[illegible] as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant, or other professional adviser.

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The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM to protect attending shareholders, staff and stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted for every shareholder, proxy or other attendee at each entrance of the meeting venue. Any person with a body

In this circular, the following expressions shall have the meanings as set out below unless the context requires otherwise:-

“Announcement”	the announcement of the Company dated 28 October 2022 relating to the Disposal and the proposed declaration of the Special Dividend
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday or Sunday or public holiday in the PRC)
“China” or “PRC”	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“China Lesso Group”	China Lesso Group Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 2128)
“Company”	Solargiga Energy Holdings Limited (stock code: 757), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 757)
“Completion”	completion of the Disposal
“Completion Date”	the date when all conditions precedent in accordance with the Equity Transfer Agreement are fulfilled, but no later than the Long Stop Date
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules

"Deemed Disposal"	the reduction of the Company's equity interest in Qujing Yangguang from approximately 53.7% to 45.0%, which constituted a deemed disposal of the Group's 8.7% equity interest in Qujing Yangguang under Rule 14.29 of the Listing Rules, as announced in the Company's announcement and circular dated 29 April 2022 and 29 July 2022 respectively
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of 45.0% equity interest in Qujing Yangguang by Jinzhou Yangguang to the Purchasers pursuant to the Equity Transfer Agreement
"Disposal Group"	Qujing Yangguang and its subsidiaries, including Jinzhou Youhua and Jinzhou Changhua
"EGM"	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the Disposal and the proposed declaration of the Special Dividend
"Equity Transfer Agreement"	the conditional equity transfer agreement entered into amongst Jinzhou Yangguang and the Purchasers on 28 October 2022 (after trading hours) in respect of the Disposal
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board which comprises all the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying, to advise the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend

"Independent Financial Adviser" or "Octal Capital"	Octal Capital Limited, a corporation licensed by the Securities and Futures Commission for carrying out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend
"Independent Shareholders"	the Shareholder(s) other than Shareholders who have material interest in the Disposal and the proposed declaration of the Special Dividend
"Independent Third Party(ies)"	third party(ies) independent of the Company and its connected persons
"Jinzhou Changhua"	Jinzhou Changhua Carbon Products Co., Ltd.* , 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 as at the Latest Practicable Date
"Jinzhou Yangguang"	Jinzhou Yangguang Energy Co., Ltd.* , a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Jinzhou Youhua"	Jinzhou Youhua Silicon Materials Co., Ltd.* , 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 as at the Latest Practicable Date
"Last Trading Date"	28 October 2022
"Latest Practicable Date"	16 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining the information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time

"Long Stop Date"	30 June 2023 (or such other date as the parties to the Equity Transfer Agreement may agree in writing)
"Purchasers"	Purchasers A and Purchasers B
"Purchasers A"	include: (i) Qujing Huaqin Energy Technology Partnership (Limited Partnership)* , ultimately beneficially owned by Mr. Tan Wenhua as to 70% of the partnership interest, and Ms. Zhao Xiuqin, the spouse of Mr. Tan Wenhua, as to 30% of the partnership interest; (ii) Qujing Hongyuan Energy Technology Partnership (Limited Partnership)* , ultimately beneficially owned by Mr. Tan Wenhua as to 70% of the partnership interest, and Mr. Chen Xiping, an Independent Third Party, as to 30% of the partnership interest; and (iii) Jinzhou Xinyuan Lebang Energy Technology Co., Ltd.* , wholly-owned by Mr. Tan Xin
"Purchasers B"	include: (i) Guangdong Lesso Banhao Photovoltaic New Energy Technology Co., Ltd.* ; and (ii) Liansu Group Company Limited
"Qujing Yangguang" or "Disposal Company"	Qujing Yangguang New Energy Co., Ltd.* , a joint stock limited company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date
"Remaining Group"	the Group excluding the Disposal Group upon Completion
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)

“Special Dividend”

Solargiga Energy Holdings Limited

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal and the proposed declaration of the Special Dividend; (ii) financial information of the Group; (iii) financial information of the Disposal Group; (iv) unaudited pro forma financial information of the Remaining Group; (v) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (vi) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (vii) the business valuation report regarding the market value of 45.0% equity interest in Qujing Yangguang; and (viii) the notice of the EGM, at which ordinary resolutions will be proposed to consider and, if thought fit, approve the Disposal and the proposed declaration of the Special Dividend.

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that after trading hours on 28 October 2022, the Company's indirect wholly-owned subsidiary, Jinzhou Yangguang and the Purchasers entered into the Equity Transfer Agreement pursuant to which Jinzhou Yangguang conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, in aggregate, 45.0% equity interest in Qujing Yangguang at a Consideration of RMB1,350.0 million. Upon Completion, Qujing Yangguang will cease to be a subsidiary of the Company.

The principal terms of the Equity Transfer Agreement are set out as follows:

Date: 28 October 2022 (after trading hours)

Parties

Vendor: Jinzhou Yangguang

Purchasers A: Entities controlled by Mr. Tan Wenhua and/or Mr. Tan Xin

Purchasers B: Entities controlled by China Lesso Group

Assets to be disposed of

Pursuant to the Equity Transfer Agreement, Jinzhou Yangguang will dispose of its 45.0% equity interest in Qujing Yangguang to the Purchasers with effect from the Completion Date.

Consideration

The Consideration of RMB1,350.0 million was determined after arm's length commercial negotiations amongst the parties to the Equity Transfer Agreement based on normal commercial terms, with reference to, among other things, (i) the preliminary valuation of the 45.0% equity interest in Qujing Yangguang undertook by Hong Kong Appraisal Advisory Limited, an independent professional valuer based on market approach, the appraisal value of which was RMB1,272.0 million as at 30 June 2022; (ii) the net asset value of the Disposal Group as at 30 June 2022; (iii) the business prospects of the Disposal Group; and (iv) the factors as set out in the section headed "Reasons for and Benefits of the Disposal" in this letter below.

The appraisal value of RMB1,272.0 million was derived based on market approach using guideline publicly-traded comparables. Under this approach, ten publicly-traded comparables were selected after exhaustive searching based on a specific set of selection criteria and price to earnings multiple has been chosen as valuation metric.

The Purchasers will make their respective contributions to the Consideration as follows:

- Purchasers A will contribute as to not less than RMB900.0 million nor more than RMB1,050 million and acquire not less than 30.0% nor more than 35.0% equity interest in Qujing Yanguang; and

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The Consideration to be borne by the relevant Purchaser which is an entity incorporated in Hong Kong is expected to be RMB150.0 million, representing one-ninth of the Consideration, while the remaining Consideration will be borne by the other Purchasers which are entities established in the PRC. The above settlement terms of the Consideration were arrived at after arm's length commercial negotiations amongst the parties to the Equity Transfer Agreement.

The Board, with the assistance of the financial adviser to the Company, Opus Capital Limited, made an assessment on the settlement terms of the Consideration and it considers that the settlement terms to be fair and reasonable and in the interests of the Company and the Shareholders as a whole based on the following, among others, (i) the Board conducted a due diligence on the personal financial resources of Mr. Tan Wenhua and Mr. Tan Xin who a-489.9(-18.9552

Conditions precedent

Completion is conditional upon the fulfilment (

INFORMATION OF THE DISPOSAL GROUP

Qujing Yangguang

Qujing Yangguang is a joint stock limited company established in the PRC with a registered capital of RMB163,323,866 divided into 163,323,866 ordinary shares with a par value of RMB1.0 each. As at the Latest Practicable Date, Qujing Yangguang was owned as to approximately 45.0% by Jinzhou Yangguang (an indirect wholly-owned subsidiary of the Company), and 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 solar silicon ingots and wafers.

Jinzhou Youhua

Jinzhou Youhua is a limited liability company established in the PRC.

Jinzhou Youhua was formerly an indirect wholly-owned subsidiary of the Company. Pursuant to an equity transfer agreement dated 25 February 2022 entered into between Solargiga Energy (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company ("**Solargiga Energy**"), as vendor and Qujing Yangguang, as purchaser, Solargiga Energy had agreed to sell and Qujing Yangguang had agreed to acquire the entire equity interest in Jinzhou Youhua (the "**Jinzhou Youhua Transfer**"). For further details of the Jinzhou Youhua Transfer, please refer to the announcement of the Company dated 25 February 2022. Completion of the Jinzhou Youhua Transfer took place on 17 March 2022. As at the Latest Practicable Date, Jinzhou Youhua was a wholly-owned subsidiary of Qujing Yangguang, and hence an indirect non-wholly owned subsidiary of the Company. Jinzhou Youhua is a company principally engaged in manufacturing and trading of monocrystalline silicon solar ingots and wafers.

Jinzhou Changhua

Jinzhou Changhua is a limited liability company established in the PRC. It was acquired by Qujing Yangguang on 22 March 2022 from two Independent Third Parties. As at the Latest Practicable Date, Jinzhou Changhua was a wholly-owned subsidiary of Qujing Yangguang and hence an indirect non-wholly owned subsidiary of the Company. Jinzhou Changhua is principally engaged in the manufacturing of graphite and graphite related products.

The following is a summary of the unaudited consolidated financial information of the Disposal Group for the two years ended 31 December 2020 and 2021:

For the 2 years ended
31 December

Purchasers B

Purchasers B are entities established in the PRC and Hong Kong which are controlled by China Lesso Group, a company listed on the Main Board of the Stock Exchange (stock code: 2128) and a leading large-scale industrial conglomerate that manufactures piping and building materials in mainland China. China Lesso Group is expanding its business into new photovoltaic business and provides a wide range of photovoltaic systems and products and all-in-one professional services comprising consultation, design, research and development, engineering, installation, maintenance and operation. Purchasers B and China Lesso Group are Independent Third Parties.

INFORMATION ON THE GROUP AND THE REMAINING GROUP

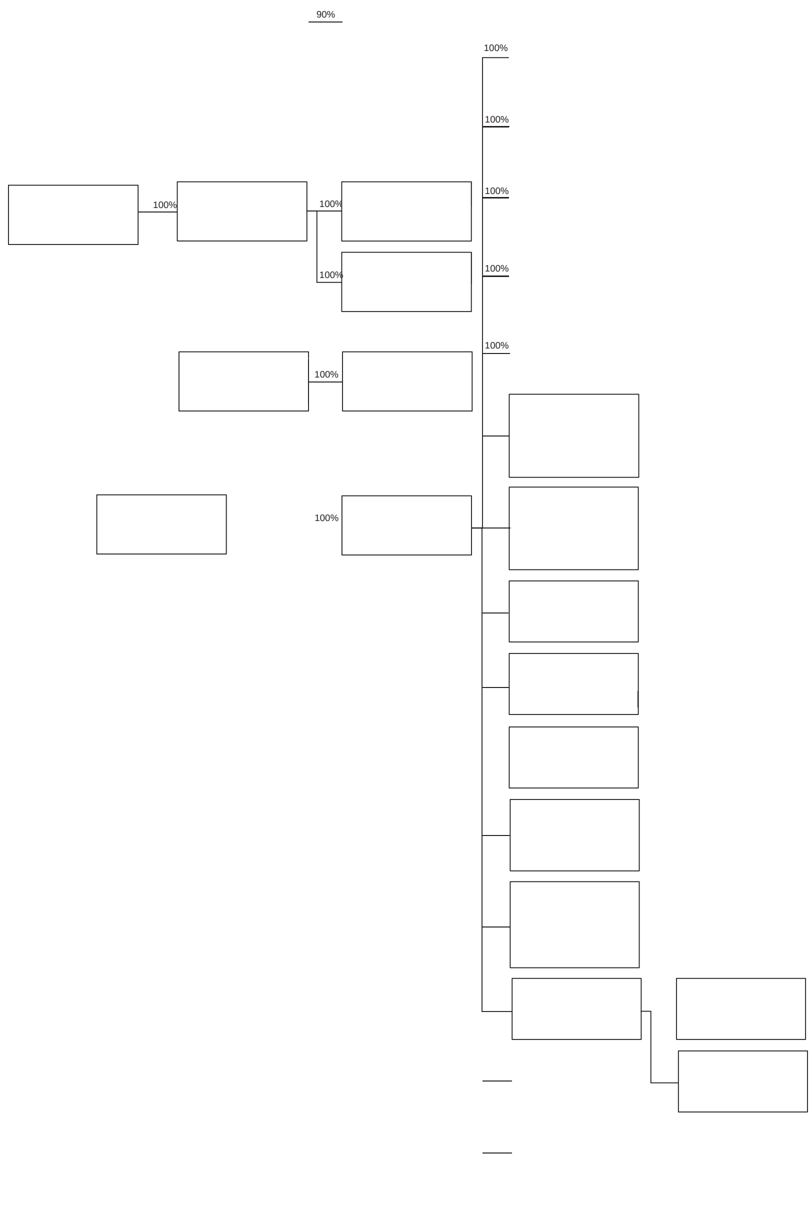
The Group is a leading supplier of solar energy services, with business focus on the manufacturing and trading of upstream monocrystalline silicon solar ingots and wafers and downstream photovoltaic modules in the photovoltaic industry. The Group also engages in the construction and operation of photovoltaic power systems and the semiconductor business.

Upon Completion, the Remaining Group will principally engage in (i) the manufacture and trading of photovoltaic modules; (ii) the construction and operation of photovoltaic power systems; and (iii) the semiconductor business.

It is expected that the intra-group balances (non-trade items) and guarantees between the Remaining Group and the Disposal Group will be released prior to Completion. Currently, the Disposal Group purchases part of its polysilicon materials and sells silicon wafers overseas through the Remaining Group. The Disposal Group will not conduct its procurement and sales through the Remaining Group directly upon Completion. Therefore, it is expected that there will be no continuing connected transactions between the Disposal Group and the Remaining Group subsequent to Completion.

