THIS CIRCULAR IS IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

If you are in any doubt 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.

If you have sold or transferred all your shares in **Solargiga Energy Holdings Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

Solargiga Energy

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF 45.0% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY; (2) PROPOSED DECLARATION OF SPECIAL DIVIDEND; AND (3) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

Opus Capital Limited
創富融資有限公司

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

金融有限公司
OCTAL Capital Limited

The letter from the Board is set out on pages 6 to 23 of this circular. The letter from the Independent Board Committee is set out on page 24 of this circular. The letter from Octal Capital to the Independent Board Committee and the Independent Shareholders is set out on pages 25 to 51 of this circular. A notice convening the EGM to be held on Wednesday, 7 December 2022 at 11 a.m. at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong is set out on pages EGM-1 to EGM-3 of this circular.

A proxy form for use at the EGM is also enclosed with this circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and sign the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES FOR THE EXTRAORDINARY GENERAL MEETING

Please refer to page ii of this circular for measures being taken to prevent and control the spread of the Coronavirus Disease 2019 (COVID-19) at the EGM, including:

- **compulsory body temperature checks and health declarations**
- **compulsory wearing of a surgical face mask for each attendee**
- **no distribution of corporate gift and refreshment**

Any person who does not comply with the precautionary measures or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. Shareholders are strongly encouraged to exercise their voting rights at the EGM by appointing the chairman of the EGM as proxy to attend and vote on the relevant resolutions at the EGM instead of attending the EGM or any adjourned meeting in person.

21 November 2022

CONTENTS

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 temperature of over 37.4 degrees Celsius may be denied entry into the meeting venue or be required to leave the meeting venue.

(ii) All EGM attendees are requested to wear surgical face masks at the EGM venue at all times, and to maintain a safe distance with other attendees. No masks will be provided at the venue.

(iii) No refreshment will be served, and there will be no corporate gift.

(iv) Each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the EGM; and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the meeting venue or be required to leave the meeting venue.

(v) Any other additional precautionary measures in accordance with the prevailing requirements or guidelines of the Hong Kong Government and/or regulatory authorities, or as considered appropriate in light of the development of the COVID-19 pandemic.

In addition, the Company reminds all shareholders that **physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person,** by completing and returning the proxy form attached to this document.

If any shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our registered office or to our email at info@solargiga.com.

If any shareholder has any question relating to the meeting, please contact Computershare Hong Kong Investor Services Limited, the Company's share registrar and transfer office as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Website: http://www.computershare.com/hk/contact
Tel: 2862 8555
Fax: 2865 0990

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 (陽光能源控股有限公司) (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
"Consideration"	a total consideration of RMB1,350.0 million payable by the Purchasers to Jinzhou Yangguang in respect of the Disposal pursuant to the Equity Transfer Agreement

"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.*（錦州昌華碳素製品有限公司）, a limited liability company established in the PRC, a wholly-owned subsidiary of Qujing Yangguang and an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date
"Jinzhou Yangguang"	Jinzhou Yangguang Energy Co., Ltd.*（錦州陽光能源有限公司）, 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.*（錦州佑華硅材料有限公司）, a limited liability company established in the PRC, a wholly-owned subsidiary of Qujing Yangguang and an indirect non-wholly owned subsidiary of the Company 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)*(曲靖華勤能源科技合夥企業(有限合夥)), 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)*(曲靖弘元能源科技合夥企業(有限合夥)), 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.*(錦州鑫元樂邦能源科技有限公司), wholly-owned by Mr. Tan Xin
"Purchasers B"	include: (i) Guangdong Lesso Banhao Photovoltaic New Energy Technology Co., Ltd.*(廣東聯塑班皓新能源科技集團有限公司); and (ii) Liansu Group Company Limited(聯塑集團有限公司)
"Qujing Yangguang" or "Disposal Company"	Qujing Yangguang New Energy Co., Ltd.*(曲靖陽光新能源股份有限公司), 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"	the special cash dividend intended to be declared and distributed by the Company to the Shareholders subject to the approval of the Shareholders at the EGM and Completion taking place
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"%"	per cent

Unless otherwise specified, for the purpose of this circular and for the purpose of illustration only, the translation of RMB into HK$ in this circular has been based on the rate of RMB1.00: HK$1.10.

* *In this circular, certain English terms of Chinese terms are translation of those Chinese terms, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese terms shall prevail.*

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

Executive Directors:
Mr. Tan Wenhua *(Chairman)*
Mr. Tan Xin
Mr. Wang Junze

Non-executive Director:
Mr. Hsu You Yuan

Independent Non-executive Directors:
Dr. Wong Wing Kuen, Albert
Ms. Chung Wai Hang
Ms. Tan Ying

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1402, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

21 November 2022

To the Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF 45.0% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY; AND (2) PROPOSED DECLARATION OF SPECIAL DIVIDEND

INTRODUCTION

Reference is made to the Announcement dated 28 October 2022 in relation to the Disposal and the proposed declaration of the Special Dividend.

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 the 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.

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

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

Settlement Terms

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 in the following manner:

  (a) for Purchasers which were established in the PRC, payable on the Completion Date; and

  (b) for Purchaser which was established in Hong Kong, payable within 10 days after the Completion Date or within 5 Business Days after the opening the payment account that complies with the relevant PRC 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 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 are controlling shareholder(s) and/or general partner(s) of the Purchasers A as well as the debt financing secured from China Lesso Group and high net worth Independent Third Parties as well as the facility to be provided by a commercial bank to Purchasers A and noted that Purchasers A have the financial strength to satisfy its portion of the Consideration in full, in particular, (a) Mr. Tan Wenhua, together with Mr. Tan Xin held in aggregate approximately 22.69% in the issued share capital of the Company which represented an aggregate market value of approximately HK$180.2 million as at the Last Trading Date and the fact that the apportioned amount of the Special Dividend to be declared to Mr. Tan Wenhua and Mr. Tan Xin would be approximately HK$52.8 million, subject to Completion; (b) the Board obtained and reviewed the relevant debt financing agreements entered into with China Lesso Group and high net worth Independent Third Parties, and understood that the total principal amounts as stipulated in the relevant debt financing agreements amounted to RMB730 million; and there is no restriction on the drawdown timing of the facility amount for settlement of the Consideration; and (c) the Board obtained and reviewed the letter of intent issued by a commercial bank to Purchasers A, pursuant to which a facility of RMB500 million is to be granted to Purchasers A for its settlement of the Consideration after the relevant credit approval process is complete, this serves as an additional line of funding for Purchasers A; (ii) the Board is generally of the view that Purchasers B, being subsidiaries of China Lesso Group, a company listed on the Main Board of the Stock Exchange (stock code: 2128), with a market capitalisation of approximately HK$21.6 billion as at the Last Trading Date and a long operating history has significant financial strength to satisfy its portion of the Consideration in full; (iii) the fact that the Consideration represents a premium of approximately 6.1% over the appraised value of the 45% equity interest in the Disposal Company, which should also be taken into account that certain concessions can be made to the Purchasers with respect to the settlement terms; and (iv) in respect of the deferred settlement of the remaining 48.9% of the Consideration wthin 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).

Conditions precedent

Completion is conditional upon the fulfilment (or waiver, if applicable) of the following conditions precedent:

(i) the Equity Transfer Agreement and the Disposal having been approved by the Board and the Independent Shareholders at the EGM, and the Director(s) and Shareholder(s) who have material interest in the Disposal having abstained from voting at the EGM in accordance with the Listing Rules;

(ii) the existing shareholders of Qujing Yangguang having approved the Disposal and giving up the pre-emptive right, the tag-along right and other similar rights;

(iii) the Purchasers, Qujing Yangguang and the existing shareholders of Qujing Yangguang having entered into a shareholder agreement of Qujing Yangguang upon Completion, which takes effect from the Completion Date;

(iv) all other requisite internal and external authorisation, approval, fillings and consents of relevant third parties for the Disposal being obtained; and

(v) all intra-group balances (non-trade items) and guarantees between the Remaining Group and the Disposal Group having been released.

Save for the conditions precedent (i) and (ii) above, the rest of the conditions precedent above are waivable by the Purchasers. In the event condition precedent (v) above is to be waived by the Purchasers, the Company will comply to the applicable connected transaction rules under Chapter 14A of the Listing Rules. As at the Latest Practicable Date, none of the conditions precedent above had been fulfilled.

Completion

Completion shall take place on the Completion Date according to the terms and conditions of the Equity Transfer Agreement. Upon Completion, the Company will cease to have any interest in the Disposal Group and the financial information of Disposal Group will no longer be consolidated into the Group's consolidated financial statements. Completion shall take place as soon as practicable but in any event not later than the Long Stop Date.

INFORMATION ON 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 year ended 31 December	
	2020	**2021**
	RMB'000	***RMB'000***
	(Unaudited)	***(Unaudited)***
Revenue	1,140,791	1,813,487
Profit before taxation	105,479	284,510
Profit after taxation	100,863	253,190

As at 30 June 2022, the Disposal Group's unaudited consolidated net asset value was approximately RMB458.4 million.

The unaudited consolidated financial information extracted from the unaudited consolidated financial statements of the Disposal Group for the two years ended 31 December 2020 and 2021 are prepared in accordance with the the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The financial information in relation to the Disposal Group is set out in Appendix II to this circular.

INFORMATION ON THE PURCHASERS

Purchasers A

Purchasers A are entities established in the PRC which are controlled by Mr. Tan Wenhua, the executive Director, Chairman of the Board and a substantial shareholder of the Company, and/or Mr. Tan Xin, the executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua. Therefore, as Mr. Tan Wenhua and Mr. Tan Xin are connected persons of the Company under Chapter 14A of the Listing Rules, Purchasers A are also connected persons of the Company. Purchasers A are all principally engaged in investment holding.

