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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)

MAJOR TRANSACTION DISPOSAL OF STATE-OWNED LAND USE RIGHTS

THE DISPOSAL

The Board wishes to announce that on 21 September 2015 (after trading hours), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to dispose of, and the Purchaser has agreed to acquire, the state-owned land use rights in respect of the Land together with the factory buildings and premises erected thereon at a cash consideration of RMB182,620,000.

The Purchaser is a company established in the PRC by 錦州市城鄉規劃建設委員會 (Jinzhou Municipal Urban and Rural Planning and Construction Commission*), a governmental body in the PRC, with limited liability and is principally engaged in properties development, management of state-owned assets and investment in urban infrastructure construction projects.

As a result of the Disposal, the Group is expected to recognise a gain of approximately RMB113,120,000 which is calculated with reference to the consideration of the Disposal and the current asset value of the Land and unremovable machineries, potential loss arising from cessation of operation and costs of the Relocation. Shareholders should note that the exact amount of the gain of the Disposal accruing to the Group is subject to audit and therefore may be different from the amount mentioned above.

* For identification purpose only

In order to enhance economies of scale and operational efficiency while minimising the overall operational and management costs, the Company has implemented an integration and centralisation strategy to consolidate various production bases across Jinzhou City in Liaoning Province, the PRC, which are currently operated by different subsidiaries of the Company. As part of the integration plan, the Group has already relocated the majority of the production lines and facilities of the Vendor situated on the Land, and is in the course of relocating the remaining plants and machineries thereon, to another production base at Nos. 1–5, Section 3, Chifeng Street, Jinzhou Economic and Technological Development Zone, Jinzhou City (錦州市經濟技術開發區赤峰街3段1–5號), which is currently the largest production base of the Group. As at the date of this announcement, the remaining plants and machineries on the Land have minimal operation and no material manufacturing activities are expected to take place on the Land. Meanwhile, the Directors note that pursuant to the directions of the government of Jinzhou City, the Purchaser intends to acquire and resume the Land (which is currently assigned for industrial use only) as part of the urbanisation plan in Songshan New District, Jinzhou City. A proposal to purchase the Land was hence made to the Vendor by 錦州市城鄉規劃建設委員會 (Jinzhou Municipal Urban and Rural Planning and Construction Commission*) through the Purchaser. In line with the directions of the government of Jinzhou City and the Group's integration plan, the Vendor has agreed to dispose of, and the Purchaser has agreed to purchase, the Land pursuant to the Agreement. The Directors (including the independent non-executive Directors) consider that the Disposal and the Relocation are beneficial to the long-term development of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable ratio under Rule 14.07 of the Listing Rules in respect of the Disposal is greater than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to approval of the Shareholders. An EGM will be convened to consider and if thought fit, approve the Agreement and the transactions contemplated thereunder.

As no Shareholder has a material interest in the Agreement, no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM.

GENERAL

A circular containing, among other things, further details of the Disposal together with the notice of the EGM will be despatched to the Shareholders. To allow the Company to have sufficient time to collate the requisite information to be included in the circular, the despatch date of the circular is expected to be on or before 26 October 2015.

As the Disposal is conditional upon fulfillment of the condition precedent, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

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DISPOSAL OF STATE-OWNED LAND USE RIGHTS

The Board wishes to announce that on 21 September 2015 (after trading hours), the Vendor and the Purchaser entered into the Agreement, pursuant to which the Vendor has agreed to dispose of, and the Purchaser has agreed to acquire, the state-owned land use rights in respect of the Land together with the factory buildings and premises erected thereon at a cash consideration of RMB182,620,000. The principal terms of the Agreement are set out below.

Date

21 September 2015 (after trading hours)

Parties

- (a) the Vendor, an indirect wholly-owned subsidiary of the Company
- (b) the Purchaser, a company established in the PRC by 錦州市城鄉規劃建設委員會 (Jinzhou Municipal Urban and Rural Planning and Construction Commission*), a governmental body in the PRC, with limited liability. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

Subject matter

State-owned land use rights of the Land and the factory premises and ancillary structures established thereon. Particulars of the land use rights in respect of the Land are set out below:

| | |
|---------------------------------|---|
| Address: | The west side of Jinniang Line, Songshan New District, Jinzhou City, Liaoning Province, the PRC (中國遼寧省錦州市松山新區錦娘綫西側) |
| Land use permit number: | Jinzhouguyong (2007) No.000378 |
| Size of total area of the Land: | 62,863 sq. m. |
| Current land use: | Industrial |

Consideration and Payment Terms

The total consideration for the Disposal is RMB182,620,000, which shall be payable in cash by the Purchaser in the following manner:

- (i) RMB60,000,000 shall be paid by the Purchaser to the Vendor before 24 September 2015;
- (ii) RMB60,000,000 shall be paid by the Purchaser to the Vendor before 10 October 2015;
- (iii) RMB20,000,000 shall be paid by the Purchaser to the Vendor before 30 October 2015;
- (iv) RMB20,000,000 shall be paid by the Purchaser to the Vendor before 30 November 2015;
and
- (v) RMB22,620,000 shall be paid by the Purchaser to the Vendor upon the issue of the land use rights certificate in respect of the Land to the Purchaser by the relevant authorities in the PRC.