SIMPLIFIED GROUP STRUCTURE BEFORE AND AFTER THE DISPOSAL

Before the Disposal



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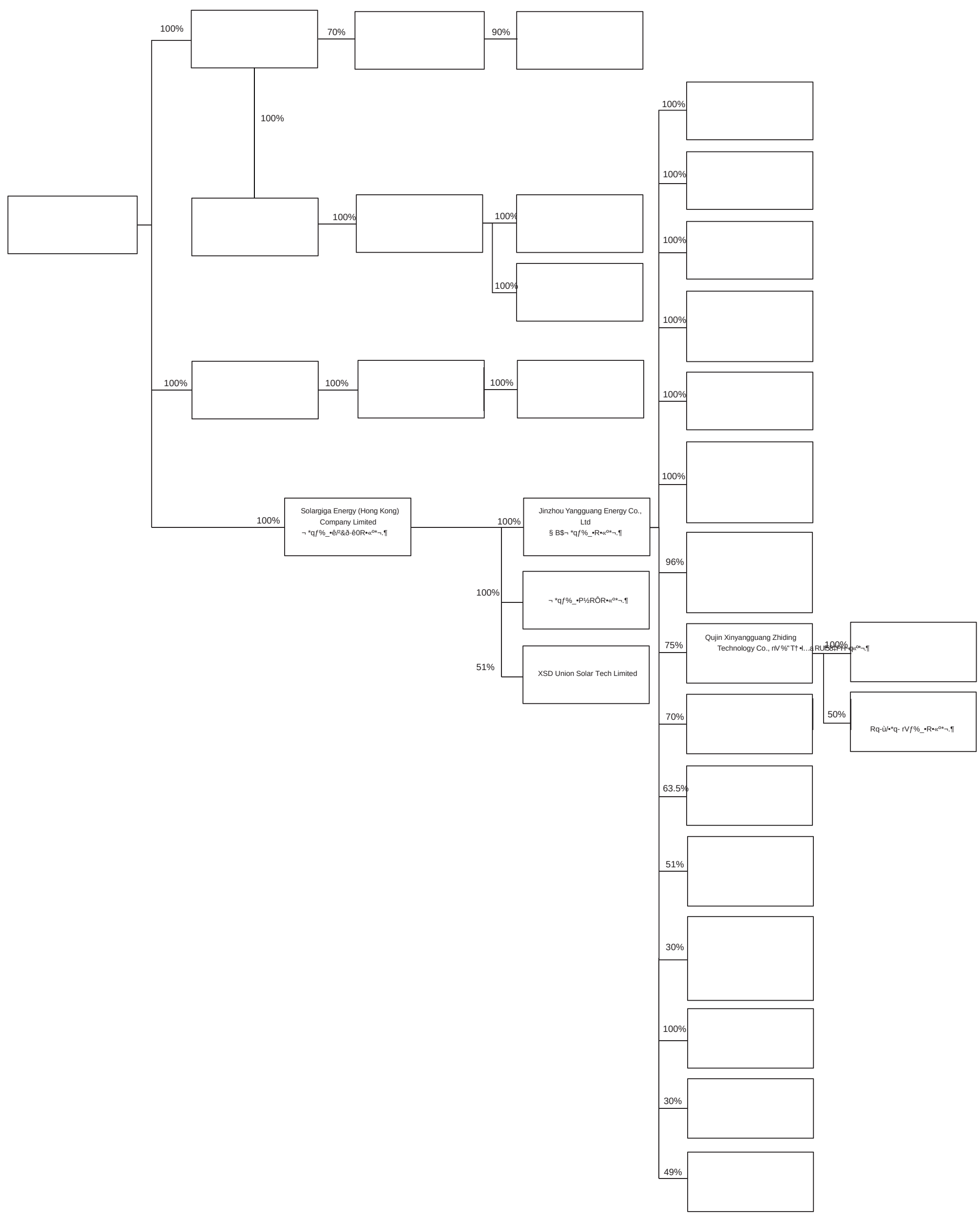

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The Company is of the view that there is clear business delineation between the Disposal Group and the Remaining Group. The Disposal Group is principally engaged in the manufacture and trading of, and the provision of processing services for, monocrystalline silicon solar ingots and wafers. As set out below, the businesses of the Disposal Group and the Remaining Group differ in terms of products, customers, procurement of major materials, and manufacturing process:

	The Disposal Group	**The Remaining Group**
Main products	Solar ingots and wafers	Photovoltaic modules, photovoltaic power systems and semiconductor products
Main customers	Large-scale mid-stream solar cell manufacturers	Large-scale investors in power stations and other photovoltaic end-users
Main raw materials for production	Polysilicon materials	(i) Solar cell and photovoltaic glass; and (ii) Photovoltaic modules
Manufacturing process	The manufacturing equipment and techniques are not interchangeable	

FINANCIAL EFFECTS OF THE DISPOSAL

The Group expects to record an unaudited profit before tax as a result of the transactions to deconsolidate the Disposal Company from the Company of approximately RMB1,100.0 million, being the difference between the Consideration of RMB1,350.0 million and (i) the unaudited consolidated net asset value of the Disposal Group attributable to the Shareholders as at 30 June 2022 of approximately RMB246.1 million; and (ii) the estimated transaction costs of approximately RMB3.9 million to be incurred from the Disposal, subject to finalisation as at the Completion Date. The above figures are for illustrative purpose only. The actual gain in connection with the Disposal will be determined based on the net proceeds received, the financial position of the Disposal Group at Completion and subject to the review and final audit by the auditors of the Company.

The excess of the Consideration over the unaudited consolidated net asset value of the Disposal Group as at 30 June 2022 was approximately RMB1,103.9 million.

USE OF PROCEEDS

The Group expects to realise net proceeds of the Disposal of approximately RMB1,289.7 million from the Disposal, after deducting the transaction costs, will be used by the Group in the following manner:

Source of proceeds	Use of proceeds	Amount	Expected timing of full utilisation of proceeds
From First Milestone Payment	• expansion and growth of the business of the Remaining Group including acquisition of suitable targets;	• RMB150.0 million	• By 30 September 2023
	• the repayment of bank loans and other borrowings of the Remaining Group;	• RMB120.0 million	• By 30 September 2023
	• the proposed distribution of the Special Dividend to the Shareholders(representing the Special Dividend of HK$0.07 per Share based on the number of outstanding Shares as at the Latest Practicable Date); and	• RMB222.6 million	• By 31 March 2023
	• general working capital of the Remaining Group.	• RMB136.9 million	• On-going
From Second Milestone Payment	• expansion and growth of the business of the Remaining Group including investment in project development;	• RMB250.0 million	• By 31 December 2023
	• for the repayment of bank loans and other borrowings of the Remaining Group; and	• RMB330.0 million	• By 31 December 2023
	• general working capital of the Remaining Group.	• RMB80.2 million	• On-going

PROPOSED DECLARATION OF SPECIAL DIVIDEND

Given a clear business delineation between the Disposal Group and the Remaining Group, the Disposal will streamline the Company's businesses to focus on the retained businesses to make them more competitive and specialised, and to unveil the hidden value of the retained businesses. The Company believes that there is substantial room for growth in the Remaining Group's businesses, taking into account the following:

(i) Globally, China is the largest producer of solar power and dominates the global solar photovoltaics market. The Remaining Group has engaged in module production since 2009, and has accumulated extensive experience and advanced production technology and processes in monocrystalline module production. The P-type Passivated Emitter and Rear Cell module of the monocrystalline products that the Remaining Group focuses on has not only become the mainstream in the market, but the Remaining Group has also further expanded and strengthened the development and sales of other high-efficiency and high-end module products. The Group recorded external shipment volume of photovoltaic modules of approximately 2,865.0MW, 2,842.3MW and 1,318.1MW in the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 respectively. In October 2021, the National Development and Reform Commission of the PRC issued the "Notice on Further Deepening the Market-oriented Reform of Feed-in Tariffs for Coal-fired Power Generation", which ensures a stable income for new projects and marks the official entry of photovoltaics into the grid parity era. In addition, in the same month, the State Council of the PRC also issued "Action Plan for Peaking Carbon Emissions before 2030", which pointed out that it is necessary to develop new energy and promote the large scale and high-quality development of solar power generation comprehensively. It is also essential to promote the diversified layout of photovoltaic power generation to ensure the realisation of the carbon peaking target by 2030. The scheme means that photovoltaic power generation has become one of the key development directions of China's 14th Five Year Plan (2021-2025), driving the replacement of traditional energy sources and benefiting the development of the photovoltaic industry in the long run. With a long operating history and an established reputation for its product quality, the Remaining Group is poised to benefit from the growth in global demand for photovoltaic products as all countries are stepping up their renewable energy efforts, as well as domestic demand for photovoltaic products with renewable energy gaining a more prominent position in China's 14th Five Year Plan (2021-2025).

(ii) The Group's photovoltaic power system business includes traditional distributed power station engineering, procurement and construction business, building applied photovoltaics business and building integrated photovoltaics (“BIPV”) business. The Remaining Group is carrying out a series of research and development projects in cooperation with various institutions, of which four series of BIPV products have passed China Compulsory Certificate certification, China Quality Certificate Centre certification, and GB8624-2012 building materials and products combustion performance test certification. On 21 October 2021, the State Council of the PRC issued “Opinions on Promoting Green Development of Urban and Rural Construction” to promote the green development of urban and rural construction. These opinions set a target that by 2025 the institutional mechanisms and policy systems for green development in urban and rural areas will be basically established, the quality of urban and rural ecological environment will be improved, and by 2035 green development will cover urban and rural areas in a comprehensive way, with an increased cut in carbon emissions. With the favorable policy support of the PRC government's vigorous advocacy of “hit peak emissions” and “carbon neutrality” and the construction of “green buildings” and “zero energy buildings”, pursuant to “Opinions on Promoting Green Development of Urban and Rural Construction” Construction” , given the current huge building volume in the PRC, it is anticipated that the Remaining Group's BIPV business would have broad development prospects and become a new development hotspot in the photovoltaic industry.

(iii) China has become the fastest growing country in the global semiconductor industry and the world's largest semiconductor application market. The Remaining Group's semiconductor business has shown rapid growth since it was officially put into operation in 2019. The Company expects that its semiconductor business will continue to maintain strong growth in the next few years, and will contribute profits to the Group, driven by a booming market and the PRC government's substantial investment in semiconductors.

The Disposal represents a good opportunity for the Company to realise a considerable gain on disposal of approximately RMB1,100.0 million together with a substantial net proceeds, which will strengthen the Remaining Group's financial position, gearing and working capital. As at 30 June 2022, guarantee in the amount of RMB94.6 million was provided by the Remaining Group to the Disposal Group, while guarantee in the amount of RMB105.6 million was provided by the Disposal Group for the Remaining Group. The aforesaid guarantee will be released upon Completion. In addition, as set out in the section headed "Use of Proceeds" in this letter above, the Remaining Group will use a portion of net proceeds to reduce its indebtedness. The Company will deploy certain amount of funds from the Disposal to develop the Remaining Group's businesses, which are critical to stay competitive locally and internationally and to sustain long-term growth. As at 30 June 2022, the Group's gearing ratio, which is calculated as the ratio of total borrowings, less cash and cash equivalents, to the total of share capital and reserves, was 499.0%. It is expected that the Remaining Group's gearing ratio will be approximately 70.0% upon Completion.

The terms of the Equity Transfer Agreement (including the Consnwillhea-5.moup

Mr. Tan Wenhua and Mr. Tan Xin had abstained from voting on the Board resolution approving the Equity Transfer Agreement, the Disposal and the proposed declaration of the Special Dividend. Apart from the above, none of the Directors had any material interest in the Equity Transfer Agreement, the Disposal and the proposed declaration of the Special Dividend and was required to abstain from voting on the Board resolutions approving the Equity Transfer Agreement, the Disposal and the proposed declaration of the Special Dividend.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all of the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying, has been formed to advise the Independent Shareholders on the Disposal and the proposed declaration of the Special Dividend.

The Company has appointed Octal Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the Company on the Disposal and the proposed declaration of the Special Dividend.

EGM

The Company will convene the EGM at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong, at 11 a.m. on Wednesday, 7 December 2022 to consider and, if thought fit, approve the Disposal and the proposed declaration of the Special Dividend. A notice of the EGM

RECOMMENDATION

On the basis of the information as set out in this circular, the Directors (including the members of the Independent Board Committee whose views are included in the letter from the Independent Board Committee as set forth on page 24 of this circular respectively) are of the view that the terms of the Disposal and the proposed declaration of the Special Dividend are on normal commercial terms and are fair and reasonable and that the Disposal and the proposed declaration of the Special Dividend are in the interests of the Company and the Independent Shareholders as a whole.

The Board therefore recommends the Independent Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information as set out in the appendices to this circular.

Yours faithfully,
By order of the Board
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[illegible]
Chairman

Solargiga Energy Holdings Limited

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

Set out below is the text of a letter received from Octal Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend for the purpose of inclusion in this circular.

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As at the Latest Practicable Date, we were not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend. In the last two years, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Group, or any of their respective associates. Accordingly, we are qualified to act as the Independent Financial Adviser in respect of the Disposal and the proposed declaration of the Special Dividend pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on (i) the Company's annual reports for the year ended 31 December 2020 (the "**2020 Annual Report**") and 31 December 2021 (the "**2021 Annual Report**"); (ii) the Company's interim report for the six months ended 30 June 2022 (the "**2022 Interim Report**"); (iii) the Equity Transfer Agreement; (iv) the Announcement; (v) the information and facts contained or referred to in the Circular; (vi) the information supplied by the Group; (vii) the opinions expressed by and the representations of the professional parties engaged by the Group; and (viii) our review of the relevant public information. We have also relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular were true at the time they were made and continue to be true as at the Latest Practicable Date. We have also relied on our discussion with the Directors and management of the Group regarding the Disposal and the proposed declaration of the Special Dividend, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and management of the Group in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to either suspect that any material facts have been omitted or withheld

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders regarding the Disposal and the proposed declaration of the Special Dividend, we have considered the following principal factors and reasons:

1. Background information of the Group

The Group is principally engaged in the manufacture of, trading of, and provision of processing services for polysilicon and monocrystalline silicon solar ingots/wafers; the manufacture and trading of photovoltaic modules; and the construction and operation of photovoltaic power plants. Set out below is a summary of the consolidated financial information of the Group for the financial years ended 31 December 2019 ("**FY2019**"), 31 December 2020 ("**FY2020**") and 31 December 2021 ("**FY2021**"), and the six months ended 30 June 2021 ("**1H2021**") and 30 June 2022 ("**1H2022**") (combined, "**Review Period**") as extracted from the 2020 Annual Report, 2021 Annual Report and 2022 Interim Report:

1.1. Financial information of the Group

	FY2019	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	4,425,552	6,051,956	7,104,992	2,820,623	3,146,960
Gross profit	341,368	585,852	879,083	371,516	267,072
Gross profit margin	7.7%	9.7%	12.4%	13.2%	8.5%
Finance costs	(123,130)	(118,750)	(124,856)	(60,763)	(67,182)
(Loss)/profit for the year/period attributable to the owners of the Company for the year/period	(355,492)	(215,648)	193,222	61,339	67,733

For FY2020 and FY2021

Revenue of the Group increased by approximately 17.4% from approximately RMB6,052.0 million for FY2020 to approximately RMB7,105.0 million for FY2021. Such increase in the Group's revenue was largely due to the increase in sales of photovoltaic modules and monocrystalline silicon wafers, while the average selling price of silicon wafers was higher than that in 2020. The Group recorded a gross profit of approximately RMB879.1 million and a gross profit margin of approximately 12.4% for FY2021, as compared to a gross profit of approximately RMB585.9 million and a gross profit margin of approximately 9.7% for FY2020, which increased significantly by approximately 50.1% and approximately 2.7 percentage points respectively due to the higher selling prices of the Group's silicon wafers products. The Group's finance costs slightly increased from approximately RMB118.8 million for FY2020 to approximately RMB124.9 million for FY2021, representing an increase of approximately 5.1%.