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

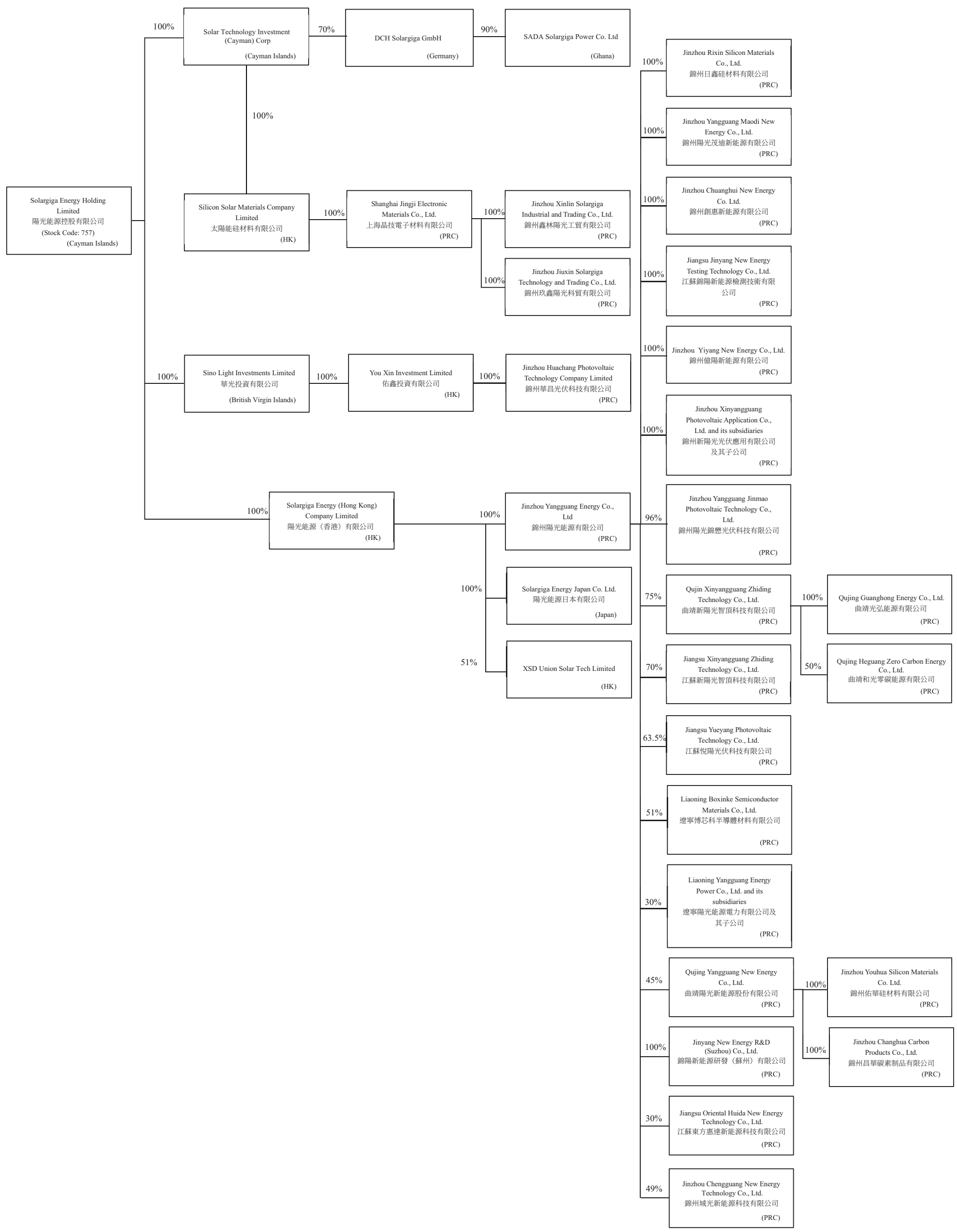
The Group is a leading supplier of solar energy services, with business focus on the manufacturing and trading of upstream monocrystalline silicon solar ingots and wafers and downstream photovoltaic modules in the photovoltaic industry. The Group also engages in the construction and operation of photovoltaic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

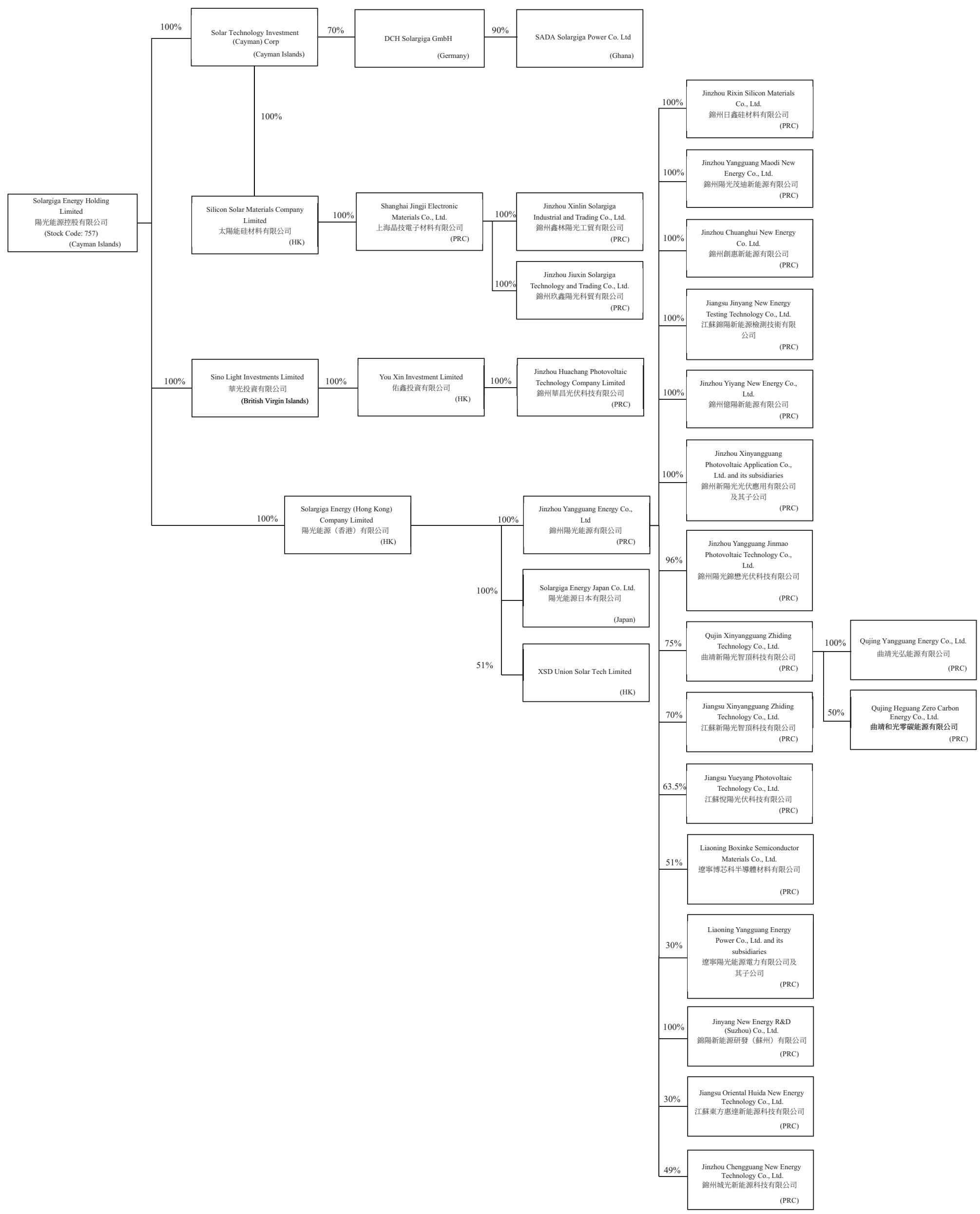
It is expected that the intra-group balances (non-trade items) and guarantees between the Remaining Group and the Disposal Group will be released prior to Completion. Currently, the Disposal Group purchases part of its polysilicon materials and sells silicon wafers overseas through the Remaining Group. 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 Disposal



After Disposal



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
Major customers	Large-scale mid-stream solar cell manufacturers	Large-scale investors in power stations and other photovoltaic end-users
Major 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:

Net proceeds	Use of proceeds	Amount	Expected timeline for 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

As stated in the Announcement, subject to approval of the Shareholders at the EGM and Completion taking place, the Board recommends the declaration of the Special Dividend of not less than approximately HK$0.07 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. The Special Dividend is expected to be paid by the Company within one month after Completion, subject to any unforeseen events which may lead to unexpected delays in payment of the Special Dividend. Further announcement(s) will be made by the Company in this regard as and when appropriate.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Disposal unlocks immediate value to the Shareholders and enables the Shareholders to earn the Special Dividend of HK$0.07 per Share upon Completion. The Special Dividend represents a yield of approximately 29.3% based on the closing price of HK$0.239 on the Last Trading Date and 27.9% based on the average closing price of HK$0.251 for the 30 trading days up to and including the Last Trading Date. As at the Last Trading Date, the Shares had a three-month average daily trading value of approximately HK$0.4 million, which is significantly lower than the quantum of the proposed Special Dividend in the aggregate amount of approximately RMB222.6 million (equivalent to approximatively HK$244.9 million). The Special Dividend provides immediate liquidity to the Shareholders allowing them to monetise a portion of their investment in the Company.

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"(《關於進一步深化燃煤發電上網電價市場化改革的通知》), 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"(《二零三零年前碳達峰行動方案》), 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''(《關於推動城鄉建設綠色發展的意見》) 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"(《關於推動城鄉建設綠色發展的意見》), 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 RMB346.9 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 Consideration) were arrived at after arm's length commercial negotiation amongst the Company and the Purchasers. In view of the above, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Equity Transfer Agreement (including the Consideration) are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULE IMPLICATIONS

For the purpose of calculation of the percentage ratios of the Disposal, the Deemed Disposal is aggregated with the Disposal as a single transaction pursuant to Rule 14.22 of the Listing Rules as they are to be completed within a 12-month period. Since the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal, in aggregate with the Deemed Disposal, is more than 75%, the Disposal constitutes a very substantial disposal of the Company, and is therefore subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, among the Purchasers, Purchasers A were controlled by Mr. Tan Wenhua, the executive Director, Chairman of the Board and a substantial shareholder of the Company, and/or by Mr. Tan Xin, an executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua. Therefore Purchasers A are connected persons of the Company pursuant to the Listing Rules. The Disposal therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 is set out on pages EGM-1 to EGM-3 of this circular.

