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陽光能源控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(5)

MAJOR TRANSACTION DEEMED DISPOSAL OF INTEREST IN A SUBSIDIARY

The Board announced that, on 29 April 2022 (after trading hours), Qujing Yangguang, a subsidiary of the Company, entered into the Service Agreement, pursuant to which Guotai Junan has agreed to place, on a best-effort basis, up to 27,138,643 Qujing Shares to Investors and the amount of proceeds to be raised from the Capital Injection will be no more than RMB460,000,000. Assuming the New Shares are fully placed in accordance with the Service Agreement, the registered capital of Qujing Yangguang will be increased by a maximum of approximately RMB27,138,643 from approximately RMB136,870,000 to approximately RMB164,008,643. The amount of RMB432,861,357, being the capital contribution in excess of the newly increased registered capital under the Capital Injection, will be credited as capital reserves of Qujing Yangguang.

LISTING RULES IMPLICATIONS

As Jinzhou Yangguang, being a wholly-owned subsidiary of the Company, will not participate in the Capital Injection, assuming the New Shares are fully placed in accordance with the Service Agreement, based on the maximum number of 27,138,643 Qujing Shares to be placed under the Capital Injection, the percentage of the Group's shareholding interest in Qujing Yangguang will reduce from approximately 53.70% to 44.81% following completion of the Capital Injection. Such reduction of the Group's shareholding interest in Qujing Yangguang constitutes a deemed disposal by Jinzhou Yangguang under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio for the Capital Injection exceeds 25% but is below 75%, the Deemed Disposal constitutes a major transaction of the Company and is subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will convene an extraordinary general meeting for the Shareholders to consider and, if thought fit, approve the Service Agreement and the Capital Injection. A circular containing (i) further details of the Service Agreement and the Capital Injection; (ii) other information as required under the Listing Rules; and (iii) a notice of the extraordinary general meeting will be despatched to Shareholders on or before 17 May 2022.

The Service Agreement and the Capital Injection are subject to the fulfilment of the conditions precedent set out in this announcement. As the Service Agreement and the Capital Injection may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the Shares of the Company.

I. INTRODUCTION

The Board announced that, on 29 April 2022 (after trading hours), Qujing Yangguang, a subsidiary of the Company, entered into the Service Agreement, pursuant to which Guotai Junan has agreed to place, on a best-effort basis, up to 27,138,643 Qujing Shares to Investors and the amount of proceeds to be raised from the Capital Injection will be no more than RMB460,000,000. Assuming the New Shares are fully placed in accordance with the Service Agreement, the registered capital of Qujing Yangguang will be increased by a maximum of approximately RMB27,138,643 from approximately RMB136,870,000 to approximately RMB164,008,643. The amount of RMB432,861,357, being the capital contribution in excess of the newly increased registered capital under the Capital Injection, will be credited as capital reserves of Qujing Yangguang.

As considered and approved by the board of Jinzhou Yangguang, a wholly-owned subsidiary of the Company, it was resolved that Jinzhou Yangguang shall not participate in the Capital Injection. Assuming the New Shares are fully placed in accordance with the Service Agreement, based on the maximum number of 27,138,643 Qujing Shares to be placed under the Capital Injection, following the completion of the Capital Injection, the percentage of the Group's shareholding interest in Qujing Yangguang will reduce from approximately 53.70% to 44.81%, whereas the Investors will have approximately 16.55% shareholding interest in Qujing Yangguang.

Given that the Company will, according to the applicable accounting standards, continue to have control over Qujing Yangguang after completion of the Capital Injection, Qujing Yangguang will remain as a subsidiary of the Company and its financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group following completion of the Capital Injection.

It is expected that the New Shares will be placed to not more than 15 Investors. The targeted Investors are institutional and professional investors and other qualified investors and natural persons. The Investors and their ultimate beneficial owners shall be third parties independent of and not connected with the Company and its connected persons.

II. THE SERVICE AGREEMENT AND THE CAPITAL INJECTION

The principal terms of the Capital Injection under the Service Agreement are as follows:

Date of the Service Agreement:

29 April 2022 (after trading hours)

Parties to the Service Agreement:

(1) Qujing Yangguang; and

(2) Guotai Junan

To the best of the Directors' knowledge, i

Services

Guotai Junan has conditionally agreed to, during the six-month period commencing on the date of the Service Agreement, place on a best-effort basis, up to 27,138,643 Qujing Shares to Investors. Guotai Junan shall also provide financial advisory and consulting services to Qujing Yangguang in respect of the Capital Injection.

