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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)**

### **CAPITAL INJECTION INTO JINZHOU YANGGUANG MOTECH RENEWABLE ENERGY CO., LTD. CONSTITUTING DISCLOSEABLE TRANSACTION AND DEEMED DISPOSAL**

#### **CAPITAL INJECTION AGREEMENT**

The Board is pleased to announce that on 12 November 2015, Jinzhou Jinmao, a wholly-owned subsidiary of the Company, Motech Suzhou and the Target Subsidiary entered into the Capital Injection Agreement, pursuant to which Jinzhou Jinmao and Motech Suzhou agreed to inject a capital of RMB8.6 million and RMB11.4 million, respectively, into the Target Subsidiary by way of cash contribution.

In order to cope with the significant growth in demand from the Company's customers for photovoltaic modules, Jinzhou Jinmao established the Target Subsidiary in October 2015, which engages in the manufacturing of photovoltaic modules and the undertaking, design and installation of photovoltaic systems and engineering. The Target Subsidiary has a planned annual production capacity of 600MW, of which 400MW will commence production in February 2016 and the remaining 200MW is set to follow in the third quarter of 2016. The Company's total annual production volume of photovoltaic modules will then reach 1,200MW. Driven by the strong customer demand for downstream photovoltaic modules, the Company's competitive edge in terms of cost effectiveness will be strengthened in relation to the vertical integration strategy. The Directors considered that it would be in the interests of the Company and its shareholders as a whole for Jinzhou Jinmao and Motech Suzhou to inject further capital in the aggregate of RMB20 million into the Target Subsidiary to expand its production capacity and to meet its general working capital requirements. Through the Capital Injection, the Group has also established a strategic partnership with Motech Suzhou, where both parties will leverage their respective strengths and experiences in laying a solid foundation for broader co-operation in the future.

Upon completion of the Capital Injection, the Target Subsidiary will be held as to 81% by Jinzhou Jinmao and 19% by Motech Suzhou.

### **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratio (as defined in the Listing Rules) in respect of the capital injection of RMB8.6 million by Jinzhou Jinmao into the Target Subsidiary, when aggregated with the capital contribution of RMB40 million by Jinzhou Jinmao upon establishment of the Target Subsidiary on 26 October 2015 pursuant to Rule 14.22 of the Listing Rules, exceeds 5% but does not exceed 25%, the capital injection of an aggregate amount of RMB48.6 million into the Target Subsidiary by Jinzhou Jinmao will therefore constitute a discloseable transaction for the Company under the Listing Rules.

On the other hand, following the completion of the Capital Injection, the Company's interest in the Target Subsidiary will be diluted and the capital injection of RMB11.4 million into the Target Subsidiary by Motech Suzhou constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As none of the applicable percentage ratios (as defined in the Listing Rules) in respect of such capital injection by Motech Suzhou exceed 5%, such capital injection does not constitute a discloseable transaction of the Company under the Listing Rules.

### **CAPITAL INJECTION AGREEMENT**

The Board is pleased to announce that on 12 November 2015, Jinzhou Jinmao, a wholly-owned subsidiary of the Company, Motech Suzhou and the Target Subsidiary entered into the Capital Injection Agreement, pursuant to which Jinzhou Jinmao and Motech Suzhou agreed to inject a capital of RMB8.6 million and RMB11.4 million, respectively, into the Target Subsidiary by way of cash contribution. Upon completion of the Capital Injection, the Target Subsidiary will be held as to 81% by Jinzhou Jinmao and 19% by Motech Suzhou. Details of the Capital Injection Agreement and the Capital Injection are set out below:

#### **Parties**

- (1) Jinzhou Jinmao
- (2) Motech Suzhou
- (3) Target Subsidiary

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, each of Motech Suzhou and its ultimate beneficial owner(s) is an Independent Third Party.

#### **Capital Injection**

Immediately prior to the Capital Injection, the registered capital of the Target Subsidiary was RMB40 million which had been fully paid up and the Target Subsidiary was wholly owned by Jinzhou Jinmao.

Under the terms of the Capital Injection Agreement, Jinzhou Jinmao and Motech Suzhou agreed to inject a capital of RMB8.6 million and RMB11.4 million, respectively, into the Target Subsidiary by way of cash contribution. The amount of the Capital Injection was determined after arm's length negotiation between Jinzhou Jinmao and Motech Suzhou 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 and the Benefits of the Capital Injection" below. Upon completion of the Capital Injection, the Target Subsidiary will be held as to 81% by Jinzhou Jinmao and 19% by Motech Suzhou and the total registered capital of the Target Subsidiary will be increased from RMB40 million to RMB60 million.

The amount of the Capital Injection in the amount of RMB8.6 million to be contributed by Jinzhou Jinmao will be funded by the Group's internal resources.

### **Completion**

Completion of the Capital Injection shall take place within 30 days from the date of the Capital Injection Agreement.

Pursuant to the Capital Injection Agreement, after completion of the Capital Injection, the board of directors of the Target Subsidiary shall consist of five members, four of whom shall be nominated by Jinzhou Jinmao and the remaining director shall be nominated by Motech Suzhou.

### **INFORMATION ON THE TARGET SUBSIDIARY**

The Target Subsidiary was established 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	:	錦州陽光茂迪新能源有限公司 (Jinzhou Yangguang Motech Renewable Energy Co., Ltd.)
Date of incorporation	:	26 October 2015
Place of incorporation	:	PRC
Scope of business	:	Manufacturing of photovoltaic modules and undertaking, design and installation of photovoltaic systems and engineering
Registered capital immediately prior to the Capital Injection	:	RMB40,000,000 (fully paid-up)
Registered capital immediately after the Capital Injection	:	RMB60,000,000

## **(b) Financial information**

The unaudited net asset value of the Target Subsidiary as at the date of the Capital Injection Agreement was RMB40,000,000. Given that the Target Subsidiary has not commenced any business operation, the Target Subsidiary has not recorded any profit or loss since the date of its establishment.