To the best of knowledge, information and belief of the Directors having made all reasonable enquiries, as at the Latest Practicable Date, apart from Mr. Tan Wenhua, Mr. Tan Xin and their respective associates, no Shareholder had material interest in the transaction contemplated under the Equity Transfer Agreement. Therefore, as at the Latest Practicable Date, only Mr. Tan Wenhua, Mr. Tan Xin and their respective associates, who were in aggregate interested in 754,006,751 Shares (representing approximately 22.69% of the issued share capital of the Company), shall abstain from voting at the resolution(s) considering and approving the Disposal and the proposed declaration of the Special Dividend at the EGM. Save as disclosed above, no other Shareholder shall be required to abstain from voting at the resolutions considering and approving the Disposal and the proposed declaration of the Special Dividend at 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
Solargiga Energy Holdings Limited
Tan Wenhua
Chairman

Solargiga Energy

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

21 November 2022

To the Independent Shareholders

Dear Sir or Madam,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF 45.0% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY; AND (2) PROPOSED DECLARATION OF SPECIAL DIVIDEND

We refer to the circular issued by the Company to the Shareholders dated 21 November 2022 (the "**Circular**") which this letter forms a part of. Terms defined in this letter shall have the same meanings as those used in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend, details of which are set out in the letter from the Board in the Circular. Octal Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from Octal Capital" as set out in the Circular. Having considered the terms of the Disposal and the proposed declaration of the Special Dividend and the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice, we are of the opinion that the Disposal and the proposed declaration of the Special Dividend are fair and reasonable, on normal commercial terms, and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders vote in favour of the resolutions 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 the Independent Board Committee of
Solargiga Energy Holdings Limited

Dr. Wong Wing Kuen, Albert **Ms. Chung Wai Hang** **Ms. Tan Ying**
Independent non-executive Directors

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.

八方金融有限公司
OCTAL Capital Limited

801-805, 8/F, Nan Fung Tower
88 Connaught Road Central
Hong Kong

21 November 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

(1) VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION PROPOSED DISPOSAL OF 45.0% EQUITY INTEREST IN A NON-WHOLLY OWNED SUBSIDIARY; AND (2) PROPOSED DECLARATION OF SPECIAL DIVIDEND

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the proposed declaration of the Special Dividend, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Group to the Shareholders dated 21 November 2022 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as given to them under the definitions section of the Circular.

Reference is made to the announcement of the Company dated 29 April 2022 in relation to the Deemed Disposal by the Company of its interest in Qujing Yangguang and the Announcement in relation to the Disposal and the proposed declaration of the Special Dividend. As at the Latest Practicable Date, the Company had 45.0% interest in Qujing Yangguang. On 28 October 2022 (after trading hours), the Company conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the 45.0% interest in Qujing Yangguang (the "**Sale Shares**") by entering into the Equity Transfer Agreement with the Purchasers at the Consideration of RMB1,350.0 million.

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying, has been established to make recommendation to the Independent Shareholders on whether the terms and conditions of the Disposal and the proposed declaration of the Special Dividend are fair and reasonable, on normal commercial terms and in the interests of the Group and the Shareholders as a whole, and advise the Independent Shareholders as to voting. We, Octal Capital, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

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 from the information contained or opinions expressed in the Circular or to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and management of the Group. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group and their respective subsidiaries or associates nor have we carried out any independent verification of the information supplied.

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 performance 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 parent 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%.

As a result, the Group showed a turnaround from net loss attributable to the owners of the parent of approximately RMB215.6 million for FY2020 to a net profit attributable to the owners of the parent of approximately RMB193.2 million for FY2021 due to the significant increase in gross profit in FY2021.

For FY2019 and FY2020

Revenue of the Group increased by approximately 36.8% from approximately RMB4,425.6 million for FY2019 to approximately RMB6,052.0 million for FY2020. Such increase in the Group's revenue was largely due to the 65% increase in total shipment volume, despite the declining unit selling price per watt of photovoltaic products as a result of the removal of government subsidies. The Group recorded a gross profit of approximately RMB585.9 million and a gross profit margin of approximately 9.7% for FY2020, as compared to a gross profit of approximately RMB341.4 million and a gross profit margin of approximately 7.7% for FY2019, which increased significantly by approximately 71.6% and approximately 2.0 percentage points respectively after the commencement of high-efficiency production capacity and transformation of existing production capacity. The Group's finance costs slightly decreased from approximately RMB123.1 million for FY2019 to approximately RMB118.8 million for FY2020, representing a decrease of approximately 3.6%.

As a result, the Group recorded a loss attributable to the owners of the parent of approximately RMB215.6 million for FY2020 as compared to a loss attributable to the owners of the parent of approximately RMB355.5 million for FY2019 due to the significant increase in gross profit in FY2020.

For 1H2021 and 1H2022

Revenue of the Group increased by approximately 11.6% from approximately RMB2,820.6 million for 1H2021 to approximately RMB3,147.0 million for 1H2022. Such increase was primarily attributable to the approximately 5.2% growth in external shipment volume for 1H2022 compared to 1H2021 as a result of the increases in external shipment volume and average selling price of photovoltaic modules. However, the Group recorded a gross profit of approximately RMB267.1 million and a gross profit margin of 8.5% for 1H2022, as compared to a gross profit of approximately RMB371.5 million and a gross profit margin of 13.2% for 1H2021, which decreased by 28.1% and 4.7 percentage points respectively. Such drop was largely due to the increase in raw material costs, including polysilicon, and increase in sales of photovoltaic modules, which has lower gross profit margin than other products.

As a result, the Group recorded a profit attributable to the owners of the parent of approximately RMB67.7 million for 1H2022 as compared to a profit attributable to the owners of the parent of approximately RMB61.3 million for 1H2021 was mainly due to the increase in reversal of provision for warranty.

1.2. 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

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

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

For FY2020 and FY2021

Revenue of the Disposal Group increased by approximately 59.0% from approximately RMB1,140.8 million for FY2020 to approximately RMB1,813.5 million for FY2021. Such increase in the Disposal Group's revenue was largely due to the increase in external shipment volume and higher average selling price of silicon wafers. The Disposal Group recorded a gross profit of approximately RMB350.3 million and a gross profit margin of approximately 19.3% for FY2021, as compared to a gross profit of approximately RMB132.9 million and a gross profit margin of approximately 11.6% for FY2020, which increased significantly by approximately 163.7% and approximately 7.7 percentage points respectively due to higher average selling price of silicon wafers. The Disposal Group's finance costs slightly increased from approximately RMB18.9 million for FY2020 to approximately RMB20.0 million for FY2021, representing an increase of approximately 5.6%.

As a result, the Disposal Group's profit increased from approximately RMB100.9 million for FY2020 to RMB253.2 million for FY2021 mainly due to the significant increase in gross profit in FY2021.

For 1H2021 and 1H2022

Revenue of the Disposal Group increased by approximately 5.1% from approximately RMB774.4 million for 1H2021 to approximately RMB813.8 million for 1H2022. Such increase in the Disposal Group's revenue was largely due to the increase in external shipment volume of monocrystalline silicon wafers. The Disposal Group recorded a gross profit of approximately RMB156.1 million and a gross profit margin of approximately 19.2% for 1H2022, as compared to a gross profit of approximately RMB185.4 million and a gross profit margin of approximately 23.9% for 1H2021, which decreased by approximately 15.8% and approximately 4.7 percentage points respectively mainly due to the increase in cost of raw materials, namely polysilicon. The Disposal Group's finance costs significantly increased from approximately RMB9.8 million for 1H2021 to approximately RMB22.2 million for 1H2022, representing an increase of approximately 126.1%.

As a result, the Disposal Group's profit decreased from approximately RMB129.3 million for 1H2021 to RMB105.7 million for 1H2022 mainly due to the decrease in gross profit and the increase in finance costs.

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 Group's net debt and equity attributable to owners of the Company amounted to approximately RMB623.7 million and RMB458.4 million respectively, resulting in a gearing ratio of approximately 136%.

3. Information of the Purchasers

Purchasers A

Purchasers A are entities established in the PRC which are controlled by Mr. Tan Wenhua, the executive Director, Chairman of the Board and a substantial shareholder of the Company, and/or Mr. Tan Xin, the executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua. Therefore, as Mr. Tan Wenhua and Mr. Tan Xin are connected persons of the Company under Chapter 14A of the Listing Rules, Purchasers A are also connected persons of the Company. Purchasers A are all principally engaged in investment holding.

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.

4. Reasons for and benefits of the Disposal

Opportunity to realise the value of the Disposal Group

As stated in the Letter from the Board, as a result of the transactions to deconsolidate the Disposal Company from the Company through the Disposal, the Group will be able to realise and unlock the value of its investments in the Disposal Group. Upon Completion, the Remaining Group would realise a considerable gain on disposal of approximately RMB1,100.0 million. From the perspective of the Shareholders, conditional upon Completion having taken place, the Special Dividend will be paid out of the net proceeds from the Disposal after taking into account the funding needs of the Remaining Group. Shareholders will be able to realise the intrinsic value of the Disposal Group in the form of the Special Dividend.

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 business of the Remaining Group; (iii) approximately 17.3% of the net proceeds, or approximately RMB222.6 million for the proposed distribution of Special Dividend; and (iv) approximately 16.8% of the net proceeds or approximately RMB217.1 million for general working capital of the Remaining Group. The above net proceeds are expected to be utilised in accordance with the expected timeline. For details, please refer to "Use of Proceeds" of the Circular.

Repayment of bank loans and borrowings

As mentioned in the section headed "1. Background information of the Group", the Group has constantly maintained high interest-bearing borrowings and gearing ratios of approximately RMB2,124.9 million and 450% respectively as at 31 December 2021 and RMB2,368.2 million and 499% respectively as at 30 June 2022. In addition, we note that the Group had bank balance and cash, and net current liabilities of approximately RMB500.9 million and RMB376.3 million respectively as at 30 June 2022. The Group may face pressure to meet its short-term obligations based on its existing internal financial resources. In the event that the Group fails to repay or refinance of the interest-bearing borrowings (partly or all), it may potentially face negative impact on its credit standing.

According to the unaudited pro forma financial information of the Remaining Group in Appendix III to this Circular, upon Completion, the gearing ratio of the Remaining Group will be reduced significantly to approximately 70% as the Purchasers will assume the indebtedness of the Disposal Group and the Remaining Group will repay part of its bank loans and other borrowings. Therefore, it is expected that (i) the gearing ratio will be under control and the overall financial position of the Remaining Group will be enhanced as a result; and (ii) the interest expenses will decrease after repayment of certain short-term bank loans and the overall financial performance of the Remaining Group will be improved as well.

Expansion of business of the Remaining Group

As mentioned in the Letter from the Board, the Company plans to focus its resources on the expansion of the businesses of the Remaining Group, namely (i) the manufacture and trading of photovoltaic modules; (ii) the construction and operation of photovoltaic power plants; and (iii) the manufacture and trading of semiconductor, and the trading of monocrystalline silicon solar cells.