12. Financial position of the Group

RMB'000	As at 31 December 2020 (audited)	As at 31 December 2021 (audited)	As at 30 June 2022 (unaudited)
Non-current assets	1,743,154	2,166,354	2,237,330
Current assets	3,858,549	4,124,818	4,796,944
Total assets	5,601,703	6,291,172	7,034,274
Non-current liabilities	439,391	725,350	1,072,595
Current liabilities	4,822,316	4,893,543	5,173,261
Total liabilities	5,261,707	5,618,893	6,245,856
Net current liabilities	(963,767)	(768,725)	(376,317)
Net assets	339,996	672,279	788,418
Equity attributable to owners of the parent	140,555	376,414	374,214
Cash and bank balances	456,265	431,861	500,882
Borrowings:			
Current portion	2,475,519	1,915,279	1,991,109
Non-current portion	4,060	209,670	377,084
Total borrowings	2,479,579	2,124,949	2,368,193
Current ratio[1]	0.80	0.84	0.93
Gearing ratio[2]	1,440%	450%	499%

Notes:

1. Being current assets divided by current liabilities

As at 31 December 2021

As at 31 December 2021, total assets of the Group were approximately RMB6,291.2 million which mainly comprised of (a) trade, bills receivables and contract assets of approximately RMB1,953.2 million; (b) property, plant and equipment of approximately RMB1,901.1 million; and (c) pledge deposits of approximately RMB751.3 million, whilst total liabilities of the Group were approximately RMB5,618.9 million, which mainly included (a) trade and bills payables of approximately RMB2,242.7 million; and (b) short-term interest-bearing bank and other borrowings of approximately RMB1,915.3 million. As at 31 December 2021, the Group had net current liabilities of approximately RMB768.7 million with a current ratio of approximately 0.84 time. The Group's net debt and equity attributable to owners of the parent amounted to approximately RMB1,693.1 million and RMB376.4 million respectively, resulting in a gearing ratio of approximately 450%.

As at 30 June 2022

As at 30 June 2022, total assets of the Group were approximately RMB7,034.3 million which mainly comprised of (a) property, plant and equipment of approximately RMB1,959.2 million; (b) trade, bills receivables and contract assets of approximately RMB1,907.1 million; and (c) pledged deposits combined of approximately RMB1,090.6 million, whilst total liabilities of the Group were approximately RMB6,245.9 million, which mainly included (a) trade and bills payables of approximately RMB2,404.7 million; and (b) short-term interest-bearing bank and other borrowings of approximately RMB1,991.1 million. As at 30 June 2022, the Group had net current liabilities of approximately RMB376.3 million with current ratio improved to approximately 0.93 time from 0.84 time as at 31 December 2021. The Group's net debt and equity attributable to owners of the parent amounted to approximately RMB1,867.3 million and RMB374.2 million respectively, resulting in a gearing ratio of approximately 499%.

2. Background information of the Disposal Group

2.1. Principal activities

Qujing Yangguang is a joint stock company established in the PRC owned as to approximately 45.0% by Jinzhou Yangguang (an indirect wholly-owned subsidiary of the Company), and an indirect non-wholly owned subsidiary of the Company. Qujing Yangguang is principally engaged in the manufacturing and trading of, and the provision of processing services for, monocrystalline silicon solar ingots and wafers. For details of the information of the Disposal Group, please refer to the Letter from the Board.

2.2. Financial information of the Disposal Group

Set out below is the summary of key consolidated financial information of the Disposal Group for FY2020, FY2021, 1H2021 and 1H2022:

Financial performance of the Disposal Group

	FY2020	FY2021	1H2021	1H2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	1,140,791	1,813,487	774,357	813,781
Gross profit	132,862	350,334	185,397	156,093
Gross profit margin	11.6%	19.3%	23.9%	19.2%
Finance costs	(18,949)	(20,012)	(9,813)	(22,192)
Profit for the year/period	100,863	253,190	129,277	105,681

Financial position of the Disposal Group

RMB'000	As at 31 December 2020 (unaudited)	As at 31 December 2021 (unaudited)	As at 30 June 2022 (unaudited)
Non-current assets	680,396	1,124,240	1,226,253
Current assets	443,247	634,245	891,569
Total assets	1,123,643	1,758,485	2,117,822
Non-current liabilities	116,876	171,807	612,308
Current liabilities	775,547	1,006,633	1,047,158
Total liabilities	892,423	1,178,440	1,659,466
Net current liabilities	(332,300)	(372,388)	(155,589)
Net assets	231,220	580,045	458,356
Equity attributable to owners of the parent	231,220	580,045	458,356
Cash and bank balances	49,341	79,175	85,169
Borrowings:			
Current portion	340,967	416,342	500,493
Non-current portion	–	–	208,417
Total borrowings	340,967	416,342	708,910
Current ratio[1]	0.57	0.63	0.85
Gearing ratio[2]	126%	58%	136%

Notes:

1. Being current assets divided by current liabilities

2. Being net debt (i.e. total borrowings less cash and cash equivalents) divided by equity attributable to owners of the parent

As at 31 December 2021

As at 31 December 2021, total assets of the Disposal Group were approximately RMB1,758.5 million which mainly comprised of (a) property, plant and equipment of approximately RMB1,006.7 million; (b) trade and bills receivables of approximately RMB253.3 million; and (c) inventories of approximately RMB153.7 million; whilst total liabilities of the Disposal Group were approximately RMB1,178.4 million, which mainly included (a) short-term borrowings of approximately RMB416.3 million; and (b) other payables of approximately RMB295.8 million. As at 31 December 2021, the Disposal Group had net current liabilities of approximately RMB372.4 million with a current ratio of approximately 0.63 time. The Disposal Group's net debt and equity attributable to owners of the Company amounted to approximately RMB337.2 million and RMB580.0 million respectively, resulting in a gearing ratio of approximately 58%.

As at 30 June 2022

As at 30 June 2022, total assets of the Disposal Group were approximately RMB2,117.8 million which mainly comprised of (a) property, plant and equipment of approximately RMB1,091.4 million; (b) trade and bills receivables of approximately RMB429.7 million; and (c) inventories of approximately RMB216.3 million; whilst total liabilities of the Disposal Group were approximately RMB1,659.5 million, which mainly included (a) short-term borrowings of approximately RMB500.5 million; (b) convertible bonds of approximately RMB245.1 million; and (c) long term bank loans of approximately RMB208.4 million. As at 30 June 2022, the Disposal Group had net current liabilities of approximately RMB155.6 million with a current ratio of approximately 0.85 time. The Disposal G 30

. Information of the Purchasers

Purchasers A

Purchasers A are entities established in the PRC which are controlled by Mr. Tan

The Group's intended use of net proceeds of RMB1,289.7 million are as follows: (i) approximately 34.9% of the net proceeds, or approximately RMB450.0 million for repayment of bank loans and borrowings of the Remaining Group; (ii) approximately 31.0% of the net proceeds, approximately RMB400.0 million for expansion of the

The profitability of the Remaining Group has been largely hindered by the surge of raw materials required for photovoltaic modules, for instance, monocrystalline silicon solar ingots/wafers and related products for the Review Period. However, according to a notice namely Notice on Promoting the Coordinated Development of the PV Industry Chain and Supply Chain*

jointly issued by Ministry of Industry and Information Technology of China, National Energy Administration and State Administration for Market Regulation in August 2022, authorities of the PRC Government are dedicated to promote and optimise the development of photovoltaic industry by intervening the pricing of the upstream products of the photovoltaic industry in the PRC and warning against price gouging and hoarding. With the accelerated establishment of advanced supply chain system to support the connection between the upstream and downstream enterprises, cost reduction and production efficiency are expected to achieve.

According to the 2022 Interim Report, the Remaining Group has expanded the production capacity of photovoltaic modules during the six months ended 30 June

The Special Dividend will be paid out of the net proceeds from the Disposal after taking into account repayment of loan and borrowings, expansion of the business of the Remaining Group and working capital needs of the Remaining Group. The

5. Principal terms of the Equity Transfer Agreement

On 28 October 2022 (after trading hours), the Company's wholly-owned subsidiary, Jinzhou Yangguang, and the Purchasers entered into the Equity Transfer Agreement, pursuant to which Jinzhou Yangguang conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, in aggregate the Sale Shares at a Consideration of RMB1,350.0 million. Upon Completion, Qujing Yangguang will cease to be a subsidiary of the Company.

5.1 Assets to be disposed

Pursuant to the Equity Transfer Agreement, Jinzhou Yangguang will dispose of the Sale Shares to the Purchasers with effect from the Completion Date.

5.2 Consideration

As disclosed in the Letter from the Board, the Consideration was, *inter alia*, determined after arm's length negotiation between the Vendor and the Purchasers having regard to the value of the Sale Shares (the "**Valuation**") appraised by Hong Kong Appraisal Advisory Limited (the "**Independent Valuer**"). Independent Shareholders' attention is drawn to the full text of the business valuation report (the "**Valuation Report**") as set out in Appendix IV to the Circular.

The Purchasers will make their respective contributions to the Consideration as follows:

- Purchasers A will contribute as to not less than RMB900.0 million nor more than RMB1,050 million and acquire not less than 30.0% nor more than 35.0% equity interest in Qujing Yangguang; and

- Purchasers B will contribute to the remaining Consideration and acquire the remaining equity interest in the 45.0% equity interest in Qujing Yangguang after Purchasers A determine the equity interest in Qujing Yangguang that they will acquire.

Valuation of the Disposal Group

In order to assess the fairness and reasonableness of the Consideration, we have obtained and reviewed the Valuation Report in relation to the valuation of Qujing Yangguang and the underlying basis and assumptions prepared by the Independent Valuer. As stated in the Valuation Report, the appraised value of the Sale Shares as at 30 June 2022 (the "**Valuation Date**") is estimated to be RMB1,272.0 million. Accordingly, the Consideration represents a premium of approximately 6.1% over the appraised value of the Sale Shares.

Scope of work

We have reviewed the terms of engagement of the Independent Valuer and consider that its scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might adversely impact on the degree of assurance given by the Valuation Report. Furthermore, we noted that the Valuation Report is prepared in accordance with International Valuation Standards published by the International Valuation Standards Council.

Qualification, experience and independence of the Independent Valuer

We have assessed the qualifications, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Report. We understand that Ms. Jacqueline W. Huang, Ph.D. and Mr. Nick Fung, who holds the position of Managing Director and Associate Director at the Independent Valuer respectively, are person-in-charge of the Valuation Report. Ms. Jacqueline W. Huang, Ph.D. has over 17 years of experience in business valuation and for various purpose and has extensive experience in valuation services for a wide variety of industries, while Mr. Nick Fung has over 10 years of experience in business valuation and involved in various kind of assets valuation. We have also obtained information on the Independent Valuer's track records on other valuations and noted that the Independent Valuer has provided a wide range of valuation services to numerous companies listed on the Stock Exchange in the past. During our discussion with the Independent Valuer, it has also confirmed that it is independent from the Group, the Disposal Group and their respective associates. Based on the above, we are satisfied with the qualification and experience of the Independent Valuer for the purpose of the Valuation.

Basis and major assumptions adopted by the Independent Valuer

We have enquired with and were advised by the Independent Valuer that it had performed necessary due diligence work for the preparation of the Valuation Report, which included, among others, discussion with the management of the Disposal Group in relation to the nature of the businesses and future operations, evaluation of the Disposal Group's historical financial performance and examination of the financial information and relevant documents of Comparable Companies (as defined below).

According to the Valuation Report, the Valuation has been conducted on market value basis defined as "the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts". We also noted that the Independent Valuer has made major assumptions based on its experience in valuing businesses of similar nature, including but not limited to that (i) there will be no major changes in the existing political, legal, and economic conditions in the PRC, in which the Disposal Group will carry on their business; (ii) there will be no material changes in the industry and its sub-industry in which the Disposal Group involved that would materially affect the revenues, profits and cash flows attributable to the Disposal Group; and (iii) the market is efficient to reflect all available and relevant information.

Selection of valuation methodology

We have further discussed with the Independent Valuer on the selection of valuation methodology. In arriving at the Valuation, the Independent Valuer

As advised by the Independent Valuer, since cost approach frequently results in the lowest value which is commonly used to set a floor for the value of a business, and it does not account for risk factors presented in the business, growth prospects, potential income that could be generated from existing assets and intangible assets, it is not adopted. Income approach relies heavily on a long-term financial forecast, which requires subjective assumptions that are difficult to be justified. Therefore, income approach is not adopted. Market approach considers prices recently paid for similar businesses under specified selection criteria, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. As such, the Independent Valuer considers, and we concur, that it is most appropriate to adopt market approach for the Valuation. Based on our enquiries with the Independent Valuer, we understand that the market-based approach is one of the commonly adopted approaches for valuing companies of similar nature.

In identifying comparable companies, the Independent Valuer relied on Bloomberg and conducted exhaustive desktop search for searching publicly-traded comparables which have business natures and places of operation similar to that of the Disposal Group. After exhaustive searching, a total of 10 comparable companies (the "**Comparable Companies**") have been chosen based on the following selection criteria: (i) most of their revenues have been derived from manufacturing and trading of, and the provision of processing services for, solar silicon related products; (ii) companies which are listed in the PRC and Hong Kong; (iii) their operations are mainly based in the PRC; (iv) sufficient data, including financial figures, market capitalisation can be obtained from public sources; and (v) relevant information about the Comparable Companies are available and publicly disclosed (combined, "**Selection Criteria**"). We have discussed with the Independent Valuer on such selection criteria and reviewed the scope of business of the Comparable Companies. We are of the view that the Selection Criteria are fair and reasonable.

Set out below is the list of Comparable Companies that satisfy the Selection Criteria as extracted from the Valuation Report.