The consideration for the Disposal was arrived at after arm's length negotiation between the Vendor and the Purchaser with reference to the Valuation Reports in relation to the value of the land use rights in respect of the Land, the value of the premises erected thereon, the potential loss for cessation of operation and the anticipated costs of the Relocation. In preparing the Valuation Reports, the valuers, who are Independent Third Parties, have taken into account, among other things, the value of comparable benchmark of the land and properties in the market and the valuations were conducted in accordance with the applicable PRC laws and regulations. Particulars of the valuations are set out as follows:

| Item | Value <i>(approximately)</i> <i>RMB'000</i> | Date of valuation |
|---|--|--------------------------|
| (i) Land use rights | 42,000 | 7 July 2015 |
| (ii) Factory buildings and premises | 37,000 | 7 July 2015 |
| (iii) Ancillary structures | 6,000 | 7 July 2015 |
| (iv) Unremovable property | 48,000 | 6 June 2015 |
| (v) Potential loss for cessation operation | 40,000 | 6 June 2015 |
| (vi) Costs of the Relocation | 26,500 | 6 June 2015 |

The consideration of RMB182,620,000 may be subject to upward adjustment taking account of the compensation for the possible loss suffered by 錦州陽光能源有限公司 (Jinzhou Yangguang Energy Co., Ltd.*), a wholly-owned subsidiary of the Company, which operates a photovoltaic power plant for the supply of electricity to the Vendor prior to the Disposal. The amount of such compensation is subject to review and assessment by the relevant land reserve commission in Jinzhou City of such compensation.

The Vendor shall, within seven working days after signing of the Agreement, deliver the land use rights certificate and other title documents in respect of the Land to the Purchaser.

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Condition Precedent

Completion of the Disposal is conditional upon the approval by the Shareholders of the Agreement and the transactions contemplated thereunder having been obtained in accordance with the Listing Rules.

Completion

Completion of the Disposal shall take place before 31 December 2015 whereupon the Vendor shall deliver, and the Purchaser shall resume, the Land together with all buildings then erected thereon.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The principal activities of the Group are the manufacture of and provision of processing services for monocrystalline silicon solar ingots/wafers, and the production of photovoltaic cells and modules, the installation of photovoltaic systems and the operation of photovoltaic power plants. The Vendor, an indirect wholly-owned subsidiary of the Company, is principally engaged in manufacturing of monocrystalline ingots/wafers. The plants on the Land have been operated by the Vendor as its major production lines in Jinzhou City, Liaoning Province, the PRC.

In order to enhance economies of scale and operational efficiency while minimising the overall operational and management costs, the Company has implemented an integration and centralisation strategy to consolidate various production bases across Jinzhou City in Liaoning Province, the PRC, which are currently operated by different subsidiaries of the Company. As part of the integration plan, the Group has already relocated the majority of the production lines and facilities of the Vendor situated on the Land, and is in the course of relocating the remaining plants and machineries thereon, to another production base at Nos. 1–5, Section 3, Chifeng Street, Jinzhou Economic and Technological Development Zone, Jinzhou City (錦州市經濟技術開發區赤峰街3段1–5號), which is currently the largest production base of the Group. As at the date of this announcement, the remaining plants and machineries on the Land have minimal operation and no material manufacturing activities are expected to take place on the Land. Meanwhile, the Directors note that pursuant to the directions of the government of Jinzhou City, the Purchaser intends to acquire and resume the Land (which is currently assigned for industrial use only) as part of the urbanisation plan in Songshan New District, Jinzhou City. A proposal to purchase the Land was hence made to the Vendor by 錦州市城鄉規劃建設委員會 (Jinzhou Municipal Urban and Rural Planning and Construction Commission*) through the Purchaser. In line with the directions of the government of Jinzhou City and the Group's integration plan, the Vendor has agreed to dispose of, and the Purchaser has agreed to purchase, the Land pursuant to the Agreement. The Directors (including the independent non-executive Directors) consider that the Disposal and the Relocation are beneficial to the long-term development of the Group.

