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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF KINMAC SOLAR CORPORATION AND SUBSCRIPTION OF NEW SHARES

The Board is pleased to announce that on 1 June 2009, the Company entered into a legally binding memorandum of understanding with the Vendors in respect of the Proposed Acquisition and the Subscription.

Pursuant to the Memorandum of Understanding, STIC, a wholly-owned subsidiary of the Company, will purchase from the Vendors an aggregate of 44,239,980 Sale Shares, representing approximately 78.93% of the issued share capital of Kinmac at a consideration of NT\$22.00 per Sale Share, equivalent to an aggregate consideration of NT\$973,279,560 (equivalent to approximately HK\$231,733,229). The Vendors will apply the net proceeds from the disposal of the Sale Shares to subscribe for an aggregate of 78,924,124 new Shares of the Company at HK\$2.92 per Share.

Pursuant to the terms of the Memorandum of Understanding, the Vendors will procure the minority shareholders of Kinmac to also sell their shares in Kinmac to STIC on the same terms and conditions as that of the Vendors, and the Company and Vendors will negotiate in good faith and finalise the formal agreements in respect of the Proposed Acquisition and the Subscription as soon as practicable.

The Proposed Acquisition will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant disclosure requirements of the Listing Rules as and when appropriate. The Subscription is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. **As the Proposed Acquisition and the Subscription may or may not materialise, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

THE PROPOSED ACQUISITION

On 1 June 2009, the Company and the Vendors, which are interested in more than 50% of the issued share capital of Kinmac, including also the senior management of Kinmac, entered into the Memorandum of Understanding pursuant to which the Vendors agreed to sell their interests in an aggregate of 44,239,980 Sale Shares, representing approximately 78.93% of the existing issued share capital of Kinmac to STIC at a consideration of NT\$22.00 per Sale Share.

The Vendors comprise 18 individual shareholders and corporate shareholders of Kinmac. Kinmac is interested in the entire issued share capital of Kinmac Holdings, which is in turn interested in 35% of the registered capital of the JV Co, an indirect non-wholly owned subsidiary of the Company. Kinmac is therefore a connected person of the Company. As none of the Vendors is interested in 30% or more of the issued share capital of Kinmac, the Vendors are not connected persons of the Company for the purposes of the Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors (and the ultimate beneficial owner of the Vendors in the case where the Vendor is a company) are independent of the Company and its connected persons.

Assets to be acquired

The Sale Shares represent approximately 78.93% of the issued share capital of Kinmac as at the date of this announcement. Kinmac and its subsidiaries are principally engaged in the production of standard photovoltaic modules, the design and installation of solar panel modules as well as the building integrated photovoltaic for Europe and Taiwan markets. Kinmac Holdings also holds 35% of the JV Co, of which 51% is held by Jinzhou Yangguang Energy Co., Ltd., an indirectly wholly-owned subsidiary of the Company, with the remaining 14% of the JV Co being held by an independent third party. The JV Co is principally engaged in the production and sales of photovoltaic modules as well as the design and installing of photovoltaic systems.

Pursuant to the terms of the Memorandum of Understanding, the Vendors will procure the minority shareholders of Kinmac to also sell their shares in Kinmac to STIC on the same terms and conditions as that of the Vendors, and the Company and Vendors will negotiate in good faith and finalise the formal agreements in respect of the Proposed Acquisition and the Subscription as soon as practicable.

Consideration

The consideration for the acquisition of the Sale Shares shall be NT\$22.00 per Sale Share, or an aggregate consideration of NT\$973,279,560 (equivalent to approximately HK\$231,733,229), which will be satisfied in full in cash by the Company at Completion. The consideration for the Proposed Acquisition will be financed by the Company's internal resources.

The consideration for the acquisition of the Sale Shares was determined after arm's length negotiation between the Company and the Vendors with reference to a number of factors, including, among others, the unaudited net asset value of Kinmac and its subsidiaries in its entirety of NT\$853,377,421 (equivalent to approximately HK\$203,185,100) as at 30 April

2009, the synergies to be derived by the Company after the successful business integration of Kinmac and its subsidiaries as well as other factors set out in the paragraph headed “Information on Kinmac and reasons for the Proposed Acquisition and the Subscription” below. The Directors (including the independent non-executive Directors) are of the view that the consideration for the acquisition of the Sale Shares is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the Proposed Acquisition shall be conditional upon, among others, the fulfilment (or waiver, as the case may be) of the following conditions:

- (a) STIC having notified the Vendors that it is satisfied with the results of its due diligence review and investigation of Kinmac and its subsidiaries;
- (b) the compliance of the Company of the requirements of the Listing Rules;
- (c) the execution by each of Chen, Chin-Tsai and Huang, Bing-Lin, directors of Kinmac, of an indemnity in form and substance satisfactory to the Company; and
- (d) if applicable, the obtaining of all consents, authorisations and approvals by the Vendors or Kinmac or its subsidiaries in accordance with regulatory requirements or from third parties in relation to the transactions contemplated under the Memorandum of Understanding.