Company name	Stock code	Principal business activities	Market capitalisation (RMB' million)[1]	Adjusted P/E Multiples[2]
LONGi Green Energy Technology Co Ltd.	601012 CH	Engaged in production of monocrystalline silicon ingots, monocrystalline silicon wafers, semiconductor materials, solar cells, and other products	504,931	13.15
TCL Zhonghuan Renewable Energy Technology Co Ltd.	002129 CH	Engaged in production and sale of high voltage diodes, silicon rec tifierdiode, silicon bridge rectifiers, and other products	190,317	14.99
GCL Technology Holdings Ltd.	3800 HK	Engaged in production of polysilicon products	87,694	7.16
Beijing Jingyuntong Technology Co Ltd.	601908 CH	Engaged in generation and distribution of electric power, wid power, and other power products and production of silicon products	19,365	17.14
The Company	757 HK	Engaged in manufacture, trading, and provision of processing services for polysilicon and monocrystalline silicon solar ingots/wafers; manufacture and trading of photovoltaic modules; and construction and operation of photovoltaic power plants	1,078	6.42
Comtec Solar Systems Group Ltd.	712 HK	Engaged in design, development and manufacture of solar grade silicon ingots and wafers	206	N/A [3]
Xinte Energy Co Ltd.	1799 HK	Engaged in manufacture and distribution of solar grade polysilicon products	7,563	0.8
Wuxi Shangji Automation Co Ltd.	603185 CH	Engaged in production of photovoltaic slicers, photovoltaic grinders, photovoltaic square machines, photovoltaic sawing machines, and other equipment	60,334	14.12
Zhejiang Mtcn Technology Co., Ltd.	003026 CH	Engaged in manufacture and sale of discrete devices silicon, integrated circuits silicon, and other products	5,793	43.22
Xinjiang Daqo New Energy Co Ltd.	688303 CH	Engaged in manufacture and distribution of polysilicon, silicon wafers, cells assemblies, and other products	131,516	7.27
			Adjusted P/E Multiples	13.81

Notes:

1. Market capitalisation of the Comparable Companies and the Company as at the Valuation Date

2. Trailing 12-month price to earnings multiple after adjustment based on market capitalisation (the "**Adjusted P/E Multiples**"). For details, please refer to the Valuation Report as set out in Appendix IV to the Circular

3. The Adjusted P/E Multiple of Comtec Solar Systems Group Ltd. is not available as it recorded net loss for the trailing twelve months

We noted that the Independent Valuer has considered various multiples, such as the price to sales multiple, price to earnings ("**P/E**") multiple, price to book ("**P/B**") multiple, enterprise value to sales multiple, enterprise value to earnings before interest tax depreciation and amortisation ("**EV/EBITDA**") and enterprise value to earnings before interest and tax ("**EV/EBIT**") multiple. The P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B ratio of larger than one), should have its own intangible competencies and advantages. EBITDA strips out debt costs, taxes, and ac(e).5(502)stid Pours plik-4.5(d)-399.4(d)sreci-4.9(sition).-334.2(aEVEBITD)A-33

In arriving at the Valuation RMB1,272 million, the Independent Valuer firstly derived the total appraised value of the 100% equity interest in Qujing Yangguang of approximately 2,826.6 million by multiplying the trailing 12-

Below is the summary of the calculation of the Valuation extracted from the Valuation Report as set out in Appendix IV to the Circular:

Mean of Adjusted P/E Multiples of the Comparable Companies	13.81
Trailing 12-month net profit of the Disposal Group *(RMB)*	229,594,000
Market value of 100% equity interest of the Disposal Group (on minority basis) *(RMB)*	3,170,693,140
Add: Control Premium	931,126,885
Less: DLOM	(1,275,666,028)
Market value of 100% equity interest of the Disposal Group *(RMB)*	2,826,153,998
Market value of the Sale Shares *(RMB)*	1,271,769,299
Market value of the Sale Shares (Rounded) *(RMB)*	**1,272,000,000**

Based on our review on the Valuation Report and our discussion with the

The Consideration to be borne by the Purchaser which was established in Hong

On the other hand, we understand that Purchasers B, being subsidiaries of China Lesso Group, a company listed on the Main Board of the Stock Exchange (stock code: 2128), and we have reviewed China Lesso Group's annual report for the year ended 31 December 2021 and interim report for the six months ended 30 June 2022. We note that China Lesso Group has over 35 years of operating history and a large scale with annual revenue of approximately RMB32.1 billion for FY2021. We also note that as at 30 June 2022, the net asset value of China Lesso Group of approximately RMB21.8 billion is substantially higher than its pro-rata portion of the Deferred Consideration Payment of ranging from approximately RMB146.7 million and RMB220.1 million, subject to the contribution to the Consideration by Purchasers A as mentioned in the paragraph headed "5.2 Consideration" in this letter. In addition, according to China Lesso Group's interim report for the six months ended 30 June 2022, it has maintained a healthy financial position with cash and bank deposit of approximately RMB5.6 billion, current ratio of approximately 1.19 times and gearing ratio of 44.5%.

As stated in the Letter from the Board, in respect of the deferred settlement of the remaining 48.9% of the Consideration in six months after Completion, the Board took comfort of the legal remedy available in the Equity Transfer Agreement that in the event, the relevant Purchaser(s) fails to pay the remaining 48.9% of the Consideration within the time period as stipulated in the Equity Transfer Agreement which include, among others: (a) Jinzhou Yangguang is entitled to urge the relevant Purchaser(s) to continue to pay the relevant part of the Consideration; (b) Jinzhou Yangguang has the right to request the relevant Purchaser(s) to return the shares of the Disposal Company corresponding to the unpaid Consideration; or (c) Jinzhou Yangguang has the further right to terminate the Equity Transfer Agreement after notifying the relevant Purchaser(s) if the relevant Purchaser(s) fails to pay the relevant part of the Consideration after being urged within the period stipulated under the Equity Transfer Agreement. Notwithstanding the above, the Purchaser(s) will be required to indemnify Jinzhou Yangguang and keep Jinzhou Yangguang indemnified against any losses and reasonable costs (including reasonable legal fees) incurred to or suffered by Jinzhou Yangguang arising out of or resulting from the default by the relevant Purchaser(s).

Having considered (i) the above aggregate funding of the Debt Financing and the Facility; (ii) the market value of the equity interest of the Company held by Mr. Tan Wenhua and Mr. Tan Xin; (iii) the apportioned amount of the Special Divided to be declared to Mr. Tan Wenhua and Mr. Tan Xin; (iv) the business scale and financial position of China Lesso Group; and (v) the compensation mechanism against any possible delays or defaults in payment by the Purchasers, we concur with the Directors

6. Declaration of Special Dividend

The Special Dividend of HK$0.07 per Share represents (i) approximately 29.3% of the closing price of HK$0.239 per Share as quoted on the Stock Exchange on the date of the Announcement; and (ii) approximately 19.4% of the average closing price of HK$0.36 per Share as quoted on the Stock Exchange for the past one year up to and including the date of the Announcement. As the Special Dividend will be paid out of the net proceeds from the Disposal after taking into account repayment of loan and borrowings, expansion of the

Liquidity and working capital

The net current liabilities, being the difference between the current assets and the current liabilities, and current ratio of the Group were approximately RMB376.3 million and 0.93 respectively as at 30 June 2022. Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix III to the Circular, assuming the Disposal was completed by 30 June 2022 at a consideration of RMB1,350.0 million, the Group would record net current assets of approximately RMB846.3 million and current ratio would increase to 1.21 times.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial results and the financial position of the Group will be upon Completion.

8. Recommendation

Having considered the principal factors and reasons as discussed above, we are of the opinion that the Disposal and the proposed declaration of the Special Dividend are not in the ordinary and usual course of business of the Group because of its "one-off" nature. Nevertheless, the terms of the Disposal and the proposed declaration of the Special Dividend are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders and we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal and the proposed declaration of the Special Dividend.

Yours faithfully
For and on behalf of
Octal Capital Limited

Alan Fung
Managing Director

Wong Wai Leung
Executive Director

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 28 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Wong Wai Leung has been a responsible officer of Type 1 (dealing in securities), Type 6 (advising on corporate finance) regulated activities since 2008 and is also a responsible officer of Type 9 (asset management) regulated activities. Mr. Wong has accumulated decades of experience in corporate finance and investment banking and has participated in and completed various advisory transactions of listed companies in Hong Kong in respect of the Listing Rules and the Takeovers Code.

* *For identification purposes only.*

1. SUMMARY OF FINANCIAL INFORMATION

The financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 are disclosed on pages 78-204, 86-216, 75-212 and 31-72, respectively, in the annual reports of the Company for the three years ended 31 December 2019, 2020 and 2021, and the interim report of the Company for the six months ended 30 June 2022, which are published on both the websites of HKExnews (www.hkexnews.hk) and the Company (www.solargiga.com). The auditors of the Company did not any qualified opinion on the Group's financial statements for the three years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022.

(i) annual report of the Company for the year ended 31 December 2019 published on 24 April 2020, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042401182.pdf

2. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

The Company believes that there is ample room for growth in the Remaining Group's business operations. China's photovoltaic industry is expected to benefit from the growing global and domestic demand for solar photovoltaics with a series of favourable government policies and expected decrease in the cost of polysilicon, being the major raw materials of the photovoltaic industry, from the recent peak. It is expected that photovoltaic products will be able to move further towards full-scale marketised competition in the photovoltaic industry and away from policy subsidies, and will progress towards self sustainable development, advance technological

Furthermore, the Remaining Group has taken measures to improve its organisational structure and human resources recruitment system to improve its operational model. The Remaining Group is undergoing a major upgrade of the enterprise resource planning system, with the purpose of providing compatible software/hardware support for market analysis and decision-making processes. It is expected that the above measures can streamline the operations of the Remaining Group, and improve its business efficiency, including resources allocation, pricing of products and services, and procurement of the raw and auxiliary materials, thereby reducing its production and logistics costs (especially maritime transportation costs).

In a nutshell, the Group is fully prepared by relying on its existing advantages and will do its utmost, to embrace the growth and development in the photovoltaic industry in the good times, help achieve the goal of "carbon neutrality" in 2060 in China and contribute to the sustainable development of the global environment.

. STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

At the close of business on 30 September 2022, being the latest practicable date for the purpose of tIn68Tn0sentsounc [(demaritimd)-e7/13,0w(pec).2527 -1.]TJ [(e(ingi76424.)-331.6(th)ritg

	Effective Interest rate (%)	Maturity	RMB'000
	[illegible] 2022		
Current portion of long-term borrowings			
Other loans – guaranteed	1.600-10.000	2022-2023	214,721
CNY			213,542
EUR			1,179
Convertible bonds	15.315	2022	250,450
CNY			250,450
Total			2,353,172
Non-current:			
Other loans – guaranteed	6.000-7.000	2024-2025	169,267
CNY			169,267
Total			169,267

The bank borrowings of the Group were secured by the Group's property, plant and equipment with the net book value of RMB469,984,000 and the Group's right-of-use assets amounting to RMB61,867,000. Certain subsidiaries' borrowings were guaranteed by the other subsidiaries of the Group. Other loans of the Group were secured by the Group's bills receivable amounting to RMB376,784,000.

Lease liabilities

	30 September 2022
	RMB'000
Lease liabilities	220,686

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of this indebtedness statement, the Group had outstanding unsecured and unguaranteed lease liabilities of approximately RMB220,686,000 in respect of office buildings, plant and machinery.

Contingent liabilities

Apart from normal accounts payable in the ordinary course of the business, as at the close of business on 30 September 2022, the Group did not have any outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities. As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 30 September 2022.

4. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseeable circumstances and after taking account of the Disposal, the Special Dividend and the financial resources available to the Group, including the internally generated funds and the available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements that is for at least the next 12 months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group was made up.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

Following the Disposal, the Remaining Group would be mainly engaged in (i) the manufacture and trading of photovoltaic modules business; (ii) the construction and operating of photovoltaic power systems; and (iii) the semiconductor business.

Prior to 2019, the photovoltaic industry in the PRC relied heavily on subsidies provided by the government as part of the public policy to encourage the development of new energy industry, which was in line with the development pattern of photovoltaic markets worldwide. As the PRC government gradually cut down the amount of subsidies over the decade, the market players had been focusing on developing and enhancing key technologies applied in the production, hence improving the production capacity and reducing production costs. Furthermore, the introduction of bidding mechanism in 2019 further intensified price competition in the market. Due to the above, both the price of raw and auxiliary materials and the price of photovoltaic modules underwent a downward trend from 2012 to 2019, before the industry was affected by the COVID-19 pandemic (the "**Pandemic**")

Despite the aforesaid downward trend in the unit price of photovoltaic modules, for the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022, the Remaining Group recorded a progressive increase in revenue, mainly attributable to (i) the increase in sales of the Remaining Group's photovoltaic modules led by the wider photovoltaic application around the world after the value of green energy is more recognised; (ii) the continuous expansion and technology upgrade in the production capacity which enabled the Remaining Group to provide products of larger quantity and high-end; and (iii) long-term positive impact brought by various changes in photovoltaic power subsidy policies introduced in 2019 which has borne fruit.

Set out below is the management discussion and analysis on the continuing operations of the Remaining Group for each of the three years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022.

For the year ended 31 December 2019

2019 was the first year when the photovoltaic power subsidy policy changed with the introduction of bidding mechanism. The entire photovoltaic industry endured hardship and underwent necessary transitions including price competition and as such the financial performance of the Remaining Group declined during such transitional period. Nonetheless, the Directors were of the view that such policy changes can bring long-term positive impact to the industry by enhancing the competitiveness of solar energy which in turn accelerate the switch from traditional energy to solar energy.

Revenue

The total revenue was RMB4,647.5 million for the year ended 31 December 2019, in which the majority was generated from the sale of photovoltaic modules.

Cost of sales

The total cost of sales was RMB4,344.7 million or 93.5% of the total revenue for the year ended 31 December 2019, in which the majority was incurred from shipment of photovoltaic modules.

Gross profit and gross profit margin

The gross profit and gross profit margin were RMB302.8 million and 6.5% for the year ended 31 December 2019, which were mainly attributable to that unit selling prices dropped rapidly during 2019 due to the introduction of bidding mechanism in China, and China's photovoltaic power subsidy policy was introduced later than expected, industry players generally held a wait-and-see attitude, resulting in a year-on-year decrease in Chinese domestic photovoltaic installation.

Selling and distribution expenses

The selling and distribution expenses were RMB83.9 million or 1.8% of the total revenue for the year ended 31 December 2019, which mainly comprised packaging expenses, freight charges and insurance expenses.

Administrative expenses

The administrative expenses were RMB407 million or 8.8% of the total revenue for the year ended 31 December 2019, which mainly comprised staff costs and research and development expenses.

Finance costs

The finance costs were RMB106.4 million or 2.3% of the total revenue for the year ended 31 December 2019, which mainly represented bank loan interests.

Income tax expenses

The income tax expenses were RMB35.7 million or 0.8% of the total revenue for the year ended 31 December 2019, which was mainly due to the Remaining Group reversing the recognition of deferred tax assets in previous years.

Profit/(loss) attributable to owners of the Remaining Group

The Remaining Group recorded a loss of RMB343.9 million for the year ended 31 December 2019.