Capital Injection

(a) Type and nominal value of Qujing Shares to be issued

Ordinary shares with a par value of RMB1.00 each in the capital of Qujing Yangguang

(b) Method of issuance

Non-public issuance

(c) Target investors

It is expected that the New Shares will be placed to not more than 15 Investors. The targeted Investors shall be institutional and professional investors and other qualified investors and natural persons.

The Investors and their ultimate beneficial owners shall be third parties independent of and not connected with the Company and its connected persons.

(d) Issue price

The issue price shall be not less than RMB16.95 per New Share.

The minimum issue price of RMB16.95 per New Share is determined based on arm's length negotiations between Guotai Junan and Qujing Yangguang with reference to the unaudited pro forma consolidated net profit of Qujing Yangguang and Jinzhou Youhua for the year ended 31 December 2021 and price-to-earnings multiple of 10 (which is determined after arm's length negotiations between Guotai Junan and Qujing Yangguang based on the size of the Qujing Group and their scale of operations).

(e) Capital Injection Agreement

Agreement shall detail the terms of the Capital Injection as set out in the Service Agreement and as disclosed in the section headed “II. The SERVICE AGREEMENT AND THE CAPITAL INJECTION” in this announcement.

The Investors shall pay the consideration for the relevant New Shares to Qujing Yangguang in advance within 10 Business Days after the date of the relevant Capital Injection Agreement (or such other date as the parties to the Capital Injection Agreement may agree). If any of the conditions under the Capital Injection Agreement are not fulfilled on or before the Long Stop Date (or such other date as the parties to the Capital Injection Agreement may agree), the Capital Injection Agreement shall be terminated, and the consideration for the relevant New Shares shall be refunded (with interest) to each Investor within 10 Business Days from the date on which such condition is incapable of being fulfilled.

(f) Amount of proceeds to be raised and number of New Shares to be placed

The amount of proceeds to be raised from the Capital Injection will be no more than RMB460,000,000. The number of New Shares to be placed under the Capital Injection will be no more than 27,138,643 based on the minimum issue price of RMB16.95 per New Share.

(g) Registered Capital and Capital Reserves

Assuming the New Shares are fully placed in accordance with the Service Agreement, the registered capital of Qujing Yangguang will be increased by a maximum of approximately RMB27,138,643 from approximately RMB136,870,000 to approximately RMB164,008,643. The gross proceeds in excess of the newly increased registered capital under the Capital Injection will be credited as capital reserves of Qujing Yangguang.

(h) Conditions precedent

The Capital Injection shall be conditional upon:

- (a) the Company having complied with all relevant requirements under the Listing Rules in respect of the Service Agreement, the Capital Injection and the transactions contemplated thereunder;
- (b) the approval by the Directors and the shareholders of the Company (who are entitled to and are not required to abstain from voting pursuant to the Listing Rules and any other applicable laws and regulations) in respect of the Service Agreement, the Capital Injection and the transactions contemplated thereunder having been obtained;

(c) the approval by the directors and shareholders of Qijing Yangguang in

In the event the Actual Profit is less than the Target Profit for any of the relevant years (“Non-fulfilment of Target Profit”), the price per Qujing Share in determining the Investors’ shareholding entitlement pursuant to the Capital Injection shall be adjusted as follows:

$$A = B \times (D \div C)$$

where,

A = adjusted price per Qujing Share

B = Issue price (before adjustment) per Qujing Share

C = Target Profit for the relevant year

D = Actual Profit for the relevant year

The Investors’ respective shareholdings in Qujing Yangguang acquired under the Capital Injection shall be adjusted based on the adjusted price per Qujing Share (the “Shareholding Adjustment”). Any Shareholding Adjustment shall be effected by any of the following manners as such Investor may elect:

