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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)

CONTINUING CONNECTED TRANSACTIONS

On 12 August 2008, the Company entered into the Sale Agreement with Huachang Guangfu pursuant to which the Company agreed to sell, or procure its subsidiaries to sell and Huachang Guangfu agreed to buy, or procure its subsidiaries to buy solar wafers.

On 12 August 2008, the Company entered into the Processing Agreement with Jinzhou Aoke pursuant to which the Company agreed to engage, or procure its subsidiaries to engage Jinzhou Aoke and/or its subsidiaries in the processing of wire slurry into recycled abrasives and mineral oil, a material necessary for the slicing of solar ingots into solar wafers.

As at the date of this announcement, Huachang Guangfu is owned (i) as to 53% by Huaxin Silicon whose equity interest is wholly owned by Mr. Tan, (ii) as to 22% by PLC which is owned as to 65% by Mr. Chong's wholly owned companies, as to 30% by Mr. Sam Wai Keung (a director of Jinzhou Huachang Silicon Materials Co., Ltd., a wholly owned subsidiary of the Company) and as to 5% by Mr. Chong Yu Ka, an Independent Third Party; (iii) as to 20% by Grand Sea, and (iv) as to 5% by Sequest. Mr. Stephen Chiao Sun-Hai is the brother of Mr. Chiao Ping-Hai who is a non-executive Director. Mr. Stephen Chiao Sun-Hai is therefore an associate of the Company. As Stephen Chiao Sun-Hai is a substantial shareholder of Grand Sea, Grand Sea is therefore an associate of Mr. Chiao Ping Hai and a connected person of the Company under the Listing Rules. As at the date of this announcement, Jinzhou Aoke is owned as to 35% by Jinzhou Yuexin whose equity interest is wholly owned by Mr. Tan and as to 65% by Independent Third Parties. Accordingly, Huachang Guangfu and Jinzhou Aoke are the associates of Mr. Tan within the meaning of the Listing Rules and the transactions contemplated under the Sale Agreement and the Processing Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable ratios under the respective aggregate annual amounts of the transactions contemplated under the Sale Agreement and the Processing Agreement will exceed 2.5%, the Sale Agreement and the Processing Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

An Independent Board Committee comprising the independent non-executive Directors has been formed to advise the Independent Shareholders on the terms of the Sale Agreement and the Processing Agreement and an Independent Financial Adviser has been appointed to advise the Independent Board Committee and Independent Shareholders on the terms of the Sale Agreement, the Processing Agreement and their respective annual cap amounts.

A circular containing, amongst other things, a notice convening the Extraordinary General Meeting and further details relating to the Sale Agreement, the Processing Agreement and the Continuing Connected Transactions and a letter from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions will be despatched to the Shareholders as soon as practicable.

THE SALE AGREEMENT

Date:	12 August 2008
Parties	The Company Huachang Guangfu, a company incorporated in the PRC, is owned (i) as to 53% by Huaxin Silicon whose equity interest is wholly owned by Mr. Tan, (ii) as to 22% by PLC which is owned as to 65% by Mr. Chong's wholly owned companies, as to 30% by Mr. Sam Wai Keung (a director of Jinzhou Huachang Silicon Materials Co., Ltd., a wholly owned subsidiary of the Company) and as to 5% by Mr. Chong Yu Ka, an Independent Third Party, (iii) as to 20% by Grand Sea, a Shareholder, and (iv) as to 5% by Sequest, a Shareholder.
Scope:	Pursuant to the Sale Agreement, the Company has agreed to or procure its subsidiaries to sell solar wafers to Huachang Guangfu and/or its subsidiaries (the " Sale Transactions ").
Term:	The Sale Agreement has a fixed term of three financial years ending on 31 December 2010.
Price:	The basis of determining the prices for the transactions under the Sale Agreement will be in accordance with the prevailing market price of solar wafers and the sales quantity.
Terms of the Sale Transactions:	The terms of the Sale Transactions will be determined on an individual purchase order basis and the terms of which are on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.