Liquidity and financial resources

The principal sources of working capital of the Remaining Group during the year ended 31 December 2019 were cash flows from bank borrowings. As at 31 December 2019, the current ratio (current assets divided by current liabilities) of the Group was 0.87. The Remaining Group had net borrowings of RMB830 million as at 31 December 2019, including cash in bank and on hand of RMB363.0 million, pledged deposits of RMB403.2 million, bank and other loans due within one year of RMB1,466.9 million (including fixed rate borrowings RMB1,356.6 million) and non-current bank and other loans of RMB129.3 million (including fixed rate borrowings RMB129.3 million). The net debt to equity ratio (net debt divided by total equity) was 255.3%.

Funding and treasury policies

The Remaining Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2019. The Board closely monitored the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities and other commitments could meet its funding requirements from time to time. Surplus cash would be invested appropriately so that the Remaining Group's cash requirements for the Remaining Group's strategy or direction from time to time could be met.

Capital expenditures

The Remaining Group's major capital expenditures consisted of additions to property, plant and equipment and intangible assets. During the year ended 31 December 2019, the Remaining Group incurred RMB198.4 million on capital expenditures.

Foreign currency risks

The Remaining Group was exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that were denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk were mainly the US Dollar and Euro. The Remaining Group would consider to mitigate the relevant risk through, among others, entering into of forward contracts, and borrowing with proceeds denominated in foreign currencies.

Contingent liabilities

The Remaining Group had no contingent liabilities as at 31 December 2019.

Employees and remuneration policies

As at 31 December 2019, the Remaining Group had 3,337 employees. The remuneration policy for the employees was based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments were linked to the financial results of the Remaining Group and the individual performance of the employees. The Remaining Group provided on-the-job training to its employees where appropriate.

Significant investments, material acquisitions and disposals

The Remaining Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 31 December 2019.

For the year ended 31 December 2020

For the year ended 31 December 2020, while the Remaining Group achieved a growth in revenue, it suffered a loss attributable to the shareholders of approximately RMB302.3 million, which was largely due to the impact of the Pandemic.

The outbreak of the Pandemic resulted in significant increase in costs of production as procurement costs of raw and auxiliary materials ballooned significantly given that the supply of major raw and auxiliary materials was significantly stifled by the outbreak of the Pandemic. During 2020, there were also changes in paces of the demand for photovoltaic products temporarily as investors in power plants in the PRC slowed down their power plant construction and photovoltaic installation in the first few months of 2020. With the easing of the Pandemic in the PRC, they had accelerated their pace in power plant construction and installation since mid-2020 in order to meet their own completion schedules for 2020. Such acceleration coincided with the normal peak season in the fourth quarter of 2020. The change of pace in power plant construction and photovoltaic installation by the investors in power plants in the PRC fuelled the increase in the demand for the raw and auxiliary materials for production so did their prices. The shortage in the supplies of the raw and auxiliary materials had exacerbated the surge in the prices of raw and auxiliary materials. The combined effect of the surge in the prices of the raw and auxiliary materials and the changes of pace of power plant construction and photovoltaic installation by its customers on mainland China is that the Remaining Group had to produce and deliver photovoltaic modules during the period when the prices of the raw and auxiliary materials were at all-time high. At the same time, the Remaining Group could not pass such increase in costs onto its customers as the sale price has been fixed under the bids submitted in around mid-2020. The Remaining Group's procurement costs of raw and auxiliary materials for module production had increased significantly as a result.

In addition, the Pandemic caused unexpected increase in selling and distribution expenses (such as transportation and shipment costs). Furthermore, affected by the outbreak of the Pandemic in 2020, (i) for domestic orders in China, the prolonged settlement time by domestic customers resulted in provision for impairment loss of trade receivables in 2020 after the management of the Group assessed the relevant credit risk; and (ii) for overseas orders, the production period was extended after orders were placed, during which the price of raw and auxiliary materials significantly increased, hence the production costs increased accordingly and the overall profitability of the Remaining Group suppressed, while fluctuation in foreign exchange also resulted in significant losses in overseas orders.

Revenue

The total revenue increased from RMB4,64

Finance costs

The finance costs increased from RMB106.4 million in 2019 to RMB114.2 million in 2020, representing an increase of 7.3%. As mentioned above, external shipment volume of the Group has grown significantly in 2020. Given the significant increase in corresponding shipment volume, the Group's finance cost had increased in a lesser extent. It was a result of better financial control on the use of funds during the year.

Income tax expenses

The income tax expenses decreased from RMB35.7 million in 2019 to RMB25.7 million in 2020, representing a decrease of 28.0%, mainly because the Group reversed deferred tax assets in 2019, and no material reversal was made in 2020.

Profit/(loss) attributable to owners of the Remaining Group

The Remaining Group recorded a loss of RMB302.3 million for the year ended 31 December 2020 as compared to a loss of RMB343.9 million for the year ended 31 December 2019.

Liquidity and financial resources

The principal sources of working capital of the Remaining Group during the year ended 31 December 2020 were cash flows from bank borrowings. As at 31 December 2020, the current ratio (current assets divided by current liabilities) of the Group was 0.86. The Remaining Group had net borrowings of RMB1,099.8 million as at 31 December 2020, including cash in bank and on hand of RMB406.9 million, pledged deposits of RMB631.9 million, bank and other loans due within one year of RMB2,134.5 million (including fixed rate borrowings RMB2,016.9 million) and non-current bank and other loans of RMB4.1 million (including fixed rate borrowings RMB4.1 million). The net debt to equity ratio (net debt divided by total equity) was 1,011.1%.

	As at 31 December 2020 *RMB million*
Bank and other loans due within one year	
CNY – secured	1,386.6
CNY – guaranteed	457.3
CNY	1,843.9
USD – guaranteed	210.1
EUR – guaranteed	72.1
HKD – guaranteed	8.4
Total	2,134.5
Non-current bank and other loans	
EUR – guaranteed	4.1

Gearing ratio

The Remaining Group defines gearing ratio as total borrowings, less cash and cash equivalents, to the total of share capital and reserves. The gearing ratios at 31 December 2020 was -4,220.6% as compared to 364.1% as at 31 December 2019, which was mainly due to increase in accumulated losses.

Charge of assets

Save as disclosed above, as at 31 December 2020, the Remaining Group had no charge on assets.

Funding and treasury policies

The Remaining Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2020. The Board closely monitored the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities and other commitments could meet its funding requirements from time to time. Surplus cash would be invested appropriately so that the Remaining Group's cash requirements for the Remaining Group's strategy or direction from time to time could be met.

Capital expenditures

The Remaining Group's major capital expenditures consisted of additions to property, plant and equipment and right-of-use assets. During the year ended 31 December 2020, the Remaining Group incurred RMB178.1 million on capital expenditures.

Foreign currency risks

The Remaining Group was exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that were denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk were primarily the US Dollar and Euro. The Remaining Group would consider to mitigate the relevant risk through, among others, entering into of forward contracts, and borrowing with proceeds denominated in foreign currencies.

Contingent liabilities

The Remaining Group had no contingent liabilities as at 31 December 2020.

Employees and remuneration policies

As at 31 December 2020, the Remaining Group had 3,082 employees. The remuneration policy for the employees was based on their experience, level of responsibility, length of service and general market conditions. Any discretionary bonus and other merit payments were linked to the financial results of the Remaining Group and the individual performance of the employees. The Remaining Group provided on-the-job training to its employees where appropriate.

Significant investments, material acquisitions and disposals

The Remaining Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 31 December 2020.

F r h 2 v e r nd d 1 D e e er 2021

In 2021, despite the slight increase in the price of photovoltaic products, the declining trend of the price of photovoltaic products over the decade persisted, which was a result of reduced production costs and market competition between the traditional thermal power industry and the photovoltaic power industry and in line with the government.

Selling and distribution expenses

The selling and distribution expenses increased from RMB136.2 million in 2020 to RMB143.8 million in 2021, representing an increase of 5.6%, mainly due to the increase in overseas freight expenses in 2021.

Administrative expenses

The administrative expenses significantly decreased from RMB453.3 million in 2020 to RMB198.2 million in 2021, representing a decrease of 56.3%, mainly due to larger sum of research and development invested in 2020 and also an effective planning and control on other administrative expenses by the Remaining Group.

Finance costs

The finance costs remained stable at RMB114.7 million in 2021 as compared to RMB114.2 million in 2020.

Income tax expenses

The income tax expenses increase from RMB25.7 million in 2020 to RMB50.1 million in 2021, representing an increase of 94.9%, mainly due to the increase in profit before income tax.

Profit/(loss) attributable to owners of the Remaining Group

The Remaining Group recorded a profit of RMB3.1 million for the year ended 31 December 2021 as compared to a loss of RMB302.3 million for the year ended 31 December 2020.

Charge of assets

Save as disclosed above, as at 31 December 2021, the Remaining Group had no charge on assets.

Significant investments, material acquisitions and disposals

Saved as disclosed in the annual report of the Company for the year ended 31 December 2021, and the announcements made by the Company (i) on 23 April 2021 regarding the investment in a subsidiary and a connected transaction; and (ii) on 8 December 2021 regarding a disposal of equity interest in a subsidiary and a connected transaction, the Remaining Group did not have any significant investments, other material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the year ended 31 December 2021.

For the six months ended 30 June 2022

For the six months ended 30 June 2022, the Remaining Group recorded revenue of approximately RMB2.4 billion and broke even during this period. In the first half of 2022, the growth in revenue is mainly attributable to the increase in sales and external shipment volume of photovoltaic modules, one of the Remaining Group's major products, due to the continued growth in downstream photovoltaic demand while the profitability was still affected by the increasing trend of the costs of raw and auxiliary materials, especially polysilicon, for the production of photovoltaic modules, which has been subsisting since the second half of 2020 and led to relatively disruptive production and sales of modules. The government has promulgated a series of policies to support the development of the photovoltaic industry in the PRC. It is expected that the photovoltaic demand will continue to experience steady growth in the second half of 2022. The Remaining Group has also completed an upgrade on production capacity during the six months ended 30 June 2022 such that it is expected that the production capacity of photovoltaic modules will be expanded from 7.2GW by the end of June 2022 to 8.2GW by the end of 2022. The Group of ductioprondus15t66nuprorries

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Charge of assets

Save as disclosed above, as at 30 June 2022, the Remaining Group had no charge on assets.

Funding and treasury policies

The Remaining Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the six months ended 30 June 2022. The Board closely monitored the Remaining Group's liquidity position to ensure that the liquidity structure of the Remaining Group's assets, liabilities and other commitments could meet its funding requirements from time to time. Surplus cash would be invested appropriately so that the Remaining Group's cash requirements for the Remaining Group's strategy or direction time to time could be met.

Capital expenditures

The Remaining Group's major capital expenditures consisted of additions to property, plant and equipment and intangible assets. During the six months ended 30 June 2022, the Remaining Group incurred RMB40.9 million on capital expenditures.

Foreign currency risks

The Remaining Group was exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that were denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk were pri

Significant investments held and future plans for significant investments or capital assets

During the six months ended 30 June 2022, there was no significant investment held by the Remaining Group or future plans for significant investments or capital assets.

Material acquisitions and disposals

1. HISTORICAL FINANCIAL INFORMATION

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	813,781	774,357	1,813,487	1,140,791	1,102,071
Cost of sales	(657,688)	(588,960)	(1,463,153)	(1,007,929)	(1,063,484)
Gross profit	156,093	185,397	350,334	132,862	38,587
Other income and gains	39,260	17,808	48,042	29,808	12,144
Selling and distribution expenses	(443)	(15)	(532)	(113)	(697)
Administrative expenses	(50,048)	(35,543)	(94,029)	(43,715)	(27,244)
Reversal of impairment losses/(impairment losses) on financial and contract assets, net	(367)	1,021	707	5,586	(7,149)
Finance costs	(22,192)	(9,813)	(20,012)	(18,949)	(16,717)
Profit/(loss) before tax	122,303	158,855	284,510	105,479	(1,076)
Income tax expense	(16,622)	(29,578)	(31,320)	(4,616)	(5,595)
Profit/(loss) for the year/period	105,681	129,277	253,190	100,863	(6,671)
PROFIT/(LOSS) FOR THE YEAR/PERIOD AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	105,681	129,277	253,190	100,863	(6,671)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 30 June 2022	As at 31 December 2021	As at 31 December 2020	As at 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	1,091,381	1,006,692	619,268	490,404

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Total equity RMB'000
At 1 January 2019	105,000	–	–	(3,393)	101,607
Business combinations under common control	–	1,399	324,899	(290,393)	35,905
At 1 January 2019 (Resettled)	105,000	1,399	324,899	(293,786)	137,512
Change in the current year					
Loss for the year	–	–	–	(6,671)	(6,671)
Total comprehensive income	–	–	–	(6,671)	(6,671)
Transfer of equity under common control	–	–	(200)	–	(200)
Appropriation to reserves	–	1,644	–	(1,644)	–
Dividend	–	–	–	(284)	(284)
At 31 December 2019 and 1 January 2020	105,000	3,043	324,699	(302,385)	130,357
Change in the current year					
Profit for the year	–	–	–	100,863	100,863
Total comprehensive income	–	–	–	100,863	100,863
Appropriation to reserves	–	4,724	–	(4,724)	–
At 31 December 2020 and 1 January 2021	105,000	7,767	324,699	(206,246)	231,220
Change in the current year					
Profit for the year	–	–	–	253,190	253,190
Total comprehensive income	–	–	–	253,190	253,190
Issue of shares	31,870	–	236,511	(172,746)	95,635
Appropriation to reserves	–	18,899	–	(18,899)	–
At 31 December 2021 and 1 January 2022	136,870	26,666	561,210	(144,701)	580,045
Change in the current period					
Profit for the period	–	–	–	105,681	105,681
Total comprehensive income	–	–	–	105,681	105,681
Business combinations under common control	–	–	(227,370)	–	(227,370)
At 30 June 2022	136,870	26,666	333,840	(39,020)	458,356

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended 30 June 2022	Six months ended 30 June 2021	Year ended 31 December 2021	Year ended 31 December 2020	Year ended 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit (loss) before tax	122,303	158,855	284,510	105,479	(1,076)
Adjustments for:					
(Gain)/loss on disposal of property, plant and equipment	(70)	–	126	552	1,552
Depreciation and amortisation	85,076	51,000	122,201	91,231	92,912
(Reversal of write-down)/write-down of inventories	(178)	–	181	(337)	(3,990)
Impairment/(reversal of impairment) losses on trade and bills receivables	367	(1,021)	(707)	(5,586)	7,149
Finance costs	22,192	9,813	20,012	18,949	16,717
Interest income	(761)	(393)	(708)	(596)	(64)
Loss on disposal of subsidiaries	–	–	154	–	–
Gain on acquisition of a subsidiary	(1,512)	–	–	–	–
Fair value losses on financial instruments	2,717	–	–	–	–
(Increase)/decrease in inventories	(58,381)	(152,097)	(64,800)	24,181	(59,387)
(Increase)/decrease in trade and bills receivables	(147,735)	12,822	(124,394)	(29,703)	18,343
(Increase)/decrease in prepayments, other receivables and other assets	(4,184)	(43,239)	(15,500)	66,884	(100,572)
Increase/(decrease) in trade and bills payables	31,749	174,647	114,580	(198,472)	210,943
(Decrease)/increase in other payables and accruals	(32,555)	2,792	25,284	(229)	7,914
Increase/(decrease) in contract liabilities	19,190	(124,945)	(135,366)	24,792	49,833
(Decrease)/increase in deferred income	(12,278)	27,100	14,960	26,812	28,270
Cash generated from operations	25,940	115,334	240,533	123,957	268,544
The PRC income tax paid	(1,545)	(14,170)	(40,146)	(6,510)	(491)
Net cash flows generated from operating activities	24,395	101,164	200,387	117,447	268,053
CASH FLOWS FROM INVESTING ACTIVITIES					

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II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Disposal Company is a joint stock company with limited liability established in the People's Republic of China ("PRC") by Jinzhou Yangguang Energy Co., Ltd. ("Jinzhou Yangguang") on 29 August 2017. The registered office of the Disposal Company is located at No.83, Cuifeng Road, Qujing Development Zone, Yunnan Province.