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On the other hand, having taken into account the market value of the Land, the net proceeds and possible gain arising from the Disposal, the Directors consider that the Disposal presents a good opportunity to realise the value of the Land so as to enable the Group to strengthen its working capital position and provide funding for the Group's future investments should suitable investment opportunities arise.

In light of the above, the Directors (including its independent non-executive Directors) consider that the terms of the Disposal and the consideration for the Disposal are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

As a result of the Disposal, the Group is expected to recognise a gain of approximately RMB113,120,000 which is calculated with reference to the consideration of the Disposal and the current asset value of the Land and unremovable machineries, potential loss arising from cessation of operation and costs of the Relocation. Shareholders should note that the exact amount of the gain of the Disposal accruing to the Group is subject to audit and therefore may be different from the amount mentioned above. Apart from the above-mentioned gain expected to be recognized, the Disposal and Relocation will not have any impact on the Company's liabilities.

PROPOSED USE OF PROCEEDS

The sale proceeds from the Disposal amount to RMB182,620,000 (assuming no adjustment is made), of which RMB27,000,000 will be used for the Relocation and necessary costs and expenses incurred in connection with the Disposal and RMB155,620,000 will be used for general working capital of the Group and to capture any business and investment opportunities should suitable opportunity arise in future.

INFORMATION ON THE PURCHASER

The Purchaser is a company established in the PRC by 錦州市城鄉規劃建設委員會 (Jinzhou Municipal Urban and Rural Planning and Construction Commission*), a governmental body in the PRC, with limited liability and is principally engaged in properties development, management of state-owned assets and investment in urban infrastructure construction projects. To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Purchaser and its ultimate beneficial owner(s) is an Independent Third Party.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable ratio under Rule 14.07 of the Listing Rules in respect of the Disposal is greater than 25% but less than 75%, the Disposal constitutes a major transaction for the Company under the Listing Rules and is subject to approval of the Shareholders. An EGM will be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

As no Shareholder has a material interest in the Agreement, no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM.

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GENERAL

A circular containing, among other things, further details of the Disposal together with the notice of the EGM will be despatched to the Shareholders. To allow the Company to have sufficient time to collate the requisite information to be included in the circular, the despatch date of the circular is expected to be on or before 26 October 2015.

As the Disposal is conditional upon fulfillment of the condition precedent, the Disposal may or may not proceed. Shareholders and potential investors are advised to exercise caution in dealing in the Shares.

DEFINITIONS

Unless otherwise defined, the following expressions in this announcement have the following meanings:

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| “Agreement” | the land use rights resumption and compensation agreement dated 21 September 2015 entered into between the Vendor and the Purchaser in respect of the Disposal |
| “Board” | the board of Directors of the Company |
| “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 |
| “connected person(s)” | has the same meaning as ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Disposal” | the disposal of the state-owned land use rights in respect of the Land and the factory premises and ancillary structures erected thereon pursuant to the Agreement |
| “EGM” | the extraordinary general meeting of the Company to be convened and held to consider and approve the Agreement and the transactions contemplated thereunder |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |

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| “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 enquiries, independent of and not connected with the Company and its connected persons |
| “Land” | a piece of state-owned land with an approximate area of 62,863 sq. m. located at the west side of Jinniang Line, Songshan New District, Jinzhou City, Liaoning Province, the PRC (中國遼寧省錦州市松山新區錦娘綫西側), which is currently occupied by the Vendor for industrial purpose together with the factory buildings and premises erected thereon |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China, for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Purchaser” | 錦州市城市建設投資發展有限公司(Jinzhou City Urban Building Investment Development Co., Ltd.*), a company established in the PRC by 錦州市城鄉規劃建設委員會 (Jinzhou Municipal Urban and Rural Planning and Construction Commission*), a governmental body in the PRC, with limited liability |
| “Relocation” | the relocation of production lines and facilities from the Land to the Group’s production base at Nos. 1-5, Section 3, Chifeng Street, Jinzhou Economic and Technological Development Zone, Jinzhou City (錦州市經濟技術開發區赤峰街3段1-5號) |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Share(s)” | the ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | shareholder(s) of the Company |
| “sq. m.” | square metre |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

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| “Valuation Reports” | the valuation reports prepared by qualified property valuers, who, to the best of the Directors’ knowledge, information and belief and having made reasonable enquiries, are Independent Third Parties |
| “Vendor” | 錦州日鑫硅材料有限公司 (Jinzhou Rixin Silicon Materials Co., Ltd.*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company |
| “%” | per cent |

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

Hong Kong, 21 September 2015

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. Wong Wing Kuen, Albert and Mr. Zhang Chun.

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