- (i) the issuance of Qujing Shares by Qujing Yangguang to such Investor at RMB1 as nominal consideration (or the lowest consideration permissible under the applicable law), such that after the issuance, the number of Qujing Shares held by such Investor will be equivalent to his/her/its adjusted shareholding;
- (ii) the transfer of Qujing Shares by corporate shareholders of Qujing Yangguang (including but not limited to Jinzhou Yangguang) to such Investor at RMB1 as nominal consideration (or the lowest consideration permissible under the applicable law), such that after the transfer, the number of Qujing Shares held by such Investor will be equivalent to his/her/its adjusted shareholding;
- (iii) Mr. Tan Wenhua and Mr. Tan Xin paying monetary compensation to the Investors, the amount of which shall be determined by the adjusted price per Qujing Share multiplied by the number of Qujing Shares required to effect the Shareholding Adjustment; or
- (iv) any other arrangements permissible under the applicable law,

provided that such Investor may only elect to receive monetary compensation (as detailed in paragraph (iii) above) if, within 35 days after the issuance of the audited financial report of Qujing Yangguang for the relevant year, the Shareholding Adjustment has not been effected.

(I) Share Repurchase

In the event of the occurrence of any of the following events, an Investor shall have the right to require Qujing Yangguang, or Mr. Tan Wenhua or Mr. Tan Xin (or a third party designated by Mr. Tan Wenhua or Mr. Tan Xin) to purchase the Qujing Shares placed to such Investor under the Capital Injection:

- (a) (i) there has been unauthorised change of principal business of the Qujing Group; (ii) the necessary approval(s) for the continuation of the principal business of any member of the Qujing Group has been revoked or not renewed; or (iii) the principal business of any member of the Qujing Group is prohibited under applicable laws and regulations or subject to material restrictions;
- (b) Qujing Yangguang is not listed on a stock exchange acceptable to the Investors by 31 December 2025;
- (c) Any of Qujing Yangguang, Jinzhou Yangguang, Mr. Tan Wenhua and Mr. Tan Xin (where applicable) commits a material breacu586.gof

III. EFFECT ON THE SHAREHOLDING STRUCTURE OF QUJING YANGGUANG

As at the date of this announcement, there are a total of 136,870,000 Qujing Shares in issue. Jinzhou Yangguang, a wholly-owned subsidiary of the Company, is a shareholder of Qujing Yangguang with a shareholding of 73,500,000 Qujing Shares, representing approximately 53.70% of the total share capital of Qujing Yangguang as at the date of this announcement.

As considered and approved by the board of Jinzhou Yangguang, a wholly-owned subsidiary of the Company, it was resolved that Jinzhou Yangguang shall not participate in the Capital Injection. Assuming the New Shares are fully placed in accordance with the Service Agreement, based on the maximum number of 27,138,643 Qujing Shares to be placed under the Capital Injection, following completion of the Capital Injection, the percentage of the Group's shareholding interest in Qujing Yangguang will reduce from approximately 53.70% to 44.81%, whereas the Investors will have approximately 16.55% shareholding interest in Qujing Yangguang. Given that the Company will, according to the applicable accounting standards, continue to have control over Qujing Yangguang, Qujing Yangguang will remain as a subsidiary of the Company and its financial results and financial positions will continue to be consolidated in the consolidated financial statements of the Group following completion of the Capital Injection.

The following table sets out the shareholding structure of Qujing Yangguang (i) as at the date of this announcement; and (ii) immediately after completion of the Capital Injection (assuming the New Shares are fully placed in accordance with the Service Agreement):

	As at the date of this announcement		Immediately after completion of the Capital Injection (assuming the New Shares are fully placed in accordance with the Service Agreement)	
	Number of Qujing Shares held	Shareholding Percentage (%)	Number of Qujing Shares held	Shareholding Percentage (%)
The Group	73,500,000	53.70	73,500,000	44.81
Other shareholders	63,370,000	46.30	63,370,000	38.64
Investors	—	—	27,138,643	16.55
Total	<u>136,870,000</u>	<u>100.00</u>	<u>164,008,643</u>	<u>100.00</u>

IV. INFORMATION ON THE GROUP AND QUJING GROUP

Information on the Group

The Group is principally engaged in (i) the manufacture and trading of, and the provision of processing services for, monocrystalline silicon solar ingots and wafers, (ii) the manufacture and trading of photovoltaic module business, (iii) the construction and operation of photovoltaic power systems and (iv) semiconductor business.