The Disposal Group was involved in the following activities:

- the manufacture, trading and provision of processing services for monocrystalline silicon solar ingots/wafers and related products;

- the trading of monocrystalline silicon solar cells.

As at the date of this report, the Disposal Company had direct interests in its subsidiaries, alasubsiinterew2Oremited37 0 TD .03134Tc [(siabil).5(eity)-450.76compiarticuar siin-4.75(

2. BASIS OF PREPARATION

The consolidated statement of financial position of the Disposal Group as of 31 December 2019, 2020 and 2021 and 30 June 2022, and the consolidated income statement and other comprehensive income statement, consolidated statement of changes in equity, consolidated statement of cash flow and notes as of 31 December 2019, 2020 and 2021 and 30 June 2022 (collectively referred to as the "**Relevant Financials**") are prepared by paragraph 14.68 (2)(a)(i) of Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The relevant financial information has been reviewed by the reporting accountants of the Company.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. Introduction

The following is a summary of the illustrative unaudited pro forma consolidated statement of financial position as at 30 June 2022, unaudited pro forma consolidated statement of profit or loss, unaudited pro forma consolidated statement of profit or loss and other comprehensive income, and unaudited pro forma consolidated statement of cash flows

2. Unaudited Pro Forma Consolidated Statement of Financial Position of the Group as at 30 June 2022

	The Group	Pro Forma adjustments					Unaudited Pro Forma of the Remaining Group after the Completion of the Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	*(Note 9)*	
NON-CURRENT ASSETS							
Property, plant and equipment	1,959,189	(1,091,381)	–	–	–	–	867,808
Investment in associates	200	–	–	–	–	–	200
Long term prepayments and other receivables	30,539	(15,780)	–	–	–	–	14,759
Right-of-use assets	240,537	(119,092)	–	–	–	–	121,445
Equity investments designated at fair value through other comprehensive income	190	–	–	–	–	–	190
Deferred tax assets	6,675	–	–	–	–	–	6,675
Total non-current assets	2,237,330	(1,226,253)	–	–	–	–	1,011,077
CURRENT ASSETS							
Inventories	761,541	(216,317)	–	–	–	–	545,224
Trade and bills receivables	1,675,462	(429,663)	–	211	–	–	1,246,010
Contract assets	231,597	–	–	–	–	–	231,597
Prepayments, other receivables and other assets	531,240	(73,294)	660,150	3,600	–	–	1,121,696
Current tax recoverable	4,954	(4,882)	–	–	–	–	72
Financial assets at fair value through profit or loss	697	–	–	–	–	–	697
Pledged deposits	1,090,571	(82,244)	–	–	–	–	1,008,327
Cash and cash equivalents	500,882	(85,169)	685,968	–	(342,645)	(56,465)	702,571
Total current assets	4,796,944	(891,569)	1,346,118	3,811	(342,645)	(56,465)	4,856,194
CURRENT LIABILITIES							
Derivative financial instruments	10,623	(10,623)	–	–	–	–	–
Interest-bearing bank and other borrowings	1,991,109	(500,493)	–	–	(120,000)	–	1,370,616
Trade and bills payables	2,404,650	(311,551)	–	377	–	–	2,093,476
Other payables and accruals	458,443	(156,770)	–				

	The Group	Pro Forma adjustments					Unaudited pro forma of the Remaining Group after the Disposal
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 9)	
NET CURRENT ASSETS/ (LIABILITIES)	(376,317)	155,589	1,346,118	–	(222,645)	(56,465)	846,280
TOTAL ASSETS LESS CURRENT LIABILITIES	1,861,013	(1,070,664)	1,346,118	–	(222,645)	(56,465)	1,857,357
NON-CURRENT LIABILITIES							
Convertible bonds	245,133	(245,133)	–	–	–	–	–
Interest-bearing bank and other borrowings	377,084	(208,417)	–	–	–	–	168,667
Deferred tax liabilities	2,760	(378)	–	–	–	–	2,382
Deferred income	241,664	(111,814)	–	–	–	–	129,850
Lease liability	70,834	(46,566)	–	–	–	–	24,268
Provision	135,120	–	–	–	–	–	135,120
Total non-current liabilities	1,072,595	(612,308)	–	–	–	–	460,287
NET ASSETS	788,418	(458,356)	1,346,118	–	(222,645)	(56,465)	1,397,070
Equity							
Equity attributable to owners of the parent							
Share capital	285,924	–	–	–	–	–	285,924
Reserves	88,290	(458,356)	1,558,336	–	(222,645)	(56,465)	909,160
	374,214	(458,356)	1,558,336	–	(222,645)	(56,465)	1,195,084
Non-controlling interests	414,204	–	(212,218)	–	–	–	201,986
Total equity	788,418	(458,356)	1,346,118	–	(222,645)	(56,465)	1,397,070

4. Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group for the year ended 31 December 2021

	The Group	Pro forma adjustments					Unaudited pro forma of the Remaining Group after the completion of the Disposal
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 6)	(Note 7)	(Note 8)	(Note 4)	(Note 5)	(Note 9)	
Profit/(loss) for the year	302,352	(253,190)	1,221,953	–	14,032	(53,482)	1,231,665
Other comprehensive income/(loss)							
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:							
Exchange differences on translation of foreign operations	19,350	–	–	–	–	–	19,350
Total comprehensive income/(loss) for the year, net of tax	321,702	(253,190)	1,221,953	–	14,032	(53,482)	1,251,015
Attributable to:							
Owners of the parent	212,572	(253,190)	1,285,068	–	14,032	(53,482)	1,205,000
Non-controlling interests	109,130	–	(63,115)	–	–	–	46,015

5. Unaudited Pro Forma Consolidated Cash Flow Statement of the Remaining Group for the year ended 31 December 2021

	The Group	Pro forma adjustments					Unaudited pro forma of the Remaining Group after completion of the Disposal
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 6)	*(Note 7)*	*(Note 8)*	*(Note 4)*	*(Note 5)*	*(Note 9)*	
Cash flows from operating activities							
Profit before taxation	383,763	(284,510)	1,221,953	–	14,032	–	1,335,238
Adjustments for:							
Depreciation and Amortisation	281,202	(122,201)	–	–	–	–	159,001
Loss on disposal of property, plant and equipment	60,393	(126)	–	–	–	–	60,267
Gain on disposal of a subsidiary	(712)	(154)	–	–	–	–	(866)
(Reversal of write-down)/ write-down of inventories	(17,463)	(181)	–	–	–	–	(17,644)
(Reversal of impairment losses)/ impairment losses on trade receivables and contract assets	(18,071)	707	–	–	–	–	(17,364)
Finance costs	134,685	(20,012)	–	–	(14,032)	–	100,641
Provision for warranties	34,818	–	–	–	–	–	34,818
Interest income from bank deposits	(12,350)	708	–	–	–	–	(11,642)
Net foreign exchange gain	(5,684)	–	–	–	–	–	(5,684)
Changes in working capital:							
(Increase)/decrease in inventories	(54,747)	64,800	–	–	–	–	10,053
(Increase)/decrease in trade receivables, prepayments, other receivables and other assets	(218,762)	139,894	–	–	–	–	(78,868)
Increase in contract assets	(28,742)	–	–	–	–	–	(28,742)
Increase/(decrease) in trade and other payables	539,208	(4,498)	–	–	–	–	534,710
Increase in deferred income	20,414	(14,960)	–	–	–	–	5,454
Net proceeds from disposal of a subsidiary	–	–	(1,221,953)	–	–	–	(1,221,953)
Cash generated from operations	1,097,952	(240,533)	–	–	–	–	857,419
The PRC income tax paid	(65,672)	40,146	–	–	–	(56,465)	(81,991)
Withholding tax paid	(1,926)	–	–	–	–	–	(1,926)
Net cash flows from operating activities	1,030,354	(200,387)	–	–	–	(56,465)	773,502

	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 6)	(Note 7)	(Note 8)	(Note 4)	(Note 5)	(Note 9)	

6. Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

(1) The amounts are extracted from the unaudited consolidated statement of financial position of the Group for the six months ended 30 June 2022 as set out in the published interim report of the Company for the six months ended 30 June 2022.

(2) The adjustment represents the deconsolidation of the assets and liabilities of the Disposal Group as at 30 June 2022 as if the Disposal had been completed on 30 June 2022. The balance is extracted from the unaudited financial information of the Disposal Group as at 30 June 2022.

(3) The adjustment represents:

The Deemed Disposal and the Disposal are aggregated with the Disposal as a single transaction pursuant to Rule 14.22 of the Listing Rules as they are to be completed with a 12-month period.

(i) The decrease of the Remaining Group's equity interest in the Disposal Group from 53.7% to 45%, which constituted a the Deemed Disposal of the Group's 8.7% equity interest in the Remaining Group, as per the Company's announcement and circular dated 29 July 2022.

(ii) The recognition of the cash consideration related to the Disposal and the derecognition of non-controlling interests at consolidated level upon the completion of the Disposal.

The consideration is to be settled by the Purchasers in two milestone payments as follows:

(i) 51.1% of the Consideration or RMB689.85 million will be settled by cash and (i) for Purchasers which were established in the PRC, payable on the Completion Date; and (ii) for Purchaser which was established in Hong Kong, payable within 10 days after the Completion Date or within 5 Business Days after opening the payment account that complies with foreign exchange regulations, whichever is later, but in any event, expected to be no later than one month after the Completion Date; and

(ii) the remaining 48.9% of the consideration or RMB660.15 million will be settled by cash and payable within six months after the Completion Date.

The pro forma gain on the Disposal as if it had been taken place on 30 June 2022 is as follows:

Dee d Dis sl f 8.7 % equi 2 in eres	*RMB'000*
Net assets of the Disposal Groattributable to the Company after the Deemed DisposalrJ 9.962Les395	

(7) The adjustment represents the deconsolidation of the financial performance and cash flows of the Disposal Group for the year ended 31 December 2021 as set out in this circular as if the Disposal had been completed on 1 January 2021. The amounts are extracted from the unaudited financial information of the Disposal Group for the year ended 31 December 2021.

(8) The adjustment represents the pro forma gain on the Disposal, the derecognition of non-controlling interests at consolidating level upon the completion of the Disposal and the net cash flow of the Disposal as if it had been taken place on 1 January 2021. The details are as follows:

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The Pro Forma Financial Inform

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Unaudited Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

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The following is the text of a valuation report received from Hong Kong Appraisal Advisory Limited in connection with the valuation of the market value of 45.0% equity interest in Qujing Yangguang for the purpose of inclusion in this circular.

21 November 2022 Our Ref: B04922

Solargiga Energy Holdings Limited
Room 1402, Harbour Centre
25 Harbour Road
Wan Chai
Hong Kong

Dear Sirs/Madams,

In accordance with your instructions, we have been engaged to estimate the *market value* of 45% equity interest in Qujing Yangguang New Energy Co., Ltd. (the "**Target Company**") and its subsidiaries, including Jinzhou Youhua Silicon Materials Co., Ltd. and Jinzhou Changhua Carbon Products Co., Ltd. (collectively, the "**Target Group**") as at 30 June 2022 (the "**Valuation Date**").

This valuation expresses an opinion of the *market value* of 45% equity interest in the Target Company as of the Valuation Date. This report is in conformity with the requirements of the International Valuation Standards formulated by the International Valuation Standards Council. The conclusion of value is based on generally accepted valuation procedures and practices. It is our understanding that this valuation will be used for reference in determining the consideration and for Hong Kong Stock Exchange an7oj1arbont and circular disclosure purposes with regards to a disposal.

This valuation report id1ytifies the subject assets, describes the basis of valuation and assumptions, explains the valuation ethodology utilised, and presentsscrlicc3(lusion)-351.[(of)-355.9(vae.he)]T

This opinion of value is contingent upon the assumptions and limiting conditions and the normal service conditions presented in this report. The valuation was performed under the premise of value in continued use or as a going concern *business enterprise*. We have no obligation to update this report or our conclusion of value for information that comes to our attention after the date of this report.

The conclusion of values arrived is based on the assumption that the current level of management expertise and effectiveness, and that the character and integrity of the Target Company through any sale, reorganisation, exchange, or diminution of the owners' participation would not be materially or significantly changed.

INTRODUCTION

Our Client

Solargiga Energy Holdings Limited (the "**Client**", Stock code 757.HK, together with its subsidiaries, collectively, the "**Group**"), is an investment holding company. The Group engages in the manufacture, processing and trading of polysilicon and monocrystalline silicon solar ingots and wafers in Mainland China. It also manufactures and trades in monocrystalline silicon solar cells and photovoltaic modules; installs photovoltaic systems; and constructs and operates photovoltaic power plants. In addition, the company manufactures and trades in electronic semiconductor materials. It serves silicon solar wafer, cell or modules manufacturers or traders. The Group exports its products to Japan, South Asia, Europe, and internationally.

The Target Company

Qujing Yangguang New Energy Co., Ltd. (the "**Target Company**") and its subsidiaries, including Jinzhou Youhua Silicon Materials Co., Ltd. and Jinzhou Changhua Carbon Products Co., Ltd. (collectively, the "**Target Group**"), is principally engaged in the manufacture and trading of, and the provision of processing services for, mono-crystalline silicon solar ingots and wafers. It's committed to provide photovoltaic products, technical support and integrated system solution for global customers.

