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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 FINANCE LEASE ARRANGEMENT

On 6 June 2023, Jiangsu Yueyang (a non wholly-owned subsidiary of the Company), and the Lessor entered into the Finance Lease Arrangement, pursuant to which (i) the Lessor shall purchase the Equipment from Jiangsu Yueyang at a consideration of RMB52,500,000, and (ii) the Lessor agreed to lease the Equipment back to Jiangsu Yueyang for a lease term of 18 months.

Since one of the applicable percentage ratio (as defined in the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but does not exceed 25%, the entering into of the Finance Lease Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but not subject to the circular and Shareholders' approval requirements.

THE FINANCE LEASE ARRANGEMENT

The Board is pleased to announce that, on 6 June 2023, Jiangsu Yueyang (a non wholly-owned subsidiary of the Company), and the Lessor entered into the Finance Lease Arrangement, pursuant to which (i) the Lessor shall purchase the Equipment from Jiangsu Yueyang at the consideration of RMB52,500,000, and (ii) the Lessor agreed to lease the Equipment back to Jiangsu Yueyang for a lease term of 18 months.

Set out below are details of the Finance Lease Arrangement:

(a) Principal terms of the Sale and Purchase Agreement

Date	6 June 2023
Parties	(i) Jiangsu Yueyang (as the vendor); and (ii) Powchan Financial Group Co., LTD.* (海發寶誠融資租賃有限公司) (as the purchaser)
Subject assets	the Equipment
Consideration of the subject assets payable by the Lessor to Jiangsu Yueyang	RMB52,500,000
Basis of determination of consideration of the subject assets	The consideration of the Equipment was determined after arms' length negotiations between the Lessor and Jiangsu Yueyang with reference to the book value of the Equipment and its status and condition.
Manner of payment of consideration	Upon fulfillment of all customary conditions to payment under the Sale and Purchase Agreement, the Lessor shall pay the amount of RMB50,000,000, being the consideration of the Equipment of RMB52,500,000 less the security deposit of RMB2,500,000 payable by Jiangsu Yueyang to the Lessor under the Leaseback Agreement, to Jiangsu Yueyang.

(b) Principal terms of the Leaseback Agreement

Date	6 June 2023
Parties	(i) Jiangsu Yueyang (as the Lessee); and (ii) Powchan Financial Group Co., LTD.* (海發寶誠融資租賃有限公司) (as the Lessor)
Assets to be leased	the Equipment
Lease term	The lease term of the Equipment is 18 months commencing from the date on which the Lessor pays the consideration for the Equipment in accordance with the Sale and Purchase Agreement.

Aggregate lease payment Pursuant to the Leaseback Agreement, the principal lease amount payable by Jiangsu Yueyang to the Lessor shall be RMB52,500,000 (i.e. 100% of the total consideration of the Equipment). Jiangsu Yueyang shall also pay to the Lessor an aggregate lease interest payment of approximately RMB2,050,000 (inclusive of value-added tax). The aggregate lease interest payment is calculated based on a fixed interest rate of 5.86% per annum.

The principal lease amount and the aggregate interest shall be payable by Jiangsu Yueyang to the Lessor in 9 instalments, with (i) the first instalment payable on the date which is two months after the date on which the Lessor pays the consideration for the Equipment in accordance with the Sale and Purchase Agreement; (ii) the second to eighth instalments payable every two months thereafter; and (iii) the last instalment payable on the last day of the lease term.

The principal lease amount and lease interest under the Leaseback Agreement were determined after arm's length negotiations between the parties to the Leaseback Agreement with reference to the Lessor's purchase cost of the Equipment and the prevailing market interest rate for finance leases of comparable equipment.