Completion of the Proposed Acquisition will take place on the seventh Business Day after the day on which the last conditions precedent are fulfilled or waived by the Company, or such other date as the Company and the Vendors may agree in writing.

SUBSCRIPTION

Pursuant to the terms of the Memorandum of Understanding, the Vendors will apply the proceeds from the disposal of the Sale Shares, less expenses, to subscribe for new Shares in the Company at the subscription price of HK\$2.92 per Share.

Subscription Shares

Based on the subscription price of HK\$2.92 per new Share and the net proceeds of the Proposed Acquisition of approximately HK\$230,458,442, 78,924,124 new Shares, representing approximately 4.64% of the existing issued share capital of the Company will be issued pursuant to the Subscription. The Subscription Shares represents approximately 4.44% of the issued share capital of the Company as enlarged by the Subscription. Each Vendor will obtain such number of shares proportionate to its shareholding in Kinmac.

Subscription Price

The Subscription Price of HK\$2.92 per Share was arrived at after arm's length negotiations between the Vendors and the Company and after having considered the recent market price of the Shares.

The Subscription Price represents:

- (i) a premium of approximately 0.34% to the closing price of HK\$2.910 per Share as quoted on the Stock Exchange on 1 June 2009, the date of the Memorandum of Understanding; and
- (ii) a premium of approximately 1.96% to the average closing price of HK\$2.864 per Share as quoted on the Stock Exchange for the last five trading days up to and including 1 June 2009.

Given that the Subscription Price is at a premium to the 5-day average closing prices of the Shares, the Directors (including the independent non-executive Directors) therefore consider that the Subscription Price is fair and reasonable under the current market conditions, and that the Subscription is in the interest of the Company and the Shareholders as a whole.

The Subscription Shares have a nominal value of HK\$7,892,412 and a market value of HK\$229,669,201, based on the closing price of HK\$2.91 per Share on 1 June 2009, the date of the Memorandum of Understanding. After deducting expenses relating to the Proposed Acquisition and the Subscription, the net price per Subscription Share is approximately HK\$2.92.

Conditions of the Subscription

No shareholders' approval is required for the Subscription and the Subscription Shares will be issued and allotted by the Company pursuant to the general mandate granted to the Directors to issue Share (the "**Issue Mandate**") at the annual general meeting held on 22 May 2008. At that annual general meeting, the Shareholders have granted to the Directors, among others, the Issue Mandate, pursuant to which the Company may issue up to 338,153,300 Shares, representing 20% of the issued share capital of the Company of 1,690,766,500 Shares as at the date of the passing of the resolution. As at the date of this announcement, no Shares have been issued pursuant to the Issue Mandate.

The Subscription is conditional upon, among others, the following:

- (a) Completion of the Proposed Acquisition; and
- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Subscription Shares.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Ranking of the Subscription Shares

The Subscription Shares, when fully paid, will rank pari passu in all respects with the Shares in issue on the date of the Subscription Completion, including the right to any distributions declared on or after the date of the Subscription Completion.

EFFECT ON THE SHAREHOLDING OF THE COMPANY FOLLOWING COMPLETION OF THE SUBSCRIPTION

As at the date of this announcement, save for the outstanding 22,769,163 share options granted under the share option scheme adopted by the Company on 27 February 2008, the Company has no outstanding derivatives, options, warrants, conversion rights or other similar rights which are convertible or exchangeable into Shares. Based on the information in the register required to be kept under Section 352 of the Securities and Future Ordinance, set out below is the table of the shareholdings in the Company before and after completion of the Subscription:

Shareholder	Shareholding as at the date of this announcement		Shareholding after completion of the Subscription	
	Shares	% of shareholding	Shares	% of shareholding
Tan Wenhua	473,128,500	27.83	473,128,500	26.60
Wafer Works Corp.	358,364,000	21.08	358,364,000	20.14
Chong Kin Ngai (<i>Note</i>)	133,560,250	7.86	133,560,250	7.51
Hsu You Yuan	18,897,875	1.11	18,897,875	1.06
Chiao Ping Hai	5,635,500	0.33	5,635,500	0.32
Zhang Liming	3,133,500	0.19	3,133,500	0.17
Other public shareholders	707,261,875	41.60	707,261,875	39.76
Vendors	–	–	78,924,124	4.44
Total	<u>1,699,981,500</u>	<u>100.00</u>	<u>1,778,905,624</u>	<u>100.00</u>

Notes:

As at the date of this announcement, Mr. Chong Kin Ngai (“Mr. Chong”) is interested in an aggregate of 99,719,000 Shares, of which 1,254,500 Shares are directly held by Mr. Chong, 82,617,000 Shares are held by Prosperity Electric Corporation (“PEC”) and 15,847,500 Shares are held by PLC. PLC is held as to 20% by PEC, as to 45% by Leigh Company Limited and as to 35% by independent third parties. Both PEC and Leigh Company Limited are wholly-owned by Mr. Chong.