Scope of Work

The main purpose of this valuation is to estimate the *market value* of the Target Company. We have performed the following procedures:

– Discussion with the Management to understand and appreciate the business operations of the Target Company

– Review its historical performance and assess reasonableness of the financial statements of the Target Company

– Valuation analysis of the Target Company using the Market Approach

– Outline our findings (including valuation assumptions) and valuation results

– Finalize valuation report of the Target Company

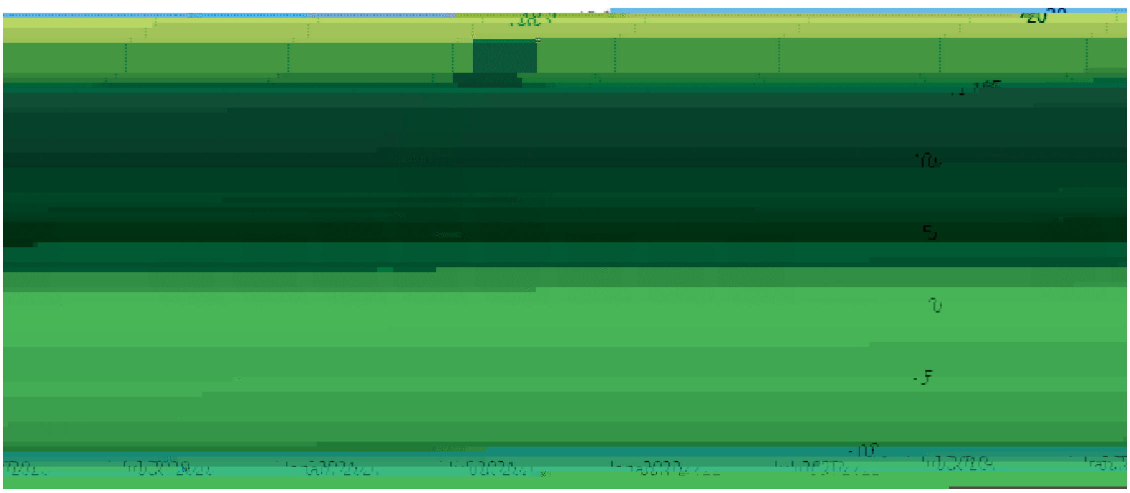
III. ECONOMIC AND INDUSTRY OVERVIEW

China's Macroeconomic Conditions

China's nominal gross domestic product ("GDP") in 2022 first half year was RMB56,264.2 billion, a YoY increase of 2.5%.

As shown in Exhibit 2, the YoY nominal GDP growth rate of China went up to 4.8% for Q1 2022, which is higher than the 4.0% growth in the previous quartile and above the market consensus of 4.4%. The tertiary sector, including industry and construction, contributed a total of 49.0% to the GDP growth in Q1 of 2022. However by Q2, the growth rate dropped to 0.4% YoY, which is lower than the market consensus of 1.0% due to the lingering impact of COVID-19.[2] The previous Shanghai lockdown and the uncertainty in the property sector due to the Russian-Ukrainian war cause analysts to predict weaker GDP growth in 2022. The targeted economy growth for 2022 is estimated to be 5.5%, slowing from the 8.1% growth last year.[3]

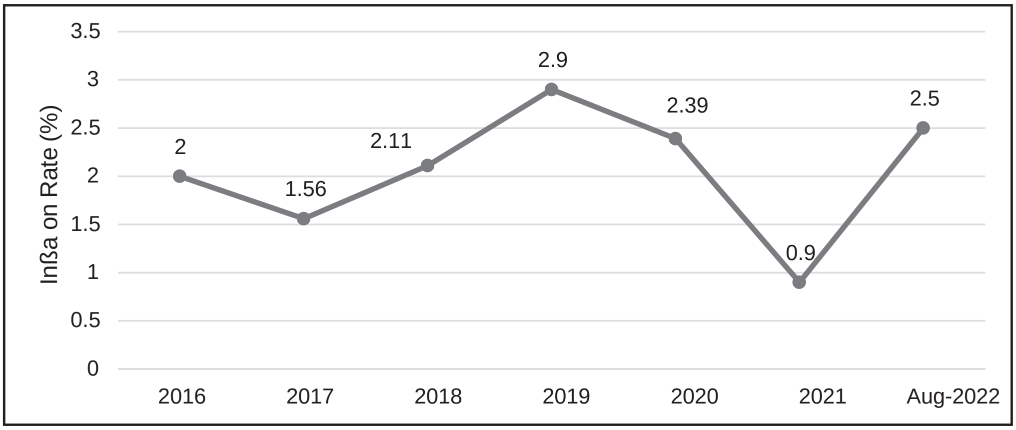
Exhibit 2: China ... GDP ... Growth Rate 2Quarter (Jan 2021 ... 2022)



Source: Trading Economics

Inflation as measured by the consumer price index (“CPI”) reflects the annual percentage change in the cost to the average consumer of acquiring a basket of goods and services that may be fixed or changed at specified intervals, such as 7.9(s)-A2)

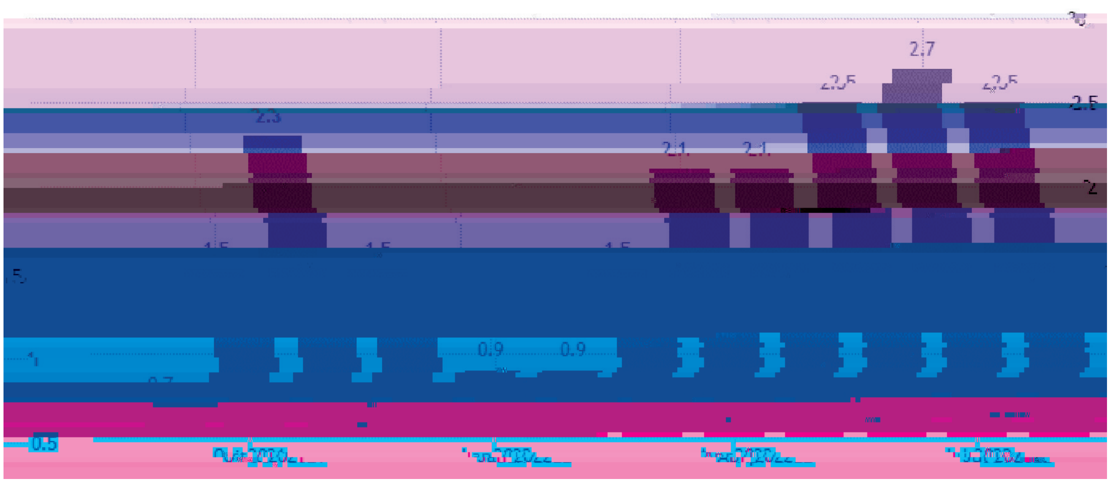
Exhibit 3: China Annual Inflation Rate (2016 – August 2022)



Source: Trading Economics

As shown in Exhibit 3, for 2021, the annual inflation rate rose 0.9% YoY, far below the central bank's target of around 3.0% YoY and much softer than a 2.4% gain in 2020.[4] While in August 2022, China's annual inflation rate climbed 2.5% YoY.[5] Specifically, the CPI went up by 2.3% YoY in the second quarter.

Exhibit 4: China Annual Inflation Rate (Month, June 2021 – Aug 2022)



Source: Trading Economics

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[4] Trading Economics – China Inflation Rate

[5] National Bureau of Statics of China – Strong Measures Adopted to Counter the Impacts of Unexpected Factors and National Economy Registered a Stable Recovery

As shown in Exhibit 4, China's inflation rate has been steadily increasing since the start of 2022, from 0.9% in January to 2.7% in July and remain around 2.5% in August. The current easing of COVID-19 restrictions in major cities also strengthened consumption and resulted in higher costs of transportation, communication and education etc. The central bank's target CPI this year is 3%, which is the same as 2021.[6]

In the first half of 2022, the total value of imports and exports of goods was RMB19,802.2 billion, an increase of 9.4% YoY. The total value of exports increased 13.2% YoY to RMB11,141.7 billion, while the total value of imports increased 4.8% YoY, reaching RMB8,660.5 billion.

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Traditional energy such as coal, oil, and natural gas always faces a number of concerns including rising living costs and growing environmental issues. As a result, the development of renewable energy, including photovoltaic has become a global consensus.

On the April 19, 2021, the National Energy Administration of China issued the "Notice on Matters Relating to the Development and Construction of Wind Power and Photovoltaic Power Generation in 2021 (Draft for Comments)", proposing that the proportion of national wind power and photovoltaic power generation in the total electricity

The global market for Monocrystalline Silicon is approximately estimated at US$4.1 billion in the year 2021, is likely to reach a revised size of US$7.1 billion by 2029, growing at a CAGR of 6.3% over the period 2020-2027. In China, the total Monocrystalline Silicon market is projected to reach a projected market size of US$1.2 billion by the year 2027 with a CAGR of 7.1% over the analysis period 2020 to 2027.[8]

In addition, as the size of the monocrystalline silicon directly determines the cost of chips in semiconductor applications, the larger the size of the wafer, the more chips can be cut out of each wafer made in the future, and the cost per chip will be lower, so large size monocrystalline silicon has become the development trend.

From the monocrystalline silicon manufacturing scale, China's monocrystalline silicon industry is mostly concentrated in the western and northern regions, especially the Yunnan region and Inner Mongolia, and a number of leading enterprises have planned to build or already built monocrystalline silicon production project in these two regions as well as in the Sichuan region which favored by monocrystalline silicon enterprise capacity investment construction recently.

8 Data Bridge Market Research-Global Monocrystalline Solar Cell (Mono-Si) Market Industry Trends and Forecast to 2029

The 2022 capacity of representative companies in the monocrystalline silicon industry chain are as follows, provided by our client:

Exhibit 5: Capacity and Market Share of Representative Companies

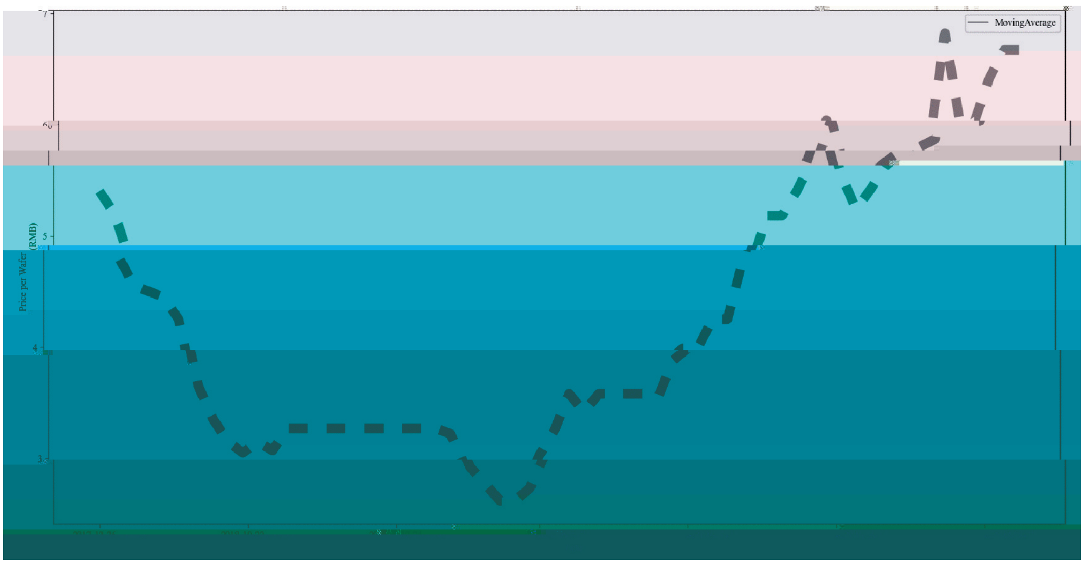
Company Name	**Current Capacity (2022)**	**Current Market Share (2022)**
Longi	115,000	18%
TCL Zhonghuan	115,000	36%
Gaojing	30,000	10%
Shangji	27,000	9%
Jingyuntong	20,000	6%
Shuangliang	20,000	6%
Meike	14,000	4%
Yuze	10,000	3%
Other Company	**000**	**%**
Huayao	3,500	1%
Gaojia	2,000	1%
Hao'an	1,650	1%
Total	462,150	

** Unit in MW*

Source: PVInfolink

Currently there are two types monocrystalline silicon wafers, namely P-type and N-type. And the P-type wafer currently dominates the market. However, the N-type wafer, although oare ee ton toe cha ot(e)-5.1n9n ’

Exhibit 6: P-type Wafer Price (Dec. 2017 – Sep. 2022)



Source: Longi Website

As we can see from the chart, the moving average price of P-type wafer dropped significantly from the end of 2017 to the end of 2019, to around RMB 3 per wafer, and

We also obtained information on the general economy and the industry from public sources including the National Bureau of Statistics of China, Bloomberg, Trading Economics, Foresight Industry Research Institute, Pvinfolink etc.

IV. FINANCIAL INFORMATION DISCUSSION, REVIEW AND ANALYSIS

Financial Statements of the Target Company

For the purpose of this valuation analysis, historical financial statements and other records and documents pertaining to the business operations and assets were provided by the Management. We were provided with the consolidated financial statements of the Target Company as of year ended 2020,2021 and management account of the Target Company as at 30 June 2021 and 2022.

Please refer to Appendix II – Unaudited Financial Information of the Disposal Group in this Circular for a summary of the financial statements of the Target Company.

V. BASIS OF VALUATION AND ASSUMPTIONS

Market Value

Market value is the estimated amount at which a property might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts.

For this valuation, *market value* is established on the premise of continued use. Under the continued use premise, it is assumed that the buyer and the seller would be contemplating retention of the assets as part of the current operations. An estimate of *market value* derived on the premise of continued use does not represent the amount that might be realised from piecemeal disposition of the assets in the marketplace or from an alternative use of the assets. The premise of continued use is generally appropriate when:

– The assets are fulfilling an economic demand for the service they provide or which they house;

– The assets have a significant remaining useful life expectancy;

– Responsible ownership and competent management may be expected;

– Diversions of the assets to an alternative use would not be economically feasible or legally permitted;

– Continuation of the existing use by present or similar users is practical;

- Due consideration is given to the assets' functional utility for their present use; and

- The assets' economic utility is duly considered.

General Assumptions in Valuation of Business Enterprises

Our investigation includes discussion with the Management of the Target Company in relation to the nature of the businesses and future operations, evaluation of the Target Company's historical financial performance and examination of comparable companies' financial information and relevant documents. We have clues and evidences indicating that

Due to the changing environment in which the Target Company is operating, a number of assumptions have to be established in order to sufficiently support our concluded value of the Target Company. The major assumptions adopted in this valuation are:

– There will be no major changes in the existing political, legal, and economic conditions in China, in which the Target Company will carry on their business;

– There will be no major changes in the taxation law in China, that the rates of tax payable remain unchanged and that applicable laws and regulations will be complied with;

– There will be no material changes in the industry and its sub-industry in which

VALUATION METHODOLOGY

Valuation Approaches

In arriving at our opinion on the *market value* of the Target Company, we have considered using three generally accepted approaches, namely *Income Approach*, *Market Approach* and *Cost Approach*.