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* (《關於促進光伏產業鏈供應鏈協同發展的通知》) 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 2022, such that the production capacity of photovoltaic modules is expected to increase from 7.2GW by the end of June 2022 to 8.2GW by the end of 2022. The Group continues to expand low-cost, high-efficiency new production capacity through more refined production process, and the existing production capacity has also been upgraded and transformed, and achieved stable operations, which will further demonstrate the advantages of economies of scale, such as lower procurement, logistics and production costs in the second half of 2022. Given that photovoltaic power generation is more recognised in recent years, it is expected that the global newly installed capacity of photovoltaic power generation will continue to grow rapidly in 2022.

Based on our independent research, the midstream and downstream businesses of photovoltaic industry have a promising prospect as their demands are expected to rise. In the first half of 2022, the Russian-Ukrainian war has disrupted the global energy supplies, causing prices of energy products to rise sharply. According to the "Renewables 2021 – Analysis and forecast to 2026" published by the International Energy Agency, an autonomous intergovernmental organisation which provides authoritative analysis, data, policy recommendations, and real-world solutions to help countries provide secure and sustainable energy for all, the growth of renewable electricity capacity is forecasted to accelerate in the near future, reaching more than 4,800GW. This figure is equivalent to the current global power capacity of fossil fuels and nuclear combined. Overall, the PRC remains the global leader over the next five years, accounting for 43% of global renewable capacity growth, followed by Europe, the United States and India. These four markets alone account for 80% of renewable capacity expansion worldwide.

The PRC has been dedicated in increasing the scale of solar power generation, which is an essential task in the "14th Five-Year Plan". In January 2022, the Ministry of Industry and Information Technology, together with four other departments, including the National Energy Administration and the Ministry of Housing and Urban-Rural Development, issued the Smart Photovoltaic Industry Innovation and Development Action Plan (2021-2025)*(《智能光伏產業創新發展行動計劃》(2021-2025年)). During the "14th Five-Year Plan" period, it will guide the industry's intelligent upgrade, improve the development of quality and efficiency of the photovoltaic industry, and consolidate the PRC's leading position in the global photovoltaic manufacturing and installation industry.

According to a news article published by Reuters namely "China Solar Installations More Than Double in First Half" in July 2022, the PRC built nearly 31GW of new solar power capacity in the first half of 2022, representing a year-on-year increase of approximately 137%, such that total solar power capacity increased by approximately 25.8%, compared to the previous year, to 340GW. In respect of the overseas market, according to data from the Ministry of Industry and Information Technology of China, in the first half of 2022, due to the continued strong demand in the overseas solar market, the national export volume of photovoltaic modules in the first half of the year reached 78.6 GW, a year-on-year increase of approximately 74.3%; the total export value of solar products reached a new high of approximately US$25.9 billion, a year-on-year increase of approximately 113.1%.

As stated in the Letter from the Board, the Group intends to carry out acquisitions of other suitable targets when such opportunities arise, such that it can further enhance its production capacity and efficiency, and in turn increase the potential for capturing further market share.

Proposed declaration of the Special Dividend

As mentioned in the Letter from the Board, the Board intends to declare and distribute the Special Dividend of HK$0.07 per Share to the Shareholders upon Completion. The Special Dividend represents a yield of approximately 29.3% based on the closing Share price of HK$0.239 on the Last Trading Date.

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 proposed declaration of the Special Dividend would allow the Shareholders to realise substantial value from their shareholdings in the Company while continuing their investment in the Company's remaining business. As the Special Dividend provides the opportunity for a substantial and immediate cash realisation to the Shareholders from the outcome of the Disposal, we concur with the Board that the proposed declaration of the Special Dividend would be in the interests of the Company and the Shareholders as a whole.

General working capital

As set out in the paragraph headed "1.2. Financial Position of the Group" of this letter, the Group has recorded net current liabilities of approximately RMB376.3 million as at 30 June 2022 and experienced a liquidity pressure with relatively low working capital.

According to the unaudited pro forma financial information of the Remaining Group in Appendix III to this Circular, the liquidity position of the Group will be improved, and the Group will record net current assets of approximately RMB846.3 million upon Completion. As the Group plans to utilise approximately RMB136.9 million and RMB80.2 million of the net proceeds from the Disposal to replenish the general working capital of the Remaining Group from the first milestone payment and second milestone payment respectively, it is expected that, following the Completion, the working capital of the Remaining Group is expected to improve.

Having considered (i) the expected improvement on the financial position of the Remaining Group upon Completion; (ii) the benefits of the expansion of the businesses of the Remaining Group; (iii) the proposed declaration and distribution of the Special Dividend; and (iv) the expected improvement on working capital of the Remaining Group upon Completion, we concur with the Directors that the Disposal and the proposed declaration of the Special Dividend are in the interests of the Company and the Shareholders as a whole.

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 works 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 made reference to three generally accepted approaches, namely the income approach, market approach and cost approach. Please refer to the Valuation Report as set out in Appendix IV to the Circular for the key features of these three different valuation approaches.

According to the Valuation Report, the market approach was adopted for the Valuation. We understand from the Independent Valuer that in determining the appropriate valuation approach, the Independent Valuer has considered the merits and limitations of the aforesaid valuation approaches, the operation and financial information of the Disposal Group as at the Valuation Date and also the availability and reliability of the information provided.

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, wind 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 accounting measures like depreciation. EV/EBITDA and EV/EBIT take a more holistic picture of the company and cover the equity and the debt components of the capital structure. Having considered that the Disposal Group has reported positive net income in the past few years, the Independent Value believes that net profit as the most bottom level of the financial line item more clearly, compare to other financial figures (e.g. Sales, EBIT), and reflects the Disposal Group's different level of expenses and overall financial performance of the Disposal Group. As a result, the P/E multiple is chosen as the valuation metric.

Larger companies generally have lower expected returns that translate into higher values. On the other hand, small companies are generally perceived as riskier in relation to business operation and financial performance, and therefore the expected returns are higher and resulting in lower multiples. Therefore, as advised by the Independent Valuer, the base multiples were adjusted to reflect the difference in operation size and risk level between the Comparable Companies and the Disposal Group. To adjust for the difference of size between the Comparable Companies and the Disposal Group, the Independent Valuer referred to academic publications regarding the size premium differentials of the market capitalisation between the Comparable Companies and the Disposal Group, resulting in the Adjusted P/E Multiples of the Comparable Companies.

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-month net profit of the Disposal Group as of 30 June 2022 (i.e. from 31 July 2021 to 30 June 2022) by the Adjusted P/E Multiples of the Comparable Companies, and then adjusted for (i) a control premium (the "**Control Premium**") of 29.4%; and (ii) the Discount for Lack of Marketability (the "**DLOM**") of 31.1%. The Independent Valuer then derive the appraised value of the Sale Shares by apportioning the total appraised value of the 100% equity interest in Qujing Yangguang by 45.0% to arrive at the Valuation of RMB1,272 million after rounding.

We have discussed with the Independent Valuer in relation to the adoption of the Control Premium and DLOM. As advised by the Independent Valuer, the equity value of the Disposal Group inferred from the mean of the Adjusted P/E Multiples of the Comparable Companies is presented on non-controlling basis. Since the Purchasers will gain control of the Disposal Group after the Disposal, a control premium shall be considered in the course of valuation. The Independent Valuer adopted Control Premium of approximately 29.4% based on a study of transactions with implied minority discount from the RSM's Control Premium Study 2021. For our due diligence purpose, we have reviewed the relevant section extracted from the study obtained by the Independent Valuer and noted that the Control Premium was the mean of average control premium of different periods under the industrials segment. Based on our discussion with the Independent Valuer, we understand that it is common to adopt an average control premium over the periods and the Disposal Group would be classified into industrials segment taking into account its business nature.

As for the DLOM, since Qujing Yangguang is a private company whose shares are not publicly traded in the open market, a discount for lack of marketability shall be considered in the course of valuation to discount for lack of marketability of converting shares of Qujing Yangguang into immediate cash. We understand from the Independent Valuer that the DLOM was adopted with reference to the Empirical Research Regarding Discounts for Lack of Marketability published by VFC LLC. For our due diligence purpose, we have reviewed the result of the research obtained by the Independent Valuer and noted that the adopted DLOM of 31.1% is the median of the transaction discounts based on restricted stock studies for quantifying DLOM by comparing the sale price of publicly traded shares to the sale price of otherwise identical marketability-restricted shares of the same company.

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 Independent Valuer, we have not identified any major factors which would lead us to cast doubt on the fairness and reasonableness of the valuation methodology and the principal basis and assumptions adopted in arriving at the Valuation.

We are of the view that the Valuation was arrived at after due and careful consideration while the Consideration is set at a premium over the Valuation, we concur with the view of the Directors that, given this is a disposal transaction by nature, the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

5.3 Settlement terms

Pursuant to the Equity Transfer Agreement, 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 in the following manner:

(a) for Purchasers which were established in the PRC, payable on the Completion Date; and

(b) for Purchaser which was established in Hong Kong, payable within 10 days after the Completion Date or within 5 Business Days after the opening the payment account that complies with the relevant PRC 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 (the "**Deferred Consideration Payment**") will be settled by cash and payable within six months after the Completion Date.

The Consideration to be borne by the Purchaser which was established in Hong Kong will be not more than RMB150.0 million, representing one-ninth of the Consideration, while the remaining Consideration will be borne by the other Purchasers which were 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.

As mentioned in the Letter from the Board, the Company, with the assistance of the financial adviser of the Company, 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 interest of the Company and the Shareholders as a whole.

Based on our discussion with the management of the Company, we understand that the funding for settlement of the Purchasers A's portion of the Consideration would be partially borne by (i) the personal financial resources from Mr. Tan Wenhua and Mr. Tan Xin (the "**Personal Financial Resources**") who are the respective controlling shareholder(s) and/or general partner(s) of the Purchasers A; (ii) the debt financing provided by China Lesso Group and high net worth Independent Third Parties (the "**Debt Financing**"); and (iii) the facility to be provided by a bank (the "**Facility**").