### **FINANCIAL IMPACT OF THE CAPITAL INJECTION ON THE GROUP**

Following completion of the Capital Injection, the registered capital of the Target Subsidiary will be increased from RMB40 million to RMB60 million, which shall be owned as to 81% by Jinzhou Jinmao and as to 19% by Motech Suzhou. The Target Subsidiary will continue to be a subsidiary of the Company and the financial results of the Target Subsidiary will continue to be consolidated by the Group.

Based on the existing information available to the Company, the expected gain from the Capital Injection will amount to approximately RMB8.6 million, which is based on the net asset value of the Target Subsidiary attributable to the Group after completion of the Capital Injection less the net asset value of the Target Subsidiary attributable to the Group before completion of the Capital Injection. This expected gain from the Capital Injection will account for as an equity transaction and will be recognized as a movement in the reserves of the Group. The Capital Injection will not result in any significant impact to the profit or loss of the Group.

### **APPLICATION OF THE CAPITAL INJECTION**

The Target Subsidiary intends to utilize the proceeds from the Capital Injection for expansion of module business and its general working capital.

### **REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION**

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.

In order to cope with the significant growth in demand from the Company's customers for photovoltaic modules, Jinzhou Jinmao established the Target Subsidiary in October 2015, which engages in the manufacturing of photovoltaic modules and the undertaking, design and installation of photovoltaic systems and engineering. The Target Subsidiary has a planned annual production capacity of 600MW, of which 400MW will commence production in February 2016 and the remaining 200MW is set to follow in the third quarter of 2016. The Company's total annual production volume of photovoltaic modules will then reach 1,200MW. Driven by the strong customer demand for downstream photovoltaic modules, the Company's

competitive edge in terms of costs effectiveness will be strengthened in relation to the vertical integration strategy. The Directors considered that it would be in the interests of the Company and its shareholders as a whole for Jinzhou Jinmao and Motech Suzhou to inject further capital in the aggregate of RMB20 million into the Target Subsidiary to expand its production capacity and to meet its general working capital requirements.

The Directors consider that the Capital Injection will strengthen the Target Subsidiary's capital base which in turn will meet its capital needs and facilitate the growth of the module business of the Group. Through the Capital Injection, the Group has also established a strategic partnership with Motech Suzhou, where both parties will leverage their respective strengths and experiences in laying a solid foundation for broader co-operation in the future.

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

### **INFORMATION ON JINZHOU JINMAO**

Jinzhou Jinmao 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.

### **INFORMATION ON MOTECH SUZHOU**

Motech Suzhou, established on 31 December 2006, is principally engaged in the research, development, and manufacture of high quality solar products and services, ranging from Photovoltaic (PV) cells, PV modules to PV power systems.

### **INFORMATION ON TARGET SUBSIDIARY**

The Target Subsidiary is principally engaged in the manufacturing of photovoltaic modules and undertaking, design and installation of photovoltaic systems and engineering.

### **LISTING RULES IMPLICATIONS**

Since the applicable percentage ratio (as defined in the Listing Rules) in respect of the capital injection of RMB8.6 million by Jinzhou Jinmao into the Target Subsidiary, when aggregated with the capital contribution of RMB40 million by Jinzhou Jinmao upon establishment of the Target Subsidiary on 26 October 2015 pursuant to Rule 14.22 of the Listing Rules, exceeds 5% but does not exceed 25%, the capital injection of an aggregate amount of RMB48.6 million into the Target Subsidiary by Jinzhou Jinmao will therefore constitute a discloseable transaction for the Company under the Listing Rules.

On the other hand, following the completion of the Capital Injection, the Company's interest in the Target Subsidiary will be diluted and the capital injection of RMB11.4 million into the Target Subsidiary by Motech Suzhou constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As none of the applicable percentage ratios (as defined in the Listing Rules) in respect of such capital injection by Motech Suzhou exceed 5%, such capital injection does not constitute a discloseable transaction of the Company under the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors of the Company
“Capital Injection”	the capital injection in the amount of RMB8.6 million and RMB11.4 million by Jinzhou Jinmao and Motech Suzhou, respectively, to the registered capital of the Target Subsidiary by way of cash contribution pursuant to the Capital Injection Agreement
“Capital Injection Agreement”	a capital injection agreement entered into by Jinzhou Jinmao, Motech Suzhou and the Target Subsidiary dated 12 November 2015 in respect of the Capital Injection
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“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

“Jinzhou Jinmao”	錦州錦懋光伏科技有限公司 (Jinzhou Jinmao Photovoltaic Technology Co., Ltd.), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Motech Suzhou”	茂迪(蘇州)新能源有限公司 (Motech (Suzhou) Renewable Energy Co., Ltd.), a company established in the PRC and an Independent Third Party
“MW”	megawatt
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Subsidiary”	錦州陽光茂迪新能源有限公司 (Jinzhou Yangguang Motech Renewable Energy Co., Ltd.), a company established in the PRC with limited liability and a wholly owned subsidiary of the Company immediately prior to the Capital Injection
“%”	per cent.

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

Hong Kong, 12 November 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.*

*English names of the companies/entities which are incorporated or established in the PRC in this announcement are only translations of their official Chinese names for identification purpose only. In case of inconsistency, the Chinese names prevail.*