

Sunlight Energy Holdings Limited

陽光能源控股有限公司

(Incorporated in the Cayman Islands)

(Stock Code: 757)

REVISED ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to a waiver granted by the Stock Exchange from, among others, strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Listing Rules at the time of the listing of the Company's shares on the Main Board of the Stock Exchange for the transactions under the WWX Sale Agreement and the WWX Supply Agreement. Details of the waiver and the related transactions were set out in the Company's prospectus dated 17 March 2008.

Due to the increase in the Company's ingot production capacity with the addition of 96 pullers in the second half of 2008, the increase in wafer production capacity from 17 million pieces to 56 million pieces, and the corresponding increase in demand for solar ingots and solar wafers, and the increasingly severe global shortage of raw materials for the production of polysilicon, it is expected that the annual caps for the WWX Sale Agreement and the WWX Supply Agreement will be exceeded for the years ending 31 December 2008 and 2009.

The Company proposes to increase the annual caps for the transactions under the WWX Sale Agreement and WWX Supply Agreement for the years ending 31 December 2008 and 2009. On 4 June 2008, the Company entered into the WWX Supplemental Sale Agreement and WWX Supplemental Supply Agreement with WWX. Pursuant to the WWX Supplemental Sale Agreement, the annual caps under the WWX Sale Agreement are increased from RMB190,692,000 and RMB239,815,000 to RMB288,439,000 and RMB361,556,000 for the year ending 31 December 2008 and 2009, respectively. Pursuant to the WWX Supplemental Supply Agreement, the annual caps under the WWX Supply Agreement are increased from RMB87,024,000 and RMB102,728,000 to RMB391,432,000 and RMB675,854,000, respectively, for the year ending 31 December 2008 and 2009. The Company further proposes that the duration of the transactions under the WWX Sale Agreement and the WWX Supply Agreement be extended and annual caps for the year ending 31 December 2010 be set at RMB423,021,000 and RMB790,749,000 in the WWX Supplemental Sale Agreement and the WWX Supplemental Supply Agreement, respectively.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules to the revised annual caps under each of the WWX Supplemental Sale Agreement and the WWX Supplemental Supply Agreement for each of the years ending 31 December 2008 and 2009 and the New Caps for the year ending 31 December 2010 exceed 2.5%, the revision of the annual caps and the New Caps are subject to the announcement, reporting and independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

The approval of independent shareholders of the Company will be sought at an EGM in respect of the Supplemental Agreements. A circular containing, amongst other things, details of the Supplemental Agreements including the Revised Caps for each of the years ending 31 December 2008 and 2009, the New Caps for the year ending 31 December 2010 and the relevant notice convening an EGM of the Shareholders will be despatched to the Shareholders in accordance with the provisions of the Listing Rules.

BACKGROUND

Reference is made to the waiver granted by the Stock Exchange from, among others, strict compliance with the announcement, reporting and independent shareholders' approval requirements under Rules 14A.47 and 14A.48 of the Listing Rules at the time of the listing of the Company's shares on the Main Board of the Stock Exchange for the transactions under the WWX Sale Agreement and the WWX Supply Agreement.

The WWX Sale Agreement relates to the sale of upgraded and processed polysilicon, solar ingots and solar wafers ("Solar Products") by the Group to the WWX Group. The WWX Supply Agreement relates to the supply of scrap polysilicon raw material, scrap ingots and scrap wafers ("Solar Raw Material") by WWX Group to the Group.

The annual caps in respect of the WWX Sale Agreement and the WWX Supply Agreement for each of the years ending 31 December 2008 and 2009 are set out in the table below.

	E i i g a a l c a f t h e e a e d i g 31 Dece be 2008 2009 (RMB'000) (RMB'000)	
Solar Products	190,692	239,815
Solar Raw Materials	87,024	102,728

THE SUPPLEMENTAL AGREEMENTS

Due to the continued high global demand for Solar Products, the expected increase in the Group's ingot production capacity with the addition of 96 pullers in June 2008 and the increase in the Group's wafer production capacity from 17 million pieces to 56 million pieces, the Directors currently anticipate that the existing annual caps under the WWX Sale Agreement for each of the years ending 31 December 2008 and 2009 will not be sufficient.

Given the Group's expected increase in ingot and wafer production capacity and expected increase in demand for Solar Raw Materials, the Directors anticipate that the existing annual caps under the WWX Supply Agreement for each of the years ending 31 December 2008 and 2009 will not be sufficient.

The Company proposes to increase the existing annual caps under the WWX Sale Agreement and WWX Supply Agreement for each of the years ending 31 December 2008 and 2009 by entering into the Supplemental Agreements with WWX on 4 June 2008. The Company further proposes to extend the duration of the transactions under the WWX Sale Agreement and the WWX Supply Agreement to 31 December 2010, by entering into the Supplemental Agreements whereby new annual caps for Solar Products and Solar Raw Materials for the year ending 2010 will be set.

Like under the WWX Sale Agreement, the selling price payable by WWX to the Group under the WWX Supplemental Sale Agreement will be determined as being the prevailing market price of the Solar Products, less a bulk sales discount. The purchase price payable by the Group to WWX under the WWX Supplemental Supply Agreement will, like under the WWX Supply Agreement, be estimated based on the Group's expected purchase amount of Solar Raw Materials and the prevailing market prices of Solar Raw Materials in the PRC, less a bulk purchase discount.

Save for the revision to the annual caps for the years ending 31 December 2008 and 2009 and the setting of the annual caps for the year ending 31 December 2010, all other terms and conditions of the Supplemental Agreements remain unchanged.