Security deposit Jiangsu Yueyang agreed to pay to the Lessor a security deposit for the Leaseback Agreement in the sum of RMB2,500,000 (bearing nil interests), which shall be deducted from the consideration for the sale and purchase of the Equipment of RMB52,500,000 payable by the Lessor to Jiangsu Yueyang. The security deposit will be used to offset amounts due and payable by Jiangsu Yueyang to the Lessor in accordance with the Leaseback Agreement. At the end of the lease term, after the deduction of any amounts due and payable by Jiangsu Yueyang to the Lessor in accordance with the Leaseback Agreement, the Lessor shall refund Jiangsu Yueyang the remaining amount (if any).

Ownership of the Equipment	During the lease term, the ownership of the Equipment shall be vested in the Lessor. If Jiangsu Yueyang has properly and fully performed all obligations under the Leaseback Agreement, upon the expiry of the lease term, Jiangsu Yueyang is entitled to repurchase the Equipment at a nominal consideration of RMB1.
Guarantee	<p>Pursuant to the Leaseback Agreement:</p> <p>(i) Each of Mr. Tan Wenhua (chairman of the Board, an executive Director and a substantial shareholder of the Company), Ms. Zhao Xiuqin (the spouse of Mr. Tan Wenhua) and Mr. Tan Xin (chief executive officer of the Group and an executive Director) shall provide a joint and several liability guarantee for the due and punctual performance of Jiangsu Yueyang's obligations under the Leaseback Agreement; and</p> <p>(ii) Jinzhou Yangguang, an indirect wholly-owned subsidiary of the Company, shall provide a joint and several liability guarantee for the due and punctual performance of Jiangsu Yueyang's obligations under the Leaseback Agreement.</p>

FINANCIAL EFFECT OF THE FINANCE LEASE ARRANGEMENT

It is expected that according to the Hong Kong Financial Reporting Standards, the Finance Lease Arrangement shall be accounted for as financing arrangements and therefore would not have any significant immediate effect on the earnings of the Group for the year ending 31 December 2023.

REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The Directors consider that the Finance Lease Arrangement enables the Group to further optimize its cash flows and extend the Group's financing channels. The proceeds from the Finance Lease Arrangement will be used for the general working capital of the Group.

The terms of the Finance Lease Arrangement have been agreed after arm's length negotiations between the relevant parties. The Directors consider that the terms of the Finance Lease Arrangement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE EQUIPMENT

The Equipment comprise production equipment for the production of photovoltaic modules at the production base of Jiangsu Yueyang situated in Jiangsu Province, PRC, with a total net book value of approximately RMB47,555,000 as at 30 April 2023.

Jiangsu Yueyang shall bear any maintenance, taxation and other costs and levies associated with the Equipment under the Finance Lease Arrangement.

INFORMATION OF THE PARTIES

The Group

The Group is principally engaged in (i) the manufacturing and trading of photovoltaic module business, (ii) the construction and operation of photovoltaic power systems and (iii) semiconductor business.

Jiangsu Yueyang

Jiangsu Yueyang is a limited liability company established in the PRC, and a non-wholly owned subsidiary of the Company as at the date of this announcement. As at the date of this announcement, Jiangsu Yueyang is indirectly owned as to approximately 77.52% by the Company, and hence an indirect non-wholly owned subsidiary of the Company. Jiangsu Yueyang is principally engaged in photovoltaic technology development, consulting, communication, transfer, promotion, and solar energy storage materials and modules manufacturing.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquires, apart from the Company which indirectly owned approximately 77.52% of the shareholding in Jiangsu Yueyang, the remaining shareholders of Jiangsu Yueyang are as follows:

Name of remaining shareholders of Jiangsu Yueyang	Shareholding % in Jiangsu Yueyang
Jack Win Investment Holdings Limited ^(Note 1) (“ Jack Win ”)	13.76
Wintek International Corp. (文特客國際集團公司) ^(Note 2)	<u>8.72</u>
Total	<u><u>22.48</u></u>

Notes:

1. The sole shareholder of Jack Win is Mr. Chan Koon Biu.
2. The sole shareholder of Wintek International Corp. is Mr. Wang Tai Yuan.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, all of the remaining shareholders of Jiangsu Yueyang are Independent Third Parties, except that Jack Win is a connected person at subsidiary level for being a substantial shareholder of Jiangsu Yueyang.