Annual cap amounts for the Sale Transactions:	During the term of the Sale Agreement, the annual maximum amount of the Sale Transactions will not exceed the following amounts: <ul style="list-style-type: none"> (i) RMB225,720,000 for the year ending 31 December 2008; (ii) RMB1,212,750,000 for the year ending 31 December 2009; and (iii) RMB2,113,650,000 for the year ending 31 December 2010.
Condition:	The Sale Agreement is subject to approval by the Independent Shareholders.
Payment:	Payments for the Sale Transactions will be at credit terms to be agreed between the parties in accordance with the normal term of sale offered to Independent Third Parties.

The annual cap amounts under the Sale Agreement are determined by reference to (i) the actual quantity of solar wafers produced by the Group in the first half of 2008; (ii) the anticipated increase in wafer production arising from an expansion in the manufacturing bases which is, subject to the prevailing market conditions, expected to reach approximately 48 million, 150 million and 250 million pieces of wafer by end of 2008, 2009 and 2010, respectively; (iii) the anticipated increase in demand from Huachang Guangfu for solar wafers; and (iv) the price of solar wafers sold to Independent Third Parties.

The Group expects that during the period between the date of this announcement and the date of the EGM it will enter into further transactions with Huachang Guangfu for the sale of solar wafers (the “**Interim Sale Transactions**”). The Interim Sale Transactions will be contracted on a transaction-by-transaction basis and individual agreements will be entered into with Huachang Guangfu for each of these Interim Sale Transactions, the terms of which will be the same as those of the Sale Agreement. No master agreement will be entered into in relation to these Interim Sale Transactions. The aggregate amount of the Interim Sale Transactions is expected to be not more than RMB25,000,000. The Interim Sale Transactions will be on normal commercial terms and will be entered into in the usual and ordinary course of business of the Group. The Directors (excluding the independent non-executive Directors) are of the view that the terms of the Interim Sale Transactions are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole.

As the relevant ratios of the Interim Sale Transactions are less than 2.5%, the Interim Sale Transactions are only subject to the reporting and announcement requirements and will be exempt from the Independent Shareholders’ approval requirements under the Listing Rules.

THE PROCESSING AGREEMENT

Date: 12 August 2008

Parties The Company

Jinzhou Aoke, a company incorporated in the PRC, is owned as to 35% by Jinzhou Yuexin whose equity interest is wholly owned by Mr. Tan and as to 65% by Independent Third Parties.

Scope:	Pursuant to the Processing Agreement, the Company has agreed to or procure its subsidiaries to engage Jinzhou Aoke in the processing of wire slurry (the “ Processing Transactions ”). The Company will supply wire slurry to Jinzhou Aoke for the recycling and processing into abrasives and mineral oil which will be used by the Group in the slicing of solar wafers.
Term:	The Processing Agreement has a fixed term of three financial years ending on 31 December 2010.
Price:	The basis of determining the prices for the transactions under the Processing Agreement will be in accordance with the prevailing processing fee and the anticipated quantity of recycled abrasives and mineral oil to be obtained by the Group.
Term of the Processing Transactions:	The terms of the Processing Transactions will be determined on an individual purchase order basis and the terms of which are on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.
Annual cap amounts for the Processing Transactions:	<p>During the term of the Processing Agreement for each of the three years ending 31 December 2010, the annual maximum amount for the Processing Transactions will not exceed the following amounts:</p> <ul style="list-style-type: none"> (i) RMB8,827,000 for the year ending 31 December 2008; (ii) RMB75,746,000 for the year ending 31 December 2009; and (iii) RMB147,736,000 for the year ending 31 December 2010.
Condition:	The Processing Agreement is subject to approval by the Independent Shareholders.
Payment:	Payments for the Processing Transactions will be at credit terms to be agreed between the parties in accordance with the normal term of supplies offered to Independent Third Parties.