33,841,250 Shares were held by Mr. Chong in trust for, among others, certain management members and employees of STIC and its subsidiaries. Mr. Chong was entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant shares in trust for these senior management members and employees to the extent the relevant Shares remain subject to a lock-up period.

CAPITAL-RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has not carried out any capital raising activities in the 12 months immediately preceding the date of this announcement.

INFORMATION ON KINMAC AND REASONS FOR THE PROPOSED ACQUISITION AND THE SUBSCRIPTION

Kinmac and its subsidiaries are principally engaged in the production of standard photovoltaic modules, the design and installation of solar panel modules as well as the building integrated photovoltaic for Europe and Taiwan markets. Kinmac Holdings also holds 35% of the JV Co, of which 51% is held by Jinzhou Yangguang Energy Co., Ltd., a wholly-owned subsidiary of the Company, with the remaining 14% of the JV Co being held by an independent third party. The JV Co is principally engaged in the production and sales of photovoltaic modules as well as the design and installing of photovoltaic systems.

The financial information of Kinmac for the two financial years ended 31 December 2008 are as follows:

	Year ended 31 December 2008 (audited) <i>NT\$'000</i>	Year ended 31 December 2007 (audited) <i>NT\$'000</i>
Revenue	1,425,058	112,023
Profit/(loss) before taxation	5,259	(65,323)
Profit/(loss) after taxation	10,844	(48,901)
Net assets	865,618	334,270

The Group is one of the leading manufacturers of monocrystalline silicon solar ingots and wafers in the PRC. It principally engages in the manufacturing of monocrystalline silicon solar ingots and wafers and the recycling and processing of scrap polysilicon. Silicon solar ingots and wafers are used for the manufacturing of photovoltaic cells which are important components of solar energy generation systems. Upon completion of the purchase of the Sale Shares, Kinmac will become a subsidiary of the Group and would enable the Group to develop the downstream business in both the PRC and abroad in the photovoltaic industry. The Directors (including the independent non-executive Directors) consider that the Proposed Acquisition was being conducted on normal commercial terms after arm's length negotiations, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As the Vendors and the minority shareholders of Kinmac will apply the proceeds from their disposal of the Sale Shares to subscribe for new Shares in the Company, the Directors consider that it is an appropriate mean to increase the capital and shareholder base of the Company.

GENERAL

The Vendors and the Company will negotiate in good faith and finalise the formal agreements in respect of the Proposed Acquisition and the Subscription as soon as practicable.

The Proposed Acquisition will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules. The Company will comply with the relevant disclosure requirements of the Listing Rules as and when appropriate. The Subscription is conditional upon, among others, the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares. **As the Proposed Acquisition and the Subscription may or may not materialise, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

Definitions

Unless otherwise stated, the terms in this announcement have the following meanings:

“Board”	the board of Directors;
“Business Day”	any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are open for business;
“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;
“Completion”	completion of the sale and purchase of the Sale Shares;
“Connected person”	has the meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“JV Co”	Jinzhou Jinmao Photovoltaic Technology Co., Ltd., a company incorporated in the PRC and is held as to 35% by Kinmac Holdings and as to 51% by Jinzhou Yangguang Energy Co., Ltd.;
“Kinmac”	Kinmac Solar Corporation (formerly known as Lucky Power Technology Company Limited), a company incorporated in Taiwan with limited liability and its issued share capital of which is held by the Vendors;
“Kinmac Holdings”	Kinmac Holdings Limited, a company incorporated in Samoa with limited liability and its issued share capital of which is held solely by Kinmac;
“Last Trading Day”	1 June 2009, being the date of the Memorandum of Understanding;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Memorandum of Understanding”	the legally binding memorandum of understanding dated 1 June 2009 between the Vendors and the Company in relation to the Proposed Acquisition and the Subscription;
“NT\$”	New Taiwan Dollar, the lawful currency of Taiwan;
“PRC”	the People’s Republic of China;
“Proposed Acquisition”	the acquisition by STIC of the Sale Shares pursuant to the terms of the Memorandum of Understanding;
“Sale Shares”	44,239,980 shares of NT\$10.00 each in the share capital of Kinmac, representing 78.93% of the issued share capital of Kinmac;
“Shareholders”	holders of the Shares;
“Shares”	shares of HK\$0.10 each in the capital of the Company;
“STIC”	Solar Technology Investment (Cayman) Corp, a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription”	the subscription of the Subscription Shares by the Vendors;
“Subscription Completion”	completion of the subscription;
“Subscription Price”	HK\$2.92 per Subscription Share;
“Subscription Shares”	78,924,124 new Shares to be subscribed by the Vendors;
“Vendors”	the 18 shareholders of Kinmac as at the date of this announcement, who collectively hold 78.93% of the issued share capital of Kinmac; and
“%”	per cent.

For illustration purposes, amounts in NT\$ in this announcement is translated into HK\$ at HK\$1.00 = NT\$4.20.

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

Hong Kong, 1 June 2009

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 Mr. Wong Wing Kuen, Albert, Ms. Fu Shuangye, Dr. Lin Wen and Mr. Zhang Chun are independent non-executive Directors.