In respect of the Personal Financial Resources, based on the shareholding of the Company, we note that (i) Mr. Tan Wenhua, who is the executive Director, Chairman of the Board and a substantial shareholder of the Company, held approximately 21.43% equity interest of the Company; and (ii) Mr. Tan Xin, the executive Director, the chief executive officer of the Company and the son of Mr. Tan Wenhua, held approximately 1.26% equity interest of the Company. As at the Last Trading Date, based on the above aggregate equity interest of approximately 22.69% of the Company held by Mr. Tan Wenhua and Mr. Tan Xin, the equity interest of the Company held by them represented a market value of approximately HK$180.2 million, and the apportioned amount of the Special Dividend to be declared to them would be approximately HK$52.8 million. In respect of the Debt Financing, we have obtained and reviewed (i) the relevant debt financing agreements which were entered into by each of Mr. Tan Wenhua and Mr. Tan Xin with high net worth Independent Third Parties; and (ii) the relevant debt financing agreements which were entered into by each of the Purchasers A with China Lesso Group, and understand that (i) the total principal amounts as stipulated in the debt financing agreements amounted to RMB730 million; and (ii) there is no restriction on the drawdown timing of the facility amount for settlement of the Consideration. In respect of the Facility, we have obtained and reviewed the letter of intent entered between Purchasers A and the bank. According to the letter of intent, a facility funding of RMB500 million is to be granted to Purchasers A for its settlement of the Consideration purpose after fulfillment of relevant credit approval.

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 that the Purchasers A and Purchasers B have sufficient assets to settle both their milestone payments of the Consideration and the compensation mechanism is in place to protect against any possible delays or defaults in payment by the Purchasers. Therefore, we concur with the Directors that the settlement period and terms are fair and reasonable, and in the interest of the Company and its Shareholders.

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 business of the Remaining Group and working capital needs of the Remaining Group, it is fair and reasonable and in the interest of the Company and the Shareholders to distribute part of the net proceeds to the Shareholders as the Special Dividend. The Special Dividend also provides an opportunity for the Shareholders to realise a significant value from their shareholdings in the Company and receive an upfront cash return while continuing to be invested in the Company's remaining businesses.

7. Financial effects of the Disposal

Upon Completion, the Remaining Group will not hold any interest in the Disposal Group and the Disposal Group will cease to be subsidiaries of the Company and their respective assets and liabilities and profits and losses will no longer be consolidated into the financial statements of the Company.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Remaining Group in Appendix III to this Circular, assuming that Completion had taken place as at 30 June 2022, (i) the total assets of the Remaining Group will decrease by approximately RMB1,167.0 million; and (ii) the total liabilities of the Remaining Group will decrease by approximately RMB1,775.7 million. The decrease in total assets would have been mainly due to the deconsolidation of the non-current assets of the Disposal Group whilst the decrease in total liabilities would have been mainly due to the deconsolidation of the current liabilities of the Disposal Group.

Earnings

Upon Completion and as a result of the transactions to deconsolidate the Disposal Group from the Company, the Remaining Group will immediately realise a one-off gain of approximately RMB1,100.0 million. The actual gain 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.

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

(ii) annual report of the Company for the year ended 31 December 2020, published on 27 April 2021, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042701007.pdf

(iii) annual report of the Company for the year ended 31 December 2021, published on 28 April 2022, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0428/2022042802814.pdf

(iv) interim report of the Company for the six months ended 30 June 2022, published on 26 September 2022, which can be accessed via the link at:

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0926/2022092600485.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 progress, reduce cost of power generation to promote the achievement in comprehensive grid parity and will draw explosive growth in demand. Furthermore, China has become the fastest growing country in the global semiconductor industry. According to the Semiconductor Industry Association (the "**SIA**") of the US, China's semiconductor market is poised for remarkable growth and to become increasingly competitive globally.

In order to respond to the rapid increase in demand, the Remaining Group has been expanding its production capacity of modules to take advantage of the external production environment in different areas, enabling the Remaining Group to fully utilise its current technological advantages in production. It is estimated that the production capacity of modules will be expanded from 7.2GW by the end of 2021 to 8.2GW by the end of 2022, representing an increase of 122% from the production capacity at the end of 2020. Such production capacity can be subsequently increased to 10GW in the next few years subject to the external market conditions and internal available funding resources of the Remaining Group. As the selling price of photovoltaic products is expected to be adjusted downward for a wider application and enhancing the competitiveness against the traditional energy, the Directors consider that it would be critical for the Remaining Group to expand its production capacity of higher efficiency to maintain the profitability. The Company expects that the newly added capacity will further increase the economies of scale of its photovoltaic module business and decrease its unit cost of production.

In addition, the Remaining Group shall conduct research and development for new production technologies in respect of photovoltaic and semi-conductor products, so as to match with the market demand in high-end products, improve operating efficiency and reduce overall production costs. Furthermore, the technology upgrade shall allow the Remaining Group to introduce higher specification products in order to achieve higher gross profit margin.

The Remaining Group shall also adjust its marketing strategy to explore business opportunities and expand the strategic cooperation with leading and established engineering procurement-construction enterprises, especially those which are state-owned enterprises. In addition to existing offices in China, Japan and Germany, the Remaining Group also intends to further expand its overseas sales team to capture more opportunities around the world by leveraging on its established presence in the Asia market.

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.

3. 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 this indebtedness statement, the Group had outstanding borrowings of approximately RMB2,522,439,000, details of which are as follows:

	30 September 2022		
	Effective Interest rate (%)	*Maturity*	*RMB'000*
Current:			
Bank loans – secured	3.950-7.500	2023	480,236
CNY			439,208
USD			41,028
Bank loans – guaranteed	2.625-9.000	2023	1,016,108
CNY			802,509
EUR			148,548
HKD			45,222
USD			19,829
Other loans –secured	0.000-7.500	2023	376,784
CNY			376,784
Other loans –guaranteed	5.000-5.475	2023	14,873
HKD			11,323
USD			3,550

	30 September 2022		
	Effective Interest rate (%)	*Maturity*	*RMB'000*
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 RMB407.3 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%.

	As at 31 December 2019
	RMB million
Bank and other loans due within one year	
CNY – secured	614
CNY – guaranteed	540.5
CNY	1,154.5
USD – secured	34.8
USD – guaranteed	268.9
USD	303.7
EUR – guaranteed	8.7
Total	1,466.9
Non-current bank and other loans	
CNY – guaranteed	124.1
EUR – guaranteed	5.2
Total	129.3

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 2019 was 364.1%.

Charge of assets

Save as disclosed above, as at 31 December 2019, 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 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 RMB194.8 million on capital expenditures.

Foreign currency risk

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 2019.

Employee 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 investment, 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 RMB4,647.5 million for the year ended 31 December 2019 to RMB5,930.5 million for the year ended 31 December 2020, representing an increase of 27.6%, which was mainly attributable to increase in total external shipment volume of module products, particularly the high-end products which are welcomed by state owned enterprises and multinational enterprises.

Cost of sales

The cost of sales increased from RMB4,344.7 million in 2019 to RMB5,477.5 million in 2020, representing an increase of 26.1%, mainly due to the increase in shipment volume. The procurement costs of raw and auxiliary materials increased significantly during the year as the supply of a number of major raw and auxiliary materials was being affected by the outbreak of the Pandemic. In addition, some suppliers of polysilicon had temporary suspended their operations because of floods and factories explosion during the year, resulting in a supply shortage and surging price of polysilicon.

Gross profit and gross profit margin

The gross profit increased by RMB150.2 million or 49.6% from RMB302.8 million for the year ended 31 December 2019 to RMB453.0 million for the year ended 31 December 2020, primarily due to the commencement of high-efficiency production capacity and transformation of existing production capacity, offset by the significant increase in procurement costs. The gross profit margin increased at a limited growth rate from 6.5% for the year ended 31 December 2019 to 7.6% for the year ended 31 December 2020.

Selling and distribution expenses

The selling and distribution expenses increased from RMB83.9 million in 2019 to RMB136.2 million in 2020, representing an increase of 62.3%, mainly due to the increase in external shipment volume in 2020 and the unexpected increase in overseas shipment costs as a result of outbreak of Pandemic.

Administrative expenses

The administrative expenses increased from RMB407.3 million in 2019 to RMB453.3 million in 2020, representing an increase of 11.3%, mainly due to the increase in investment in research and development of various niche products and technological innovations in production and related expenses.

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 RMB171.8 million on capital expenditures.

Foreign currency risk

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.

Employee 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 investment, 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.

For the year ended 31 December 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's policy to foster a healthy photovoltaic power industry without the government's subsidies. On the other hand, the cost of polysilicon, the major raw material, was undergoing an anomalously upward trend starting from mid-2020, with the increase in unit cost by more than 4 times from 2020 to 2021. As stated above, the price of polysilicon had been decreasing since 2012 and until the Pandemic owing to the technical breakthrough and improvements, nevertheless, the price of polysilicon rebounded from the lowest point in the mid-2020 and hit the highest level in 2021 since 2012, and such upward trend has been continuing in 2022. Due to the above, the Remaining Group's profitability remain suppressed in 2021. However, against all odds, the Remaining Group still managed to achieve a profit attributable to shareholders of approximately RMB3.1 million, mainly owing to the Remaining Group's commencement of high-efficiency production capacity and transformation of existing production capacity, as well as the better adaptation as to the photovoltaic power subsidy policy changes introduced in 2019 by the market.

Revenue

The total revenue decreased from RMB5,930.5 million for the year ended 31 December 2020 to RMB5,694.5 million for the year ended 31 December 2021, representing a decrease of approximately 4.0%, which was mainly attributable to the slight decrease in the external shipment volume of photovoltaic modules.

Cost of sales

The cost of sales decreased from RMB5,477.5 million in 2020 to RMB5,165.8 million in 2021, representing a decrease of approximately 5.7%, mainly due to economic advantages brought by the high-efficient production capacity, partially offset by the increase in cost of raw and auxiliary materials, particularly polysilicon, during the year.

Gross profit and gross profit margin

The gross profit increased by RMB75.7 million or 16.7% from RMB453 million for the year ended 31 December 2020 to RMB528.7 million for the year ended 31 December 2021, primarily due to the decrease in the cost of sales as mentioned above. The gross profit margin increased from 7.6% for the year ended 31 December 2020 to 9.3% for the year ended 31 December 2021.

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.

Liquidity and financial resources

The principal source of working capital of the Remaining Group during the year were cash flows from operating activities and the proceeds from subscription of shares. As at 31 December 2021, the current ratio of the Remaining Group was 0.9. The Remaining Group had net borrowings of RMB676.7 million as at 31 December 2021, including cash and cash equivalents of RMB352.7 million, pledged deposits of RMB679.2 million, bank and other loans due within one year of RMB1,498.9 million (including fixed rate borrowings RMB1,344.3 million) and non-current bank and other loans of RMB209.7 million (including fixed rate borrowings RMB209.7 million). The net debt to equity ratio was 733.7%.

