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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)

DISCLOSEABLE TRANSACTION AND SUBSCRIPTION OF NEW SHARES

Reference is made to the announcement of the Company dated 1 June 2009.

Proposed Acquisition

The Board is pleased to announce that on 11 June 2009, the Company entered into Sale and Purchase Agreement with the Vendors in respect of the Proposed Acquisition, pursuant to which STIC, a wholly-owned subsidiary of the Company, has conditionally agreed to purchase from the Vendors an aggregate of 44,239,980 Sale Shares, representing approximately 77.17% of the existing 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).

Pursuant to the terms of the Memorandum of Understanding, the Vendors have agreed to procure the Minority Shareholders to also sell their interests in Kinmac to STIC on the same terms and conditions as the Sale and Purchase Agreement. The Company has on the date of this announcement, obtained consents to sell from Minority Shareholders holding an aggregate of approximately 22.20% of the existing issued share capital of Kinmac. Completion of the acquisition of the Minority Sale Shares is expected to take place at the same time with the completion of the Sale and Purchase Agreement.

Kinmac currently has outstanding employees share options which confer the holders the right to subscribe for 2,670,000 shares in Kinmac. Upon completion of the acquisition of the Sale Shares and the Minority Sale Shares, STIC will be interested in approximately 99.37% of the existing issued share capital of Kinmac, or approximately 94.95% of the issued share capital of Kinmac if all the outstanding employees share options are exercised. Kinmac will be accounted for as a subsidiary of the Group upon Completion.

Subscription of new Shares

On 11 June 2009, the Company entered into the Subscription Agreement with the Vendors and the Minority Shareholders pursuant to which the Vendors and the Minority Shareholders will apply the net proceeds from their sale of the Sale Shares and the Minority Sale Shares to subscribe for an aggregate of 101,633,954 new Shares of the Company at HK\$2.92 per Share.

The Subscription Shares represent approximately 5.98% of the existing issued share capital of the Company and approximately 5.64% of the issued share capital of the Company as enlarged by the Subscription.

The Proposed Acquisition will constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules. 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 are subject to the satisfaction of a number of conditions precedent, which may or may not be fulfilled, the transactions 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.**

Reference is made to the announcement of the Company dated 1 June 2009 in relation to the Proposed Acquisition and the Subscription. The Board is pleased to announce that the Group has entered into the Sale and Purchase Agreement with the Vendors in respect of the Proposed Acquisition, and with the Vendors and the Minority Shareholders in respect of the Subscription.

THE PROPOSED ACQUISITION

Date of the Sale and Purchase Agreement: 11 June 2009

Parties: (1) STIC; and
(2) the Vendors.

The Vendors comprise 18 individual shareholders and corporate shareholders of Kinmac and include its senior management. 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 for the purposes of Chapter 14A of the Listing Rules. 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, (i) 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; and (ii) the Vendors are independent of each other and are not holding the 77.17% interest in Kinmac in one-block.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendors agreed to sell their interests in an aggregate of 44,239,980 Sale Shares, representing approximately 77.17% of the existing issued share capital of Kinmac to STIC at a consideration of NT\$22.00 per Sale Share.

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) the compliance of the Company of the requirements of the Listing Rules;
- (b) if applicable, the obtaining of all consents by STIC, the Vendors or any member of Kinmac from government authority and third parties which are necessary in connection with the execution and performance of the Sale and Purchase Agreement and the transactions contemplated therein;
- (c) no legal action or proceeding having been commenced by or before any governmental agency against either STIC or any Vendor, seeking to restrain or materially and adversely alter the transactions contemplated by the Sale and Purchase Agreement;
- (d) there have been no breach of any obligations, undertakings, representations and warranties in the Sale and Purchase Agreement;
- (e) there is no change between the date of the Sale and Purchase Agreement and Completion that, in the reasonable opinion of STIC, is likely to give rise to a material adverse effect on the financial condition, business, prospects, results of operations, properties or assets of Kinmac and its subsidiaries;
- (f) those Minority Shareholders who held employee stock option in Kinmac and have agreed to sell their interests, including their option shares, to STIC have completed the exercise of their employee stock options;
- (g) STIC having notified the Vendors that it is satisfied with the results of its due diligence review and investigation of Kinmac and its subsidiaries; and
- (h) the entering into by, among others, the Vendors, the Minority Shareholders and STIC of an escrow agreement with a bank acceptable to STIC in such form and substance to the reasonable satisfaction of STIC pursuant to which the consideration to be paid by the Group for the Proposed Acquisition will be held in escrow and will be applied, after deduction of expenses and taxes, by the Vendors and the Minority Shareholders for the Subscription.

