

DISCLOSEABLE TRANSACTION FINANCE LEASE ARRANGEMENT

On 18 December 2020, Qujing Yangguang (a non wholly-owned subsidiary of the Company), the Vendor and the Financier entered into the Finance Lease Arrangement, pursuant to which (i) the Financier agreed to purchase the Equipment from the Vendor at the consideration of RMB44,950,000, and (ii) the Financier agreed to lease the Equipment to Qujing Yangguang in tranches for a lease term of 36 months for each tranche.

Since one of the applicable percentage ratio (as defined in the Listing Rules) in respect of the Finance Lease Arrangement based on the value of the right-of-use assets recognised by the Group exceeds 5% but does not exceed 25%, 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 18 December 2020, Qujing Yangguang (a non wholly-owned subsidiary of the Company), the Vendor and the Financier entered into the Finance Lease Arrangement, pursuant to which (i) the Financier agreed to purchase the Equipment from the Vendor at the consideration of RMB44,950,000, and (ii) the Financier agreed to lease the Equipment to Qujing Yangguang in tranches for a lease term of 36 months for each tranche. The Group recognised the Equipment as right-of-use assets in the financial statements in accordance with the Hong Kong Financial Reporting Standards.

Set out below are details of the Finance Lease Arrangement:

(a) Principal terms of the Sale and Purchase Agreement

Date 18 December 2020

Parties (i) Qujing Yangguang (as the Lessee);
(ii) Qingdao Huatong Finance Lease Co., Ltd* (青島華通融資租賃有限責任公司) (as the Financier and the Purchaser); and
(iii) Qingdao Gaoce Technology Shareholding Co., Ltd* (青島高測)

(b) Principal terms of the Finance Lease Agreement

Date

18 December 2020

Security deposit payable by the Lessee to the Financier

5% of the principal lease amount, payable by the Lessee to the Financier. The security deposit will be used to offset any amounts due or payable by the Lessee under the Finance Lease Agreement. If there is no outstanding amount due by the Lessee under the Finance Lease Agreement, the security deposit shall be refunded to the Lessee after the end of the lease term.

Guarantee

The following guarantee and security shall be provided to the Financier pursuant to the Finance Lease Agreement:

- (i) Jinzhou Yangguang (a wholly-owned subsidiary of the Company) shall provide a joint and several liability guarantee under the Finance Lease Guarantee for the due and punctual performance of all and any part of the Lessee's obligations under the Finance Lease Agreement; and
- (ii) The Vendor shall provide the Financier a general liability repurchase guarantee (with a maximum amount of RMB20,000,000). In this regard, the Lessee, the Financier and the Vendor entered into the Repurchase Agreement, pursuant to which the Financier may request the Vendor to repurchase the Equipment from the Financier in the event if the Lessee fails to fulfill its obligations under the Finance Lease Agreement.

(c) Repurchase Guarantee

In consideration of the Vendor entering into the Repurchase Agreement, Jinzhou Yangguang (as the guarantor) and the Vendor entered into the Repurchase Guarantee, pursuant to which Jinzhou Yangguang agreed to provide a joint and several liability guarantee in favour of the Vendor for any liability and payment payable by the Vendor under the Repurchase Agreement.

THE RIGHT-OF-USE ASSETS IN RESPECT TO THE FINANCE LEASE ARRANGEMENT

In accordance with Hong Kong Financial Reporting Standards 16, the Group is required to recognise the leasing of the Equipment as right-of-use assets, and as a result, the entry into of the Finance Lease Arrangement and the transactions contemplated thereunder will be regarded as acquisitions of assets by the Group pursuant to the Listing Rules. The value of the right-of-use assets to be recognised by the Group in its consolidated financial statements under the Finance Lease Arrangement is approximately RMB41,651,000, which is calculated based on the aggregated present values of lease payments discounted using the interest rate implicit in the lease, with initial direct costs incurred and lease payments made at or before the commencement date.

REASONS AND BENEFITS OF THE FINANCE LEASE ARRANGEMENT

The production base of Qujing Yangguang, which mainly produce low-cost high-efficiency monocrystalline silicon ingots and wafers, is located in Yunan Province, the PRC. The Finance Lease Arrangement is entered to expand the equipment fleet for the production of silicon ingot.

The Directors consider that the Finance Lease Arrangement enables the Group to reduce its initial cash outflow and retain more financial resources for its operations. 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 comprises mono-silicon cutting machine, squaring machines and grinding and polishing machines for the production of silicon ingot at the production base of the Lessee situated in Yunan Province, the PRC.

The Lessee 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 is a leading supplier of upstream and downstream vertical integrated solar energy services. Its products are not only sold to the upper-stream and mid-stream customers in the photovoltaic industries but also directly sold to end customers. Accordingly, each and every of its photovoltaic product is for external sale, its businesses include the manufacture and sales of monocrystalline silicon solar ingots and wafers; the manufacture and sales of photovoltaic modules; the installation of photovoltaic systems; and construction of photovoltaic power plant, focusing on providing one-stop solar energy service.

Qujing Yangguang is a company with limited liability incorporated under the PRC law, a non-wholly owned subsidiary of the Company as at the date of this announcement, principally engaged in production and sale of silicon and its products. As at the date of this announcement, Qujing Yangguang is owned as to 70% by Jinzhou Yangguang (a wholly-owned subsidiary of the Company), 20% by Jack Win Investment Holdings Limited and 10% by Jinzhou Xiaojuren Investment Centre (Limited Partnership)* (錦州小巨人投資中心(有限合夥)).

Jinzhou Yangguang is a limited liability company incorporated under the laws of the PRC, which is indirectly wholly-owned by the Company as at the date of this announcement.

The Vendor is a company listed on the Shanghai Stock Exchange (stock code: 688556) and is principally engaged in the design, development, production, sales, adjustment, maintenance and business-related technology service, consultation and training of equipment and machinery, moulds, break-off-the-edge tools, computer hardware and software, large scale integrated circuit and automatic system. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owners is an Independent Third Party.

The Financier is principally engaged in the financial leasing, leasing, purchase and

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Qingdao Huatong Finance Holding Ltd* (青島華通金融控股有限責任公司) is a limited liability company established in the PRC and is principally engaged in investment management. Huasing International Holdings Co., Limited is an investment holding company incorporated in Hong Kong with limited liability.

LISTING RULES IMPLICATIONS

Since one of the applicable percentage ratio (as defined in the Listing Rules) in respect of the Finance Lease Arrangement based on the value of the right-of-use assets recognised by the Group exceeds 5% but does not exceed 25%, 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 otherwi

“Finance Lease

“Security Agreements”	include the Asset Pledge Agreement, the Finance Lease Guarantee, the Repurchase Agreement and the Repurchase Guarantee;
“Shareholders”	the holders of shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendor”	Qingdao Gaoce Technology Shareholding Co., Ltd* (青島高測科技股份有限公司), a company established in the PRC with limited liability;
“%”	per cent.

By Order of the Board
Solargiga Energy Holdings Limited
Wang Junze
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Hong Kong, 18 December 2020

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