The Company has not entered into and has no intention in entering into any transactions with Jinzhou Aoke prior to the EGM. The annual cap amounts under the Processing Agreement are determined by reference to (i) the actual quantity of abrasives and mineral oil used by the Group in the first half of 2008; (ii) the anticipated increase in wafer production arising from an expansion in the manufacturing bases which is, subject to the prevailing market conditions, expected to reach approximately 48 million, 150 million and 250 million pieces of wafer by end of 2008, 2009 and 2010, respectively; (iii) the anticipated quantity of recycled abrasives and mineral oil to be obtained by the Group in the next three financial years; and (iv) the projected processing fee of recycled abrasives and mineral oil in the next three financial years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AGREEMENT AND THE PROCESSING AGREEMENT

Huachang Guangfu is a new customer of the Group. Having considered the anticipated increasing demand of solar wafers from Huachang Guangfu whose transaction terms are no less favourable than terms available to other Independent Third Parties, the Directors believe that the entering of the Sale Agreement will enable the Group to secure a potential major customer and thereby enhancing the sale performance and profitability of the Group.

Recycled abrasives and mineral oil cost less than new abrasives and mineral oil. When mixed with new abrasives and mineral oil in a prescribed proportion, the mixture can be used in the slicing of solar wafers from solar ingots. Jinzhou Aoke is principally engaged in the recycling and processing of wire slurry, the factory of which is located in Jinzhou. As such, the Directors consider that it would be cost efficient to engage Jinzhou Aoke to process the Group's wire slurry to recycled abrasives and mineral oil. In addition, with the close proximity between the Company and Jinzhou Aoke, the transportation costs will be lowered when compared with other wire slurry processing companies which are not located in Jinzhou. With the increasing demand for recycled abrasives and mineral oil, the Directors believe that the entering of the Processing Agreement, the terms of which are no less favourable than terms available to Independent Third Parties, will lower the overall production cost which is in line with the Group's strategy.

GENERAL INFORMATION

The Group is one of the leading manufacturers of monocrystalline silicon ingots, measured in terms of production output and sales in China. It is engaged in the manufacturing of monocrystalline silicon ingots and wafers and the recycling and processing of scrap polysilicon. Silicon ingots and wafers are used for the manufacturing of photovoltaic cells which are important component of the solar energy generation system.

Huachang Guangfu is incorporated in the PRC and is principally engaged in the manufacturing of photovoltaic cells and solar cells. Jinzhou Aoke is incorporated in the PRC and is principally engaged in the business of recycling and reprocessing of wire slurry, lubricants (潤劑) and silicon materials (硅微粉).

IMPLICATIONS OF THE LISTING RULES

As at the date of this announcement, Huachang Guangfu is owned (i) as to 53% by Huaxin Silicon whose equity interest is wholly owned by Mr. Tan, (ii) as to 22% by PLC which is owned as to 65% by Mr. Chong's wholly owned companies, as to 30% by Mr. Sam Wai Keung (a director of Jinzhou Huachang Silicon Materials Co., Ltd., a wholly owned subsidiary of the Company) and as to 5% by Mr. Chong Yu Ka, an Independent Third Party; (iii) as to 20% by Grand Sea and (iv) as to 5% by Seaquest. Mr. Stephen Chiao Sun-Hai is the brother of Mr. Chiao Ping-Hai who is a non-executive Director. Mr. Stephen Chiao Sun-Hai is therefore an associate of the Company. As Stephen Chiao Sun-Hai is a substantial shareholder of Grand Sea, Grand Sea is therefore an associate of Mr. Chiao Ping-Hai and a connected person of the Company under the Listing Rules. As at the date of this announcement, Jinzhou Aoke is owned as to 35% by Jinzhou Yuexin whose equity interest is wholly owned by Mr. Tan and as to 65% by Independent Third Parties. Accordingly, Huachang Guangfu and Jinzhou Aoke are the associates of Mr. Tan within

the meaning of the Listing Rules, and the transactions contemplated under the Sale Agreement and the Processing Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

As the applicable ratios under the respective aggregate annual amounts of the transactions contemplated under the Sale Agreement and the Processing Agreement will exceed 2.5%, the Sale Agreement and the Processing Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Advisor) consider that the terms of the Sale Agreement and the Processing Agreement have been negotiated on arm's length basis and the Continuing Connected Transactions will be conducted on normal commercial terms. The Directors (excluding the independent non-executive Directors who will express their view after receiving advice from the Independent Financial Advisor) are of the view that as far as the Independent Shareholders are concerned, the terms of the Sale Agreement and the Processing Agreement are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole.