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, but in any case not later than 31 December 2009 or such other date as the Company and the Vendors may agree in writing.

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 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.

As described in more details in the paragraph headed "Acquisition of the Minority Sale Shares" below, the Company will also acquire from the Minority Shareholders the Minority Sale Shares at the same consideration of NT\$22.00 per Minority Sale Share. On the basis of the 12,729,736 Minority Sale Shares that the Minority Shareholders have already confirmed to be sold to STIC, the additional consideration for the acquisition of the Minority Sale Shares would be NT\$280,054,192 (equivalent to approximately HK\$66,679,569).

The total consideration payable by the Company for the acquisition of the Sale Shares and the Minority Sale Shares will be NT\$1,253,333,752 (equivalent to approximately HK\$298,412,798), which will be financed by the Company's internal resources.

Acquisition of the Minority Sale Shares

Pursuant to the terms of the Memorandum of Understanding, the Vendors have agreed to procure the Minority Shareholders to also sell their interests in Kinmac to STIC on the same terms and conditions as the Sale and Purchase Agreement. The Company has on the date of this announcement, obtained consents to sell from Minority Shareholders holding an aggregate of approximately 22.20% of the existing issued share capital of Kinmac. STIC will acquire the Minority Sale Shares from the Minority Shareholders and the consideration will be satisfied in full in cash by the Company. It is expected that completion of the acquisition of the Minority Sale Shares will take place at the same time with the completion of the Sale and Purchase Agreement.

INFORMATION ON KINMAC

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 of integrated photovoltaic for the European and the 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.

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

	Year ended 31 December 2008 (audited) NT\$'000	Year ended 31 December 2007 (audited) NT\$'000
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

Kinmac currently has outstanding employees share options which confer the holders the right to subscribe for 2,670,000 shares in Kinmac. Upon completion of the acquisition of the Sale Shares and the Minority Sale Shares, STIC will be interested in approximately 99.37% of the existing issued share capital of Kinmac, or approximately 94.95% of the issued share capital of Kinmac if all the outstanding employees share options are exercised. Kinmac will be accounted for as a subsidiary of the Group upon Completion.

SUBSCRIPTION

On 11 June 2009, the Company, the Vendors and the Minority Shareholders entered into the Subscription Agreement pursuant to which the Vendors and the Minority Shareholders will apply the proceeds from the sale of the Sale Shares and the Minority 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 acquisition of the Sale Shares and the Minority Sale Shares of approximately HK\$296,771,146, an aggregate of 101,633,954 new Shares, representing approximately 5.98% of the existing issued share capital of the Company, will be issued pursuant to the Subscription. The Subscription Shares represents approximately 5.64% of the issued share capital of the Company as enlarged by the Subscription. Each Vendor and Minority Shareholder will obtain such number of shares proportionate to his shareholding in Kinmac.

Subscription Price

The Subscription Price of HK\$2.92 per Share was fixed on the date of the Memorandum of Understanding and was arrived at after arm's length negotiations between the Vendors and the Company 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;
- (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 5 trading days up to and including 1 June 2009;
- (iii) a discount of approximately 5.2% to the closing price of HK\$3.08 per Share as quoted on the Stock Exchange on 11 June 2009, the date of the Subscription Agreement; and
- (iv) a discount of approximately 5.7% to the average closing price of HK\$3.098 per Share as quoted on the Stock Exchange for the last five trading days up to and including 11 June 2009.

Given that the Subscription Price was at a premium to the then 5-day average closing prices of the Shares when it was fixed, the Directors (including the independent non-executive Directors) 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 approximately HK\$10,163,395 and a market value of HK\$313,032,578, based on the closing price of HK\$3.08 per Share on 11 June 2009, the date of the Subscription Agreement. 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;

- (b) the Listing Committee of the Stock Exchange having granted approval for the listing of and permission to deal in the Subscription Shares;
- (c) those subscribers who are required to obtain approval from the Taiwan Investment Commission of the Ministry of Economic Affairs of Taiwan for the Subscription having received the said approval; and
- (d) no legal action or proceeding having been commenced by or before any governmental agency against either STIC or any Vendor, seeking to restrain or materially and adversely alter the transactions contemplated by the Subscription Agreement.