	As at 31 December 2021 *RMB million*
Bank and other loans due within one year	
CNY – secured	606.3
CNY – guaranteed	713.4
CNY	1,319.7
USD – guaranteed	44.1
EUR – guaranteed	125.8
HKD – guaranteed	9.3
Total	1,498.9
Non-current bank and other loans	
CNY – guaranteed	167.6
EUR – guaranteed	1.2
HKD – guaranteed	40.9
Total	209.7

Gearing ratio

The Remaining Group defines gearing ratio as the ratio of total borrowings, less cash and cash equivalents, to the total of share capital and reserves. The gearing ratios at 31 December 2021 was 28,521.7% as compared to -4,220.6% as at 31 December 2020, which was mainly due to decrease in accumulated losses.

Charge of assets

Save as disclosed above, as at 31 December 2021, 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 2021. 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. During the year ended 31 December 2021, the Remaining Group incurred RMB373.6 million on capital expenditures.

Foreign currency risk

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 2021.

Employee and remuneration policies

As at 31 December 2021, the Remaining Group had 2,298 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 investment, 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 continues to expand low-cost, high-efficiency new production capacity through more refined production process, and the existing production capacity has also been upgraded and transformed, and achieved stable operations, which will further demonstrate the advantages of economies of scale, such as lower procurement, logistics and production costs.

Revenue

The total revenue was RMB2,436.3 million for the six months ended 30 June 2022, in which the majority was generated from the sale of photovoltaic modules, representing an increase of 8.2% from that for the six months ended 30 June 2021, mainly due to the increase in external shipment volume and average selling price of photovoltaic modules.

Cost of sales

The total cost of sales was RMB2,325.4 million or 95.4% of the total revenue for the six months ended 30 June 2022, representing an increase of 12.3% from that for the six months ended 30 June 2021, mainly due to growth in revenue.

Gross profit and gross profit margin

The gross profit and gross profit margin were RMB111.0 million and 4.6% for the six months ended 30 June 2022, as compared to a gross profit and gross profit margin of RMB180.7 million and 8.0%, which decreased by 38.6% and 42.5% respectively, mainly attributable to the increase in cost of raw materials – polysilicon.

Selling and distribution expenses

The selling and distribution expenses were RMB1.2 million or 0.05% of the total revenue for the six months ended 30 June 2022, which mainly comprised terminal handling charges, packaging expenses and other incidental expenses. Although there was an increase in external shipment volume, the selling and distribution expenses decreased from approximately RMB58.3 million in the first half of 2021 to approximately RMB1.2 million for the period. The decrease was mainly due to reversal of provision for warranty.

Administrative expenses

The administrative expenses were RMB80.8million or 3.3% of the total revenue for the six months ended 30 June 2022, representing a decrease of 26.9% from that for the six months ended 30 June 2021, mainly due to effective planning and control on other administrative expenses by the Remaining Group.

Finance costs

The finance costs were RMB45.0 million or 1.8% of the total revenue for the six months ended 30 June 2022, representing a decrease of 11.6% from that for the six months ended 30 June 2021, mainly due to decrease in interest-bearing bank and other borrowings.

Income tax expenses

The income tax expenses were RMB0.2 million, which is less than 0.1% of the total revenue for the six months ended 30 June 2022, representing a decrease of 98.7% from that for the six months ended 30 June 2021, mainly because profits before tax in 2022 included more non-taxable items and adjustment of over-provision in prior years.

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

The Remaining Group recorded a profit attributable to owners of the Remaining Group of RMB13.0 million for the six months ended 30 June 2022 as compared to the loss of RMB41.9 million for the six months ended 30 June 2021.

Liquidity and financial resources

The principal sources of working capital of the Remaining Group during the six months ended 30 June 2022 were cash from bank and other borrowings. As at 30 June 2022, the current ratio (current assets divided by current liabilities) of the Remaining Group was 0.95. The Remaining Group had net borrowings of RMB235.2 million as at 30 June 2022, including cash at bank and on hand of RMB415.7 million, pledged deposits of RMB1,008.3 million, bank and other loans due within one year of RMB1,490.6 million (including fixed rate borrowings RMB1,286.0 million) and non-current bank and other loans of RMB168.8 million (including fixed rate borrowings RMB168.8 million). The net debt to equity ratio (net debt divided by total equity) was 71.3%.

	As at 30 June 2022 *RMB million*
Bank and other loans due within one year	
CNY – secured	435.5
CNY – guaranteed	700.5
CNY	1,136.0
USD – secured	62.2
USD – guaranteed	22.8
USD	85.0
EUR – guaranteed	173.7
HKD – guaranteed	95.9
Total	1,490.6
Non-current bank and other loans	
CNY – guaranteed	168.8

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 30 June 2022 was 971.0%, as compared to 28,521.7% as at 31 December 2021, which was mainly due to decrease in total borrowings.

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 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 six months ended 30 June 2022, the Remaining Group incurred RMB40.9 million on capital expenditures.

Foreign currency risk

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 30 June 2022.

Employee and remuneration policies

As at 30 June 2022, the Remaining Group had 2,299 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 held/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

Save for the Jinzhou Youhua Transfer, the Remaining Group did not have material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the six months ended 30 June 2022.

I 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 *RMB'000* (unaudited)	As at 31 December 2021 *RMB'000* (unaudited)	As at 31 December 2020 *RMB'000* (unaudited)	As at 31 December 2019 *RMB'000* (unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	1,091,381	1,006,692	619,268	490,404
Long term prepayments and other receivables	15,780	3,871	10,592	2,866
Right-of-use assets	119,092	113,677	50,536	41,799
Total non-current assets	1,226,253	1,124,240	680,396	535,069
CURRENT ASSETS				
Inventories	216,317	153,741	89,122	112,966
Trade and bills receivables	429,663	253,344	188,626	153,337
Prepayments, other receivables and other assets	73,294	68,835	61,950	130,021
Current tax recoverable	4,882	7,088	–	–
Pledged deposits	82,244	72,062	54,208	–
Cash and cash equivalents	85,169	79,175	49,341	33,898
Total current assets	891,569	634,245	443,247	430,222
CURRENT LIABILITIES				
Derivative financial instruments	10,623	–	–	–
Interest-bearing bank and other borrowings	500,493	416,342	340,967	214,000
Trade and bills payables	311,551	266,764	194,385	392,857
Other payables and accruals	156,770	295,801	91,306	20,717
Contract liabilities	28,553	9,363	144,729	119,937
Current tax payable	14,588	1,471	3,209	5,103
Current portion of lease liabilities	24,580	16,892	951	–
Total current liabilities	1,047,158	1,006,633	775,547	752,614
NET CURRENT LIABILITIES	(155,589)	(372,388)	(332,300)	(322,392)
TOTAL ASSETS LESS CURRENT LIABILITIES	1,070,664	751,852	348,096	212,677
NON-CURRENT LIABILITIES				
Convertible bonds	245,133	–	–	–
Interest-bearing bank and other borrowings	208,417	–	–	–
Deferred tax liabilities	378	–	–	–
Deferred income	111,814	124,092	109,132	82,320
Lease liabilities	46,566	47,715	7,744	–
Total non-current liabilities	612,308	171,807	116,876	82,320
NET ASSETS	458,356	580,045	231,220	130,357
EQUITY				
Share capital	136,870	136,870	105,000	105,000
Reserves	321,486	443,175	126,220	25,357
TOTAL EQUITY	458,356	580,045	231,220	130,357

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	General 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					
Payment for the acquisition of property, plant and equipment	(297,494)	(169,696)	(317,468)	(156,012)	(171,578)
Payment for the acquisition of right-of-use assets	(1,011)	(1,155)	(1,134)	(398)	–
Acquisition of subsidiaries not under common control	(661)	–	–	–	–
Proceeds from disposals of property, plant and equipment	430	–	–	–	–
Disposal of subsidiaries	–	–	18,005	–	–
Interest received	761	393	708	596	64
Net cash flows used in investing activities	(297,975)	(170,458)	(299,889)	(155,814)	(171,514)

	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 FINANCING ACTIVITIES					
Proceeds from issue of convertible bonds	249,829	–	–	–	–
Proceeds from bank loans and other loans	356,586	98,846	369,475	370,967	214,000
Repayment of bank loans and other loans	(64,018)	(85,100)	(294,100)	(244,000)	(259,000)
Placement of pledged bank deposits	(10,182)	44,780	(17,854)	(54,208)	–
Acquisition of a subsidiary under common control	(227,370)	–	–	–	(200)
Principal portion lease payments	(8,501)	–	(3,806)	–	(12,453)
Dividends paid to non-controlling shareholders	–	–	–	–	(284)
Capital contribution from non-controlling interests	–	–	95,635	–	–
Interest paid	(16,770)	(9,813)	(20,014)	(18,949)	(16,718)
Net cash flows generated from/(used in) financing activities	279,574	48,713	129,336	53,810	(74,655)
Net increase/(decrease) in cash and cash equivalents	5,994	(20,581)	29,834	15,443	21,884
Cash and cash equivalents at the beginning of the year/period	79,175	49,341	49,341	33,898	12,014
Cash and cash equivalents at the end of year/period	85,169	28,760	79,175	49,341	33,898

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, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place of incorporation	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Jinzhou Youhua Silicon Materials Co., Ltd.* ("**Youhua Silicon**") 錦州佑華硅材料有限公司	PRC/Mainland China	12 September 2008	RMB320,000,000	100	–	Manufacture and trading of monocrystalline ingots/wafers
Jinzhou Changhua Carbon Products Co., Ltd.* ("**Changhua Carbon**") 錦州昌華碳素製品有限公司	PRC/Mainland China	20 July 2006	RMB1,200,000	100	–	Manufacture and trade of graphite and carbon products

* *The English names of these companies represent the best efforts made by management of the Company to directly translate their Chinese names as they do not register any official English names.*

These entities are registered as private limited liability companies under PRC law.

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 Periods**") 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.

The accounting policies used in the preparation of these financial information are the same as those in the consolidated financial statements of the Group during the Relevant Periods. The consolidated financial statements of the Group are prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The liquidity of the Disposal Group is primarily depending on its ability to maintain adequate cash flows from operations, to renew its short-term bank loans and to obtain adequate external financing to support its working capital and meet its obligations and commitments when they become due.