The Company will therefore seek the approval by the Independent Shareholders of the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions under the Sale Agreement and the Processing Agreement on terms in compliance with Rules 14A.48 of the Listing Rules.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting will be convened at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions. The voting at the Extraordinary General Meeting will be taken by poll. Mr. Tan, Mr. Chong, PLC, Grand Sea, Sequest, Mr. Chong Yu Ka, Mr. Sam Wai Keung, Ms Katherine Chiao, Mr. Edward Young Chiao, Mr. Stephen Chiao Sun-Hai, Mr. Chiao Ping-Hai, Mr. Quintin Wu and their respective associates will, if applicable, abstain from voting for the resolution to be proposed at the Extraordinary General Meeting to approve the Sale Agreement and its respective annual cap amounts. Mr. Tan and his associates will abstain from voting for the resolution to be proposed at the Extraordinary General Meeting to approve the Processing Agreement and its respective annual cap amounts. The circular containing, amongst others, further information on the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions, the advice of the Independent Financial Adviser to the Independent Board Committee and Independent Shareholders in relation to the Continuing Connected Transactions, the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Continuing Connected Transactions, and the notice of the Extraordinary General Meeting will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

In this announcement, the following expressions will have the following meanings unless the context otherwise requires:

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Solargiga Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Sale Agreement and the Processing Agreement
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Extraordinary General Meeting”	extraordinary general meeting of the Company to be convened to approve, among other things, the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions or any adjournment thereof
“Grand Sea”	Grand Sea Investments Limited, a Shareholder which is owned as to approximately 62.5% by Ms Katherine Chiao, approximately 18.75% by Mr. Edward Young Chiao and approximately 18.75% by Mr. Stephen Chiao Sun-Hai
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huachang Guangfu”	Jinzhou Huachang Photovoltaic Technology Co., Ltd.* (錦州華昌光伏有限公司), a company incorporated in PRC
“Huaxin Silicon”	Jinzhou Huaxin Silicon Material Trading Department* (錦州華新硅材料經營部), a sole proprietorship enterprise in the PRC and wholly-owned by Mr. Tan, is engaged in investment holding
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Continuing Connected Transactions

“Independent Financial Advisor”	Piper Jaffray Asia Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions
“Independent Shareholders”	the Shareholders other than Mr. Tan, Mr. Chong, PLC, Grand Sea, Seaquest, Mr. Chiao Ping-Hai and their respective associates
“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, not connected with the Company and its connected persons
“Jinzhou Aoke”	Jinzhou Aoke New Materials Co., Ltd.* (錦州奧克新材料有限公司), a company incorporated in PRC
“Jinzhou Yuexin”	Jinzhou Yuexin Silicon Materials Co., Ltd.* (錦州悅鑫硅材料有限公司), a company incorporated in PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chong”	Mr. Chong Kin Ngai, a non-executive Director, a Shareholder and a connected person of the Company
“Mr. Tan”	Mr. Tan Wenhua, an executive Director, a Shareholder and a connected person of the Company
“PLC”	Prosperity Lamps and Components Limited, a Shareholder which is owned as to 65% by Mr. Chong’s wholly owned companies, as to 30% by Mr. Sam Wai Keung and as to 5% by Mr. Chong Yu Ka
“PRC”	the People’s Republic of China
“Processing Agreement”	the processing agreement dated 12 August 2008 entered into between the Company and Jinzhou Aoke
“RMB”	Renminbi, the lawful currency of PRC
“Sale Agreement”	the sale agreement dated 12 August 2008 entered into between the Company and Huachang Guangfu
“Seaquest”	Seaquest Ventures Inc., a Shareholder which is wholly owned by Mr. Quintin Wu

“Shareholder(s)” shareholder(s) of the Company

“Stock Exchange” The Stock Exchange of Hong Kong Limited

“%” per cent.

* *English translation of Chinese official name is for identification purpose only*

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

12 August 2008

As at the date of this announcement, Mr. Tan Wenhua, Mr. Hsu You Yuan and Ms. Zhang Liming are executive Directors, Mr. Chiao Ping-hai and Mr. Chong Kin Ngai are non-executive Directors and Ms. Fu Shuangye, Mr. Lin Wen, Mr. Wong Wing Kuen, Albert and Mr. Zhang Chun are independent non-executive Directors.