Information on Qujing Group

Qujing Yangguang

Qujing Yangguang is a joint stock limited company established in the PRC with a registered capital of RMB136,870,000 divided into 136,870,000 ordinary shares with a par value of RMB1.00 each. As at the date of this announcement, Qujing Yangguang is owned as to approximately 53.70% by Jinzhou Yangguang (an indirect wholly-owned subsidiary of the Company), and hence an indirect non-wholly owned subsidiary of the Company. Qujing Yangguang is principally engaged in the manufacture and trading, and the provision of processing services for, of monocrystalline ingots and wafers.

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 53.70% of the shareholding in Qujing Yangguang, the remaining shareholders of Qujing Yangguang are as follows:

Name of remaining shareholders	Shareholding % in Qujing Yangguang	Number of shareholders of each remaining shareholder (Note 1)
Jack Win Investment Holdings Limited	15.34%	1 (Note 2)
626 Investments Holdings Limited	5.85%	1 (Note 3)
Jinzhou Xiaojuren Investment Centre (Limited Partnership)* (“Jinzhou Xiaojuren”) 錦州小小		

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To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, save for (i) Ms. Feng Wenli, an independent non-executive director of the Company, who held 1.30% shareholding in Qujing Tenghui; (ii) Mr. Tan Wenge, brother of Mr. Tan Wenhua (chairman of the Board), who held 1.90% shareholding in Jinzhou Xiaojuren and 4.76% shareholding in Qujing Boyuan; (iii) Mr. Tan Wenxiang, brother of Mr. Tan Wenhua (chairman of the Board), who held 5.03% shareholding in Qujing Jiuhong; (iv) Ms. Tan Juan, niece of Mr. Tan Wenhua

V. INFORMATION ON GUOTAI JUNAN

Guotai Junan is a joint stock limited company incorporated in the PRC, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601211) and the H shares of which are listed on the main board of the Stock Exchange (stock code: 2611). The principal businesses of Guotai Junan are securities brokerage, proprietary securities trading, securities underwriting and sponsorship and relevant financial services.

VI. FINANCIAL INFORMATION ON QUJING GROUP

Qujing Yangguang

The following table sets out the audited net profit before tax and net profit after tax of Qujing Yangguang for the two years ended 31 December 2021 prepared in accordance with the Business Enterprise Accounting Standard (

The audited net asset value of Jinzhou Youhua as at 31 December 2021 was approximately RMB155,883,000.

Jinzhou Changhua

The following table sets out the audited net profit before tax and net profit after tax of Jinzhou Changhua for the two years ended 31 December 2021 prepared in accordance with the Business Enterprise Accounting Standard (企業 計準則) issued by the PRC Ministry of Finance:

	For the year ended	
	31 December	
	2020	2021
	(RMB'000)	(RMB'000)
	(audited)	(audited)
Net profit before tax	4,345	7,224
Net profit after tax	3,183	5,418

The audited net asset value of Jinzhou Changhua as at 31 December 2021 was approximately RMB7,225,000.

VII. REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

Pursuant to the equity transfer agreement entered into between Qujing Yangguang and Solargiga Energy (Hong Kong) Company Limited (a wholly-owned subsidiary of the Company as at the date of this announcement) on 25 February 2022, Qujing Yangguang had agreed to acquire the entire equity interest in Jinzhou Youhua at the total consideration of approximately RMB227,369,000, which shall be settled on or before 30 June 2022 (the "Acquisition"). The Capital Injection would provide Qujing Yangguang with the funds for settling the consideration for the Acquisition. For further details of the Acquisition, please refer to the announcement of the Company dated 25 February 2022.

Moreover, the Capital Injection would (i) enable Qujing Yangguang to improve its production capacity of monocrystalline silicon ingots and wafers by the acquisition of fixed assets; (ii) enhance the capital strength of Qujing Yangguang, hence improving Qujing Yangguang's core competitiveness and realisation of its strategic goals; and (iii) effectively improve the gearing ratio of Qujing Yangguang, optimise its capital structure, lower its financial risks, enhance its financing capability in the future and provide strong working capital support for its operations and development to meet the requirements of its business growth. The core competitiveness of Qujing Yangguang and its ability to withstand the risks of macro-economic volatility will also be enhanced, which will facilitate its healthy and sustainable development.