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.

Indemnity/Restrictions on transfer

Mr. Huang Bing-Lin, who is a director of Kinmac, has provided certain representations and warranties on the operation and financial position of Kinmac, and accordingly have agreed to, for a period of two years from Completion, indemnify and hold the Company harmless from any losses or damages that may arise as a result of a breach of their representations or warranties. To secure the due performance of his obligations under the indemnity, Mr. Huang has undertaken not to sell, transfer, dispose or otherwise deal in an aggregate of 802,800 Shares, representing 50% of the Subscription Shares that he have subscribed.

In addition, Win Semiconductor Corp. has undertaken that it will not sell, transfer, dispose or otherwise deal in 6,977,651 Subscription Shares that it has subscribed under the Subscription Agreement for a period of one year in order to show its support and their intention of building a long-term relationship with the Company. Eight other employees holding an aggregate 606,560 Subscription Shares have also agreed to a lock-up period of three years pursuant to their prior vesting arrangements of their interests with Kinmac. Save as disclosed, all other Subscription Shares are freely transferable.

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	26.26
Wafer Works Corp.	358,364,000	21.08	358,364,000	19.89
Chong Kin Ngai (<i>Note</i>)	133,560,250	7.86	133,560,250	7.41
Hsu You Yuan	18,897,875	1.11	18,897,875	1.05
Chiao Ping Hai	5,635,500	0.33	5,635,500	0.31
Zhang Liming	3,133,500	0.19	3,133,500	0.18
Other public shareholders	707,261,875	41.60	707,261,875	39.26
Vendors	–	–	78,924,124	4.38
Minority Shareholders	–	–	22,709,830	1.26
Total	1,699,981,500	100.00	1,801,615,454	100.00

Note: As at the Latest Practicable Date, 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 Solar Technology Investment (Cayman) Corp. 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.

REASONS FOR THE PROPOSED ACQUISITION AND THE SUBSCRIPTION

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 Proposed Acquisition, 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 will apply the proceeds from their disposal of their interests in Kinmac 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.

As the consideration for the Proposed Acquisition will be applied by the Vendors, less expenses and taxes, to subscribe for the Subscription Shares, save for expenses in relation to the Proposed Acquisition and the Subscription, there would not be any change to the cash position of the Company as a result of the Proposed Acquisition and Subscription.

GENERAL

The Proposed Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements set out in Rule 14.33 of the Listing Rules. 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 are subject to the satisfaction of a number of conditions precedent, which may or may not be fulfilled, the transactions 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;
“Connected person”	has the meaning ascribed thereto in the Listing Rules;
“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;
“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;
“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;
“Minority Sale Shares”	an aggregate of 12,729,736 shares in Kinmac, which are to be sold by the Minority Shareholders to STIC;
“Minority Shareholders”	176 shareholders of Kinmac, who are mostly employees of Kinmac, holding an aggregate of approximately 22.20% of the issued share capital of Kinmac;
“PRC”	the People’s Republic of China;
“Proposed Acquisition”	the proposed acquisition by STIC of a controlling interest in Kinmac;
“Sale and Purchase Agreement”	the agreement dated 11 June 2009 entered into between the STIC and the Vendors in relation to the Proposed acquisition;
“Sale Shares”	44,239,980 shares of NT\$10.00 each in the share capital of Kinmac, representing 77.17% of the issued share capital of Kinmac;
“Shares”	shares of HK\$0.10 each in the capital of the Company;
“Shareholders”	holders of the Shares;
“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 Agreement”	the subscription agreement dated 11 June 2009 entered into between the Company and the Vendors in relation to the Subscription;
“Subscription Completion”	completion of the subscription;
“Subscription Price”	HK\$2.92 per Subscription Share;
“Subscription Shares”	101,633,954 new Shares to be subscribed by the Vendors;
“Vendors”	18 shareholders of Kinmac, who collectively hold 77.17% 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, 11 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.