The Disposal Group has carried out a review of its cash flow forecast for the twelve months ending 30 June 2023. Based on such forecast, the directors believe that adequate sources of liquidity exist to fund the Disposal Group's working capital and capital expenditure requirements, and to meet its short-term debt obligations and other liabilities and commitments as they become due in the twelve months ending 30 June 2023. In preparing the cash flow forecast, management has considered historical cash requirements of the Disposal Group, as well as other key factors.

Based on the above factors, the directors are confident that the Disposal Group will have sufficient funding to enable the Disposal Group to operate as a going concern and meet its financial obligations as and when they fall due for at least 12 months from the reporting date. Accordingly, the financial statements have been prepared on a going concern basis.

3. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

(a) Significant related party transactions

The Group is part of a larger group of companies under Solargiga Energy Holdings Limited and has significant transactions and relationships with related parties under Solargiga Energy Holdings Limited.

	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*
Sales of goods to:					
Related parties under the Disposal Group	29,763	173,154	201,556	875,356	1,012,684
Purchases of goods from:					
Related parties under the Disposal Group	71,327	160,213	297,572	373,392	660,177
Related parties under Solargiga Energy Holdings Limited	–	–	419	–	–
	71,327	160,213	297,991	373,392	660,177

(b) Outstanding balances with related parties

	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*
Trade and bills receivables:				
Related parties under the Disposal Group	16,611	9,935	129,737	104,871
Trade payables:				
Related parties under Solargiga Energy Holdings Limited	268	274	–	–
Related parties under the Disposal Group	166	2,620	61,114	154,589
	434	2,894	61,114	154,589
Other payables and accruals:				
Related parties under the Disposal Group	3,607	3,426	148,193	123,660

(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 for the year ended 31 December 2021 and related notes of the Group excluding the Disposal Group upon the completion of the Disposal (hereinafter referred to as the "**Remaining Group**") (the "**Unaudited Pro Forma Financial Information**") which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal (i) as if the Disposal had been completed on 30 June 2022 for the unaudited pro forma consolidated statement of financial position; and (ii) as if the Disposal had been completed on 1 January 2021 for the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the unaudited consolidated statement of financial position of the Group as at 30 June 2022 as extracted from the published Interim Report 2022 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021 as extracted from the published Annual Report 2021 after making pro forma adjustments relating to the Disposal that are factually supportable and directly attributable to the Disposal as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company in accordance with paragraph 4.29 of Listing Rules for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 30 June 2022 or at any future date, or the financial performance and cash flows of the Remaining Group for the year ended 31 December 2021 or for any future period.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published Interim Report 2022, Annual Report 2021 and other financial information included elsewhere in this circular.

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)	–	3,434	–	–	305,107
Contract liabilities	246,514	(28,553)	–	–	–	–	217,961
Current tax payable	32,770	(14,588)	–	–	–	–	18,182
Provision	1,336	–	–	–	–	–	1,336
Current portion of lease liabilities	27,816	(24,580)	–	–	–	–	3,236
Total current liabilities	5,173,261	(1,047,158)	–	3,811	(120,000)	–	4,009,914

	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)*	
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

3. Unaudited Pro Forma Consolidated Statement of Profit or Loss of the 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*	*RMB'000*
	(Note 6)	*(Note 7)*	*(Note 8)*	*(Note 4)*	*(Note 5)*	*(Note 9)*	
Revenue	7,104,992	(1,813,487)	–	403,025	–	–	5,694,530
Cost of sales	(6,225,909)	1,463,153	–	(403,025)	–	–	(5,165,781)
Gross profit	879,083	(350,334)	–	–	–	–	528,749
Other income and gains	61,744	(48,042)	1,221,953	–	–	–	1,235,655
Selling and distribution expenses	(144,165)	532	–	–	–	–	(143,633)
Administrative expenses	(301,178)	94,029	–	–	–	–	(207,149)
Impairment losses on financial and contract assets, net	19,031	(707)	–	–	–	–	18,324
Finance costs	(124,856)	20,012	–	–	14,032	–	(90,812)
Profit/(loss) before tax from continuing operations	389,659	(284,510)	1,221,953	–	14,032	–	1,341,134
Income tax expense	(81,411)	31,320	–	–	–	(53,482)	(103,573)
Profit/(loss) for the year from continuing operations	308,248	(253,190)	1,221,953	–	14,032	(53,482)	1,237,561
Discontinued operations							
Loss for the year from discontinued operations	(5,896)	–	–	–	–	–	(5,896)
Profit/(loss) for the year	302,352	(253,190)	1,221,953	–	14,032	(53,482)	1,231,665
Attributable to:							
Owners of the parent	193,222	(253,190)	1,285,068	–	14,032	(53,482)	1,185,650
Non-controlling interests	109,130	–	(63,115)	–	–	–	46,015

4. Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the 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*	*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, after 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 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*	*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

	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 6)	*(Note 7)*	*(Note 8)*	*(Note 4)*	*(Note 5)*	*(Note 9)*	
Cash flows from investing activities							
Payments for the purchase of property, plant and equipment	(610,065)	317,468	–	–	–	–	(292,597)
Payment for the acquisition of right-of-use assets	(1,134)	1,134	–	–	–	–	–
Net cash inflow from disposal of a subsidiary	–	–	1,346,118	–	–	–	1,346,118
Proceeds from disposal of property, plant and equipment	88,087	–	–	–	–	–	88,087
Interest received	12,310	(708)	–	–	–	–	11,602
Disposal of subsidiaries	(48,799)	(18,005)	–	–	–	–	(66,804)
Investment in an associate	(200)	–	–	–	–	–	(200)
Net cash used in investing activities	(559,801)	299,889	1,346,118	–	–	–	1,086,206
Cash flows from financing activities							
Issue of shares	41,424	–	–	–	–	–	41,424
Placement of pledged bank deposits	(1,842,355)	17,854	–	–	–	–	(1,824,501)
Release of pledged bank deposits	1,777,177	–	–	–	–	–	1,777,177
New bank loans and other loans	2,531,312	(369,475)	–	–	–	–	2,161,837
Repayment of bank loans and other loans	(2,885,942)	294,100	–	–	(450,000)	–	(3,041,842)
Principal portion of lease payments	(26,250)	3,806	–	–	–	–	(22,444)
Capital contribution from non-controlling interests	99,885	(95,635)	–	–	–	–	4,250
Payments for acquisition of non-controlling interests in a subsidiary	(41,733)	–	–	–	–	–	(41,733)
Interest paid	(134,685)	20,014	–	–	–	–	(114,671)
Dividends paid to non-controlling shareholders	(22,693)	–	–	–	(222,645)	–	(245,338)
Net cash used in financing activities	(503,860)	(129,336)	–	–	(672,645)	–	(1,305,841)
Net (decrease)/increase in cash and cash equivalents	(33,307)	(29,834)	1,346,118	–	(672,645)	(56,465)	553,867
Cash and cash equivalents at 1 January	456,265	(49,341)	–	–	–	–	406,924
Effect of foreign exchange rate changes	8,903	–	–	–	–	–	8,903
Cash and cash equivalents at 31 December	431,861	(79,175)	1,346,118	–	(672,645)	(56,465)	969,694

6. Notes to the Unaudited Pro Forma Financial Information of the 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:

Deemed Disposal of 8.7% equity interest	*RMB'000*
Net assets of the Disposal Group attributable to the Company after the Deemed Disposal *(Note a(i))*	413,260
Less: Derecognition of net assets of the Disposal Group attributable to the Company before the Deemed Disposal *(Note a(ii))*	246,137
Estimated gain on the Deemed Disposal before taxation	167,123

Disposal of 45% equity interest	*RMB'000*
Total cash consideration from equity transfer	1,350,000
Less: Derecognition of net assets of the Disposal Group attributable to the Company after the Deemed Disposal *(Note a(i))*	413,260
Less: Estimated transaction cost directly in relation to the Disposal *(Note b)*	3,882
Estimated gain on the Disposal before taxation	932,858

Note a

(i) The amount represents 45% of the net book assets of the Disposal Group attributable to the Company after the Deemed Disposal.

(ii) The amount represents 53.70% of the net book assets of the Disposal Group attributable to the Company before the Deemed Disposal.

Note b

The amount represents the estimated transaction costs payable amounting to RMB3,882,000, including accounting, legal, valuation and other professional service fees and related stamp duties for the Disposal.

(4) The adjustment represents the uneliminated balance between the Remaining Group and the Disposal Group that was recovered due to the deconsolidation of the Disposal Group.

	Certain financial information from the Disposal Group
	RMB'000
Internal sales transaction between the Disposal Group and the Remaining Group	403,025
Internal purchase transaction between the Disposal Group and the Remaining Group	403,025

(5) Total cash consideration from equity transfer shall be adjusted according to the use of purpose. The use of purpose including repaying banks and other loans of the Remaining Group, distributing special dividends and completing the withholding tax for special dividends.

(i) Repayment of the Remaining Group's bank and other borrowings of RMB120,000,000 as at 30 June 2022, and repayment of the Remaining Group's bank and other borrowings of RMB330,000,000 to be paid in six months later;

(ii) Repayment of the Remaining Group's bank and other borrowings of RMB450,000,000, leading to a decrease in financial expenses of RMB14,032,000 as at 31 December 2021;

(iii) The special dividend was distributed at HK $0.07 per share, with the total amount to RMB211,513,000, and the withholding tax for special dividend was approximately RMB11,132,000 as at 31 December 2021 and as at 30 June 2022.

(6) The amounts are extracted from the audited consolidated statement of profit or loss, the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2021, as set out in the published annual report of the Company for the year ended 31 December 2021.

(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:

The pro forma gain on the Disposal as if it had been taken place on 1 January 2021 is calculated as follows:

Deemed Disposal of 8.7% equity interest	*RMB'000*
Net assets of Disposal Group attributable to the Company after the Deemed Disposal *(Note a(i))*	311,049
Less: Derecognition of net assets of Disposal Group attributable to the Company before the Disposal *(Note a(ii))*	124,165
Estimated gain on the Deemed Disposal before taxation	186,884

Disposal of 45% equity interest	*RMB'000*
Total cash consideration from equity transfer	1,350,000
Less: Derecognition of net assets of Disposal Group attributable to the Company after the Deemed Disposal *(Note a(i))*	311,049
Less: Estimated transaction cost directly in relation to the Disposal *(Note b)*	3,882
Estimated gain on the Disposal before taxation	1,035,069

Note a

(i) The amount represents 45% of the net book assets of the Disposal Group attributable to the Company after the Deemed Disposal.