Furthermore, through the introduction of the Investors, the Capital Injection would enable Qujing Yangguang to further optimise its shareholding structure. As Jinzhou Yangguang, being a wholly-owned subsidiary of the Company, will not participate in the Capital Injection and Qujing Yangguang will remain as a subsidiary of the Company after completion of the Capital Injection, the Company will continue to benefit from the future growth and development of Qujing Yangguang following the completion of the Capital Injection.

As at the date of this announcement, Ms. Feng Wenli, an independent non-executive Director, was interested in approximately 1.30% shareholding in Qujing Tenghui, which is a shareholder of approximately 3.74% shareholding interest in Qujing Yangguang. For the avoidance of any conflict of interest, Ms. Feng Wenli has abstained from voting at the meeting of the Board in relation to the Service Agreement, the Capital Injection and the transactions contemplated thereunder. Save as disclosed above, no Directors have material interest in the relevant transaction or are required to abstain from voting on the relevant resolution of the Board.

The Board (including the independent non-executive Directors (other than Ms. Feng Wenli who abstained from voting)) is of the view that the terms of the Service Agreement and the Capital Injection are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

VIII. USE OF PROCEEDS

The gross proceeds from the Capital Injection will not exceed RMB460,000,000. The net proceeds from the Capital Injection after the deduction of service fee and other related expenses is estimated to be approximately RMB460,000,000, which shall be applied for the following purposes:

Proposed use of proceeds	Amount RMB'000
1. For the Acquisition and other merger and acquisition projects of the Qujing Group	255,000
2. For acquisition of fixed assets for enhancing the production capacity of the Qujing Group	125,000
3. For general working capital	<u>80,000</u>
Total	<u><u>460,000</u></u>

IX. FINANCIAL EFFECT OF THE CAPITAL INJECTION

As the Company will, according to the applicable accounting standards, continue to

“Business Day(s)” day(s) on which commercial banks are open for business in

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Investors”	investors to be sought and procured by Guotai Junan to participate in the Capital Injection
“Jinzhou Changhua”	Jinzhou Changhua Carbon Products Company Limited (錦州昌華碳素製品 限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Qujing Yangguang and an indirect non-wholly owned subsidiary of the Company
“Jinzhou Yangguang”	Jinzhou Yangguang Energy Co., Ltd (錦州陽光能源 限公司), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Jinzhou Youhua”	Jinzhou Youhua Silicon Materials Co., Ltd (錦州佑華硅料 限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of Qujing Yangguang and an indirect non-wholly owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2022
“New Shares”	a maximum of 27,138,643 Qujing Shares to be placed in accordance with the Service Agreement
“percentage ratio(s)”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China
“Profit Guarantee”	the profit guarantee to be provided by Qujing Yangguang, Jinzhou Yangguang, Mr. Tan Wenhua and Mr. Tan Xin under the Capital Injection in relation to the audited net profit al Yangguang (being the higher ali)let profit before extraordinary items; andii) net profit after extraordinary items) far each athe three years ending 31 December 2022, 2023 and 2024, respectively, the details of which are set out in the paragraph headed “II. THE SERVICE AGREEMENT AND THE CAPITAL INJECTION — Capital Injection — (k) Financial Target and Shareholding Adjustment” in this announcement

“Qujing Group”	collectively, Qujing Yangguang, Jinzhou Youhua and Jinzhou Changhua
“Qujing Share(s)”	ordinary share(s) of RMB1.00 each in the capital of Qujing Yangguang
“Qujing Yangguang”	Qujing Yangguang New Energy Co., Ltd (曲靖陽光新能源股 限公司, formerly known as 曲靖陽光能源硅 料 限公 司), a joint stock limited company established in the PRC, and directly owned as to approximately 53.70% by Jinzhou Yangguang and an indirect non-wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Service Agreement”	the service agreement entered into between Qujing Yangguang and Guotai Junan on 29 April 2022, pursuant to which Guotai Junan has agreed to place, on a best-effort basis, the New Shares to Investors
“Share(s)”	ordinary shares with a par value of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Hong Kong, 29 April 2022

* For identification purpose only

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. Feng Wenli and Mr. Lian Tao.