Lessee;
“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;
“Equipment”	certain machinery and equipment for the production of silicon ingot to be leased by the Financier to the Lessee under the Finance Lease Agreement, details of which are set out in the paragraph headed “Information of the Equipment” in this announcement;
“Finance Lease Agreement”	the finance lease agreement entered into between the Lessee and the Financier on 18 December 2020 for lease of the Equipment by the Financier to the Lessee;
“Finance Lease Arrangement”	the transactions contemplated under the Sale and Purchase Agreement, the Finance Lease Agreement and the Security Agreements;

“Finance Lease Guarantee”	the guarantee executed by Jinzhou Yangguang on 18 December 2020 in favor of the Financier pursuant to the Finance Lease Agreement;
“Financier” or “Purchaser”	Qingdao Huatong Finance Lease Co., Ltd* (青島華通融資租賃有限責任公司), a company established in the PRC with limited liability;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party”	third party who is independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules);
“Jinzhou Yangguang”	Jinzhou Yangguang Energy Co., Ltd* (錦州陽光能源有限公司), a limited liability company established in the PRC, which is indirectly wholly-owned by the Company as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LPR”	the prime rate for a loan with a term of five-year or above as published by the National Interbank Funding Centre (全國銀行間同業拆借中心) in the PRC from time to time;
“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 Yangguang” or “Lessee”	Qujing Yangguang Energy Silicon Co., Ltd* (曲靖陽光能源硅材料有限公司), a limited liability company established in the PRC, which is indirectly non wholly-owned by the Company as at the date of this announcement;
“Repurchase Agreement”	the repurchase agreement dated 18 December 2020 entered into between the Financier, the Vendor and the Lessee;
“Repurchase Guarantee”	the repurchase guarantee dated 18 December 2020 executed by Jinzhou Yangguang in favor of the Vendor;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Lessee, the Financier and the Vendor dated 18 December 2020;

“Security Agreements”	include the Asset Pledge Agreement, the Finance Lease Guarantee, the Repurchase Agreement and the Repurchase Guarantee;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Qingdao Gaoce Technology Shareholding Co., Ltd* (青島高測科技股份有限公司), a company established in the PRC with limited liability;
“%”	per cent.

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

Hong Kong, 18 December 2020

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 Ms. Fu Shuangye, Dr. Wong Wing Kuen, Albert and Ms. Feng Wenli.

* *For identification purposes only*