(A) The *Income Approach* provides an indication of value by converting future cash flow to a single current value. Under the *Income Approach*, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset. Following is a list of the common methods under the *Income Approach* and their major parameters:

– Discounted cash flow method ("**DCF Method**")

– Income capitalisation method

(B) The *Market Approach* provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. Following is a list of the common methods under the *Market Approach* and their major parameters:

– Guideline publicly-traded comparable method ("**GPC Method**")

– Guideline transaction method ("**GT Method**")

(C) The *Cost Approach* provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

Selection of Valuation Approach

Business valuation do not typically use the *Cost Approach* to value a company that is under the presumption of going concern and using *Cost Approach* frequently results in the lowest value which is commonly used to set a floor for the value of a business. This approach does not account for risk factors presented in the business, growth prospects, potential income that could be generated from existing assets and intangible assets. Based on the reasons above, the *Cost Approach* is not adopted.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the valued assets relative to the market comparable if necessary and appropriate. Assets for which there is an established secondary market may be valued by this approach. According to the selection criteria set out in this valuation report, 10 publicly-traded comparable companies and 9 guideline transactions are deemed to be comparable to the Target Company. Based on these observations, we are of the opinion that there is an established secondary market, and the *Market Approach* is applicable in this valuation.

Income Approach is closest to pure theory, as the *market value* under *Income Approach* is derived from the present value of all future benefits generated by the *business enterprise*. This approach implies that there is a direct relationship between the amount of income an enterprise will earn and its value. *Income Approach* relies heavily on a long-term financial forecast, which requires subjective assumptions that are difficult to be justified. In this case, the financial forecast is not available per Management. As a result, the *Income Approach* is not adopted in this valuation.

Given the unique characteristics of the business nature of the Target Company, there are substantial limitations for the adoption of *Income Approach* and *Cost Approach* to value the underlying business of the Target Company. *Market Approach*

Under the GPTC method, "value measure" is usually a multiple computed by dividing the enterprise value (the "EV") or equity value (the "Equity Value") of the guideline companies as of the Valuation Date by some relevant economic variables observed or calculated from the guideline company's financial statements.

Under the GTM method, "value measure" is usually a multiple computed by dividing the announced consideration of the guideline transaction by some relevant economic variables observed or calculated from the acquired company's financial statements. Relevant economic variables usually refer to sales, profit, book value and other industry specific metrics.

Market Approach – Guideline Publicly-traded Comparables Method

Selection of Guideline Publicly-traded Comparables

We have searched for guideline publicly-traded comparables which have business natures and places of operation similar to that of the Target Company from Bloomberg. In selection of guideline publicly-traded companies, business nature is the most determinant factor. One of the considerations in determining the guideline publicly-traded comparables is that the revenue of these companies is generated from similar businesses carried out by the Target Company.

Selection Criteria of Guideline Publicly-traded Comparables

1. The comparable companies shall derive most, if not all, of their revenues from the similar business of the Target Company, i.e., principally engaged in manufacturing and trading of, and the provision of processing services for, solar silicon related products;

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(7) Xinte Energy Co., Ltd. (1799 HK Equity)

Xinte Energy Co., Ltd. manufactures and distributes solar grade polysilicon products. The Company produces polysilicon, silicon nitride, silica, silicone, and other products. Xinte Energy also operates electricity production, engineering construction contracting, inverter manufacturing, and other businesses.

(8) Wuxi Shangji Automation Co., Ltd. (603185 CH Equity)

Wuxi Shangji Automation Co.,Ltd manufactures photovoltaic equipment. The Company produces photovoltaic slicers, photovoltaic grinders, photovoltaic square machines, photovoltaic sawing machines, and other equipment. Wuxi Shangji Automation supplies its products in automobiles, motorcycles, household appliances, tractors, sewing machines, bearing engines, and other fields.

(9) Zhejiang MTCN Technology Co., Ltd. (003026 CH Equity)

Zhejiang MTCN Technology Co., Ltd. produces and sells silicon products. The Company manufactures and sells discrete devices silicon, integrated circuits silicon, and other products. Zhejiang MTCN Technology markets its products throughout China.

(10) Xinjiang Daqo New Energy Co., Ltd. (688303 CH Equity)

Xinjiang Daqo New Energy Co.,Ltd manufactures and distributes energy equipment. The Company produces polysilicon, silicon wafers, cells assemblies, and other products. Xinjiang Daqo New Energy also produces chemical products.

Selection of Multiples

After selecting the abovementioned guideline publicly-traded comparables, we have to determine the appropriate valuation multiples for the valuation of 45% equity interest in the Target Company. We have considered price to sales ("**P/S**") multiple, price to earnings ("**P/E**") multiple, price to book ("**P/B**") multiple, enterprise value to sales ("**EV/Sales**") multiple, enterprise value to earnings before interest tax depreciation and amortisation ("**EV/EBITDA**") and enterprise value to earnings before interest and tax ("**EV/EBIT**") multiple.

The P/B multiple is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any added market value (as reflected by a P/B ratio of larger than one), should have its own intangible competencies and advantages. EBITDA strips out debt costs, taxes, and accounting measures like depreciation. EV/EBITDA takes a more holistic picture of the company and covers the equity and the debt components of the capital structure. Considering the Target Company has reported positive net income in the past few years, net profit as the most bottom level of the financial line item more clearly, compared to other financial figures (e.g. Sales, EBIT), reflects the Target Company's different level of expenses and overall financial performance of the Target company. In this exercise, we have chosen the P/E multiple as our valuation metric.

Size Adjustment

A number of studies were conducted in the U.S. which concludes that the risk premium associated with a small company is over and above the amount that would be warranted. An investor would demand more in order to compensate for the additional risk

Control Premium

It is widely recognised that an investment which offers an investor control of a business is worth more than a minority stake. valuation perspective, a shareholder with majority stake normally owns the control power in a company, and thus, a control premium, should be applied. According to our understanding, since the Client had control over the Target Company being a subsidiary, a control premium was applied in this case. A control premium was determined based on a study of tr

Note (1): Average multiples has been adopted

Note (2): Estimated trailing 12 months Net Profit

Cross-check using Guideline Transactions Method

Selection of Guideline Transactions

We have searched for guideline transactions which the target companies involved in the transactions are related to or engaged in manufacturing and trading of, and the provision of processing services for, monocrystalline silicon related products.

Selection Criteria of Guideline Transactions

1. The guideline transactions shall take place within 2 years before the Valuation Date.

2. The nature of the guideline transactions shall be purchase/sell the equity interest in the target companies that derive most, if not all, of their revenues from the similar business of the Target Company, i.e., principally engaged in manufacturing and trading of, and the provision of processing services for, monocrystalline silicon related products;

3. Relevant information about the guideline transactions are available and pnl 463:34.2(:f..4(g

The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness, and the character and integrity of the enterprise through any sale, reorganisation, exchange, or diminution of the owners' participation would not be materially or significantly changed. We hereby certify that we have neither present nor prospective interests in the Target Company, its holding companies and its subsidiaries (if any), and the values reported.

Respectfully submitted,
For and on behalf of
[illegible] APPRAISAL AND ADVISORY LIMITED

Jacqueline W. Huang	**[illegible]**
Ph.D., ASA, MRICS	*CFA*
Managing Director	*Associate Director*

Note: *Dr Jacqueline W. Huang is an Accredited Senior Appraiser (Business Valuation) of the American Society of Appraisers, a Chartered Member of the Royal Institute of Chartered Surveyors and a Ph.D. in real estate economics from the University of Hong Kong. She has been conducting business valuation for various purposes since 2005 and has extensive experience in transaction services.*

Analyse and report by:
Dr. Jacqueline W. Huang, *ASA, MRICS*
[illegible], *CFA*
[illegible], *CFA*
[illegible], *MSc.*

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange, were as follows:

Name of Director	Nature of interest	Number of Shares [illegible]

Notes:

1. The Letter "L" denotes the person's long position in such Shares.

2. Mr. Tan is interested in an aggregate of 712,244,751 Shares of the Company, of which (i) 556,924,443 Shares of the Company are directly held by Mr. Tan; and (ii) 155,320,308 Shares of the Company are held by You Hua Investment Corporation, which is wholly-owned by Mr. Tan.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the Shares,

Notes:

1. The Letter "L" denotes the person's long position in such Shares.

2. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiry, Hiramatsu International Corp. was wholly-owned by Hanako Hiramatsu as at the Latest Practicable Date. By virtue of the SFO, Hanako Hiramatsu is deemed to be interested in the Shares held by Hiramatsu International Corp.

3 Mr. Tung Ching Sai is the spouse of Madam Sze Tan Hung and is therefore deemed to be interested in all the Shares in which Madam Sze Tan Hung is interested for the purpose of the SFO.

Save as disclosed herein, so far as is known to any Director or chief executive of the Company, there was no other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the shares of the Company carrying rights to vote in all circumstances at the general meetings of the Company or any other member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company or any of its subsidiaries which was not determinable by the Group within one year without payment of compensation other than statutory compensation.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group are made up) and up to the Latest Practicable Date, none of the Directors or proposed directors of the Company (if any) had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors or proposed directors of the Company (if any) was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, their respective close associates (as defined in the Listing Rules) was interested in any business apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the business of the Group.

6. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

(d) the sale and purchase agreement entered into between Solargiga Energy (Hong Kong) Company Limited, as vendor, Mr. Luo Qian and Mr. Bao Quanjun, as purchasers on 8 December 2021 in relation to the disposal the equity interest of Solargiga Energy (Qinghai) Co., Ltd. at the aggregate consideration of approximately RMB54,419,000;

(e) the equity transfer agreement entered into between Solargiga Energy (Hong Kong) Company Limited, as vendor, and Qujing Yangguang, as purchaser, on 25 February 2022 in relation to the transfer of the entire equity interests in Jinzhou Youhua at the consideration of approximately RMB227,369,000;

(f) the equity transfer agreement entered into between Prosperity Lamps and Components Limited and Jinzhou Jiuji New Energy Material Trading Department (Limited Partnership)* , as vendors, and Qujing Yangguang, as purchaser, on 3 March 2022 in relation to the transfer of the entire equity interest in Jinzhou Changhua at the consideration of approximately RMB5,191,900;

(g) the subscription agreement dated 14 April 2022 entered into between Qujing Yangguang, Shenzhen Boquan Enterprise Management Center (Limited Partnership)* (the "**First Investor**"), Mr. Tan Wenhua and Mr. Tan Xin in connection with the issue of the convertible bonds with a principal amount of RMB250,000,000 to the First Investor;

(h) the conditional capital injection agreement dated 18 July 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang, Mr. Tan Wenhua and Mr. Tan Xin and the First Investor;

(i) the conditional capital injection agreement dated 30 June 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang and Nanjing Zhoubo Fangwei Enterprise Management Centre (Limited Partnership)* (the "**Second Investor**");

(j) the conditional capital injection agreement dated 30 June 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang and Shenzhen Rongxin Taifu Investment Co., Ltd.* (the "**Third Investor**");

(k) the conditional capital injection agreement dated 30 June 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang and Wenzhou Jiuzhi Venture Capital Partnership (Limited Partnership)* (the "**Fourth Investor**");

(l) the conditional capital injection agreement dated 30 June 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang and Qujing Kunhong Enterprise Management Consulting Centre* (the "Fifth n s r");

(m) the conditional capital injection agreement dated 30 June 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang and Qujing Economic and Technological Development Area Xingchan Equity Investment Fund (Limited Partnership)* (the " h n s r");

(n) the conditional capital injection agreement dated 18 July 2022 entered into between Qujing Yangguang, Jinzhou Yangguang, the remaining shareholders of Qujing Yangguang, Mr. Tan Wenhua and Mr. Tan Xin and Qujing Economic and Technological Development Area Chanye Yindao Equity Investment Fund (Limited Partnership)* (the " n h n s r");

(o) the service agreement entered into between Qujing Yangguang and Guotai Junan Securities Co., Ltd. (" u un n ") on 29 April 2022, pursuant to which Guotai Junan has agreed to place, on a best-effort basis, a maximum of 27,138,643 shares of Qujing Yangguang to investors to be sought and procured by Guotai Junan (" n s rs");

(p) the undertaking entered into between Mr. Tan Wenhua and Mr. Tan Xin in favour of Jinzhou Yangguang dated 26 July 2022; and

(q) the Equity Transfer Agreement.

8. Q A F CA A D C E F E ER

The following are the qualifications of the experts who have given an opinion or advice to the contents of this circular:

	Qu if n s
Opus Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the financial adviser to the Company
Ernst & Young	Certified Public Accountant, the reporting accountants of the Company

	Qualifications
Octal Capital	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the Independent Financial Adviser
Hong Kong Appraisal Advisory Limited	independent professional valuer

As at the Latest Practicable Date, (a) the above experts did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and (b) did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

Each of the above experts has given and has not withdrawn their respective written consents to the publication of this circular with the inclusion of their respective report and/or opinion and

10. DOCUMENTS ON DISPLAY

Copies of the following documents are available for inspection on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.solargiga.com) for a period of 14 days from the date of this circular:

(a) the letter of advice issued by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 25 to 51 of this circular;

(b) the report on the unaudited pro forma financial information of the Remaining Group issued by Ernst & Young, as set out in Appendix III to this circular;

(c) the business valuation report prepared by Hong Kong Appraisal Advisory Limited as set out in Appendix IV to this circular;

(d) the written consent of the experts referred to in the paragraph headed "8. Qualifications and Consents of Experts" in this appendix; and

(e) the Equity Transfer Agreement.

Solargi

Solargiga Energy Holdings Limited

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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

(b) the directors of the Company (the "**Director(s)**") be and are hereby authorised to do all such acts and things and sign, ratify or execute all such documents (under seal, if necessary) and take all such steps as they may consider necessary, appropriate, desirable and expedient to implement, give effect to or in connection with the Equity Transfer Agreement and the transactions contemplated thereunder."

2. "**THAT**: the declaration of a special dividend of HK$0.07 per ordinary share of the Company (the "**Share**") out of the share premium account of the Company (the "**Special Dividend**") to shareholders of the Company whose names appear on the register of members of the Company on the record date fixed by the board (the "**Board**"

3. In the case of joint holding, any one of such persons may vote at the EGM, either in person or by proxy; but if more than one joint holders are present at the EGM in person or by proxy, the said person whose name stands first on the register of members of the Company in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.