REVISED CAPS FOR EACH OF THE YEARS ENDING 31 DECEMBER 2008 AND 2009

It is proposed that the existing annual caps under the WWX Sale Agreement and the WWX Supply Agreement for each of the years ending 31 December 2008 and 2009 be increased as set out in the table below:

	Revised annual caps	
	for the year ending 31 December 2008	for the year ending 31 December 2009
	(RMB'000)	(RMB'000)
Solar Products	288,439	361,556
Solar Raw Materials	391,432	675,854

The above revised caps for each of the Solar Products and Solar Raw Materials are referred to as the "Revised Solar Products Caps" and "Revised Solar Raw Materials Caps", respectively; and together referred to as the "Revised Caps".

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the manufacture of monocrystalline silicon ingots and wafers and the recycling and processing of scrap polysilicon. Silicon ingots and wafers are used for the manufacturing of PV cells, which are important components of solar energy generation systems. It is considered that entering into the Supplemental Agreements is consistent with the commercial objectives of the Group and falls within the core business of the Group.

WWX Supplemental Supply Agreement

With the historical amount for the Solar Raw Materials purchased by the Company from WWX for the four months ended 30 April 2008 at RMB74,625,780, and the expected increase in demand for Solar Raw Materials due to the Company's anticipated growth in ingot and wafer production capacity, the Company estimates that the amount of Solar Raw Materials it would required from WWX for the period from May to December 2008 would be RMB316,806,459, which is 4.25 times the amount purchased during the period from January to April 2008. Taking into account that the machinery for doubling the Company's production capacity will be delivered by end of June, the increase of the sales in the remaining period of 2008 is considered reasonable.

A key reason for the Company to enter into the WWX Supplemental Supply Agreement with WWX is that the global supply situation for polysilicon has worsened. The severe global shortage has led to considerable increases in the prices of Solar Raw Materials such as polysilicon, which have made it increasingly difficult for the Company to source such materials from the market at reasonable prices. Since the end of last year, the market price for polysilicon has increased substantially.

Given the increase in polysilicon prices and the increased difficulty of obtaining Solar Raw Materials supply from the market at reasonable prices, the Company needs to work more closely with parties with whom the Group has established good working relationships, in order to ensure a steady supply of Solar Raw Materials. Furthermore, the Company's demand for Solar Raw Materials from WWX would be exceed the existing annual caps for 2008 and 2009.

WWX, being a leading player in the semi-conductor products manufacturing industry, has been very successful in securing additional supply of Solar Raw Materials in the current difficult global supply conditions at prices significantly lower than prevailing market prices. Given the good, longstanding business relationship between WWX and the Company, and the ability of WWX to supply additional Solar Raw Materials to the Company at a significant discount to prevailing market prices, the Company believes that the extension of the Solar Raw Materials supply arrangements under the WWX Supply Agreement would be highly beneficial to, and in the interest of, the Group.

The Company expects the upward pressure on the pricing of Solar Raw Materials to continue unabated through 2009. As the Group's ingot production capacity is expected to double with the addition of 204 pullers by the end of 2009, the Directors expect the doubling of ingot production capacity to increase their demand for Solar Raw Materials significantly in 2009 and 2010.

“Independent Board Committee”	an independent committee of the Board established to advise the independent shareholders of the Company on the Supplemental Agreements and the Revised Caps
“Independent Financial Advisor”	Celestial Capital Limited, being licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and to advise the Independent Board Committee and the independent shareholders of the Company in respect of the Supplemental Agreements and the Revised Caps
“Listing Date”	31 March 2008, on which the trading of the shares of the Company first commenced on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreements”	means the WWX Supplemental Sale Agreement and the WWX Supplemental Supply Agreement
“substantial shareholder”	has the same meaning ascribed to it under the Listing Rules
“WWIC”	Wafer Works Investment Corp., a company incorporated in Samoa with limited liability, is a substantial shareholder of the Company, and an investment holding company wholly-owned by WWX
“WWX”	Wafer Works Corp., a company incorporated in Taiwan with limited liability, and whose securities are listed on the Gre Tai Securities Market of the Taiwan Stock Exchange. WWX is a substantial shareholder of the Company and it is principally engaged in the manufacturing and sales of semiconductor wafer and related products
“WWX Group”	WWX, its subsidiaries and its associates
“WWX Sale Agreement”	the framework sale agreement dated 12 January 2008 entered into between the Company and WWX pursuant to which the Company agreed to sell, or procure its subsidiaries to sell upgraded and processed polysilicon, solar ingots and solar wafers to WWX and/or its subsidiaries from 31 March 2008 to 31 December 2009

“WWX Supplemental Sale Agreement”	the supplemental framework sale agreement dated 4 June 2008 entered into between the Company and WWX pursuant to which the Company agreed to sell, or procure its subsidiaries to sell upgraded and processed polysilicon, solar ingots and solar wafers to WWX Group to 31 December 2010
“WWX Supplemental Supply Agreement”	the supplemental framework supply agreement dated 4 June 2008 to be entered into between the Company and WWX pursuant to which WWX agreed to supply and/or procure its subsidiaries to supply scrap polysilicon raw material, scrap ingots and scrap wafers to the Group to 31 December 2010
“WWX Supply Agreement”	the framework supply agreement dated 12 January 2008 entered into between the Company and WWX pursuant to which WWX agreed to supply and/or procure its subsidiaries to supply scrap polysilicon raw material, scrap ingots and scrap wafers to the Group from 31 March 2008 to 31 December 2009
“%”	per cent.

By Order of the Board
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4 June 2008

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