Jinzhou Yangguang

Jinzhou Yangguang is a limited liability company established in the PRC, and an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Jinzhou Yangguang is principally engaged in manufacturing and trading of photovoltaic modules.

The Lessor

The Lessor is a company incorporated in the PRC with limited liability (formerly known as COSCO Shipping Leasing Co., Limited “中遠海運租賃有限公司”) and is principally engaged in financial leasing, commercial factoring and provision of related financial services across various fields, including the medical sector, education, energy, construction, industrial equipment, electronic information, transportation and logistics, and automobile financing.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Lessor is directly owned as to approximately 40.81% by COSCO SHIPPING Development Co., Ltd* (中遠海運發展股份有限公司) (“**COSCO SHIPPING**”), approximately 36.99% by China Insurance Investment Company Limited* (中保投資有限責任公司) (“**China Insurance Investment**”) and approximately 22.20% by the China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd.* (中國國有企業混合所有制改革基金有限公司) (the “**State-owned Enterprise Reform Fund**”).

COSCO SHIPPING is a joint stock limited company incorporated in the PRC, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2866) and Shanghai Stock Exchange (stock code: 601866). China Insurance Investment was approved to be established by the State Council of the PRC as the general partner of the China Insurance Investment Fund and is owned by a total of 46 shareholders, which comprise 27 insurance companies, 15 insurance asset management companies and 4 social enterprises. State-owned Enterprise Reform Fund is a state-owned fund, the establishment of which was approved by the State Council of the PRC.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Lessor and its ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratio (as defined in the Listing Rules) in respect of the Finance Lease Arrangement exceeds 5% but does not exceed 25%, the entering into of the Finance Lease Arrangement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification and announcement requirements but not subject to the circular and Shareholders' approval requirements.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“Board”	the board of Directors;
“Company”	Solargiga Energy Holdings Limited (陽光能源控股有限公司) (stock code: 757), a company incorporated under the laws of the Cayman Islands, the shares of which are listed on the main board of the Stock Exchange;
“Director(s)”	director(s) of the Company;
“Equipment”	production equipment for the production of photovoltaic modules to be leased back by the Lessor to the Lessee under the Finance Lease Arrangement, details of which are set out in the paragraph headed “Information on the Equipment” in this announcement;
“Finance Lease Arrangement”	the transactions contemplated under the (i) Sale and Purchase Agreement and the (ii) Leaseback Agreement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	third party who is independent of and not connected with the Company and its connected person(s) (as defined in the Listing Rules);
“Jiangsu Yueyang” or “Lessee”	Jiangsu Yueyang Photovoltaic Technology Co., Ltd. (江蘇悅陽光伏科技有限公司), a limited liability company established in the PRC, and indirectly owned as to approximately 77.52% by the Company and an indirect non-wholly owned subsidiary of the Company;

“Jinzhou Yangguang”	Jinzhou Yangguang Energy Co., Ltd* (錦州陽光能源有限公司), a limited liability company established in the PRC, which is indirectly wholly-owned by the Company as at the date of this announcement;
“Leaseback Agreement”	the leaseback agreement entered into between the Lessee and the Lessor on 6 June 2023 for lease of the Equipment by the Lessor to the Lessee;
“Lessor”	Powchan Financial Group Co., LTD.* (海發寶誠融資租賃有限公司), formerly known as COSCO Shipping Leasing Co., Limited (中遠海運租賃有限公司), a company established in the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this announcement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Lessee and the Lessor on 6 June 2023 for the purchase of the Equipment from the Lessee to the Lessor;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By Order of the Board
Solargiga Energy Holdings Limited
Tan Wenhua
Chairman

Hong Kong, 6 June 2023

As at the date of this announcement, the executive Directors are Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Junze, the non-executive Director is Mr. Hsu You Yuan and the independent non-executive Directors are Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying.

* For identification purposes only