(ii) The amount represents 53.70% of the net book assets of the Disposal Group attributable to the Company before the Deemed Disposal.

Note b

The amount represents the estimated transaction costs payable amounting to RMB3,882,000, including accounting, legal, valuation and other professional service fees and related stamp duties for the Disposal.

(9) The adjustment represents corporate income tax corresponding to the Disposal gain from the Disposal and the reduced financial expenses used to repay bank loans.

(i) The amount of corporate income tax accrued corresponding to the Disposal gain from the Disposal of the Remaining Group is RMB56,465,000 after considering the accumulated distributed deficit of the Remaining Group.

(ii) To repay the bank and other loans of the Remaining Group, the corresponding interest should be written back, and the amount of corporate income tax reduced is RMB2,983,000.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Remaining Group.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Solargiga Energy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position of the Group as at 30 June 2022, the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 and the related notes set out on pages III-1 to III-12 of the circular dated 21 November 2022 (The "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed very substantial disposal and connected transaction of Qujing Yangguang New Energy Co., Ltd. and its subsidiaries (the "**Disposal**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page III-1 of the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the financial position of the Group as at 30 June 2022 as if the Disposal had taken place on 30 June 2022, and the Group's financial performance and cash flows for the year ended 31 December 2021 as if the Disposal had taken place on 1 January 2021. As part of this process, information about the Group's financial position for the six months ended 30 June 2022, financial performance and cash flows has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2021, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

21 November 2022

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 announcement and circular disclosure purposes with regards to a disposal.

This valuation report identifies the subject assets, describes the basis of valuation and assumptions, explains the valuation methodology utilised, and presents our conclusion of value.

Business enterprise is defined as the combination of all tangible assets (buildings, machinery and equipment), long term investment, net working capital and intangible assets of a continuing business. Alternatively, the *business enterprise* is equivalent to the investment capital of the business, that is, the combination of the value of shareholder's equity and long-term debt.

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.

In formulating our opinion of value, we will accept balance sheets, income statements, financial statistics and operating results of the *business enterprise* furnished by the Management as properly representing business operation and conditions of the Target Company being valued.

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.

I. 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

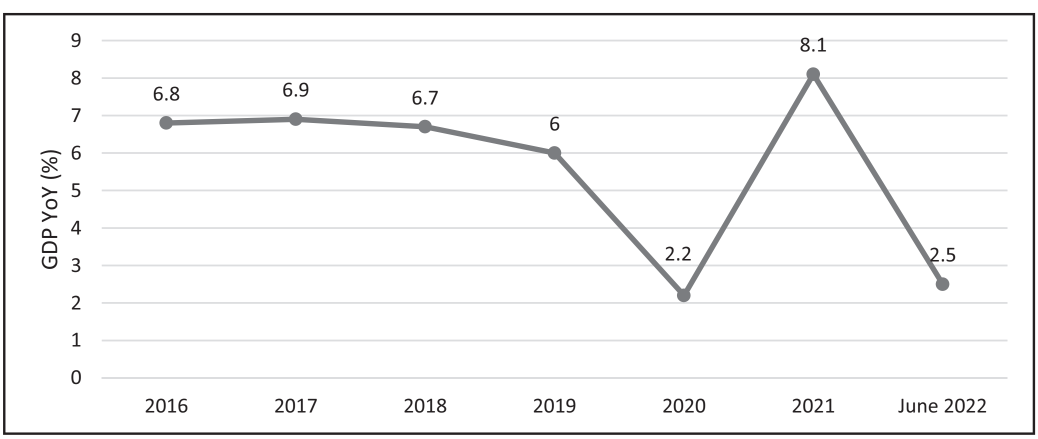
– Finalize valuation report of the Target Company

II. ECONOMIC AND INDUSTRY OVERVIEW

China 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%.[1]

Exhibit 1: China Nominal GDP YoY Growth Rate by Year (2016 to June 2022)

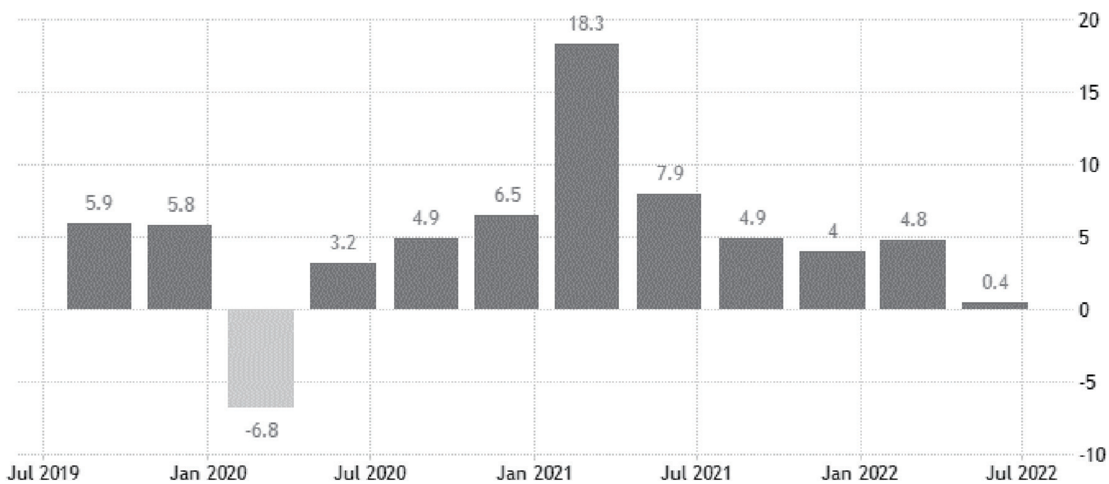


Source: National Bureau of Statics of China

1 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 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 Nominal GDP YoY Growth Rate by Quarter (Jan 2019 to July 2022)



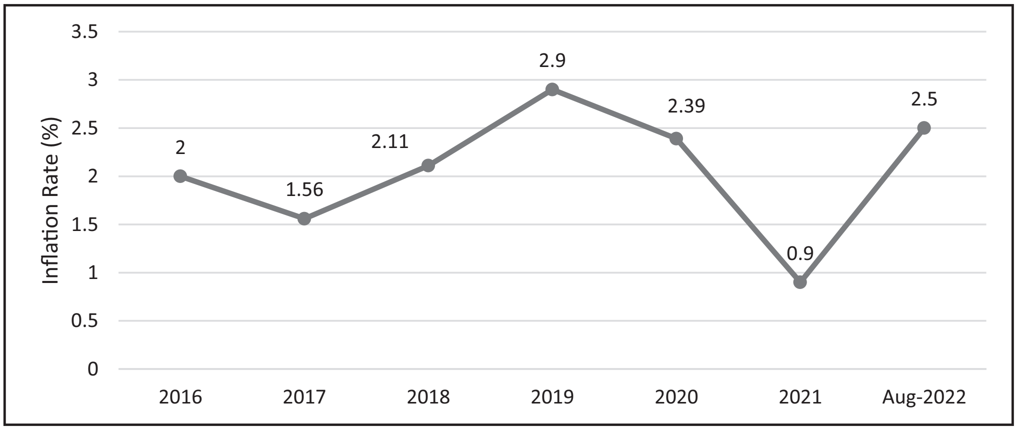
Source: Trading Economics

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 yearly.

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

3 Trading Economics – China GDP Annual Growth Rate

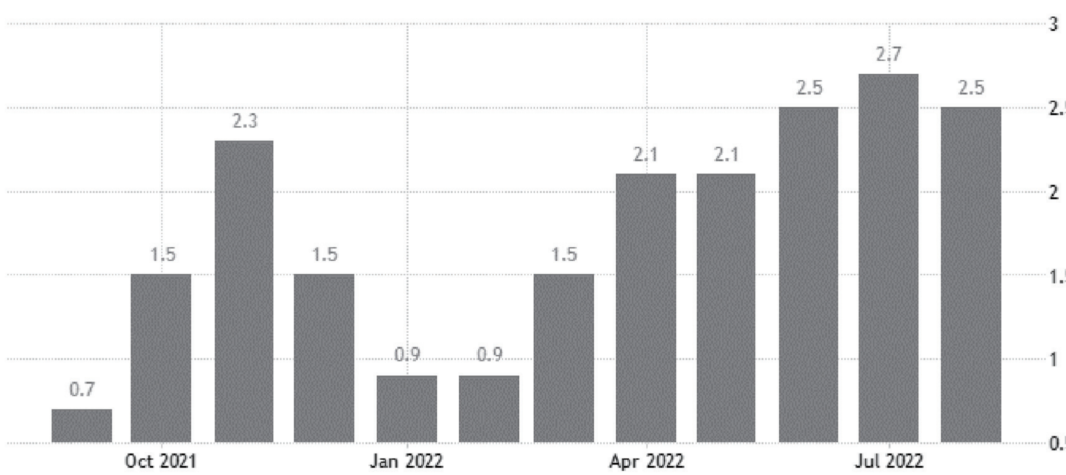
Exhibit 3: China YoY Annual Inflation Rate by Year (2016 to August 2022)



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 YoY Annual Inflation Rate by Month (June 2021 to Aug 2022)



Source: Trading Economics

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.

Overview of the Photovoltaic and the Monocrystalline Silicon Industry in China

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 consumption of society will reach about 11% in 2021. On the October 24, a carbon neutral and carbon peak top design document pointed out that by 2025, 2030, and 2060, the proportion of non-fossil energy consumption in China will reach about 20%, 25%, and 80% respectively.[7]

Photovoltaic power generation is becoming the most competitive form of power supply in more and more countries. According to the forecast of the China Photovoltaic Industry Association, driven by favorable factors such as decreasing cost of PV power generation and global green recovery, the global new PV installation will grow rapidly, and it is expected that from 2022 to 2025, the global average annual new PV installation will reach 232-286GW. As one of the most important raw materials for the PV industry, monocrystalline silicon manufacturing industry has gone through rapid growth in China recently.

Monocrystalline silicon is heavily used in many modern products including solar monocrystalline silicon cell wafers, functional electronic components, mechanical devices, and integrated circuits and they are the essential material for wind power generation, new energy vehicles, medical devices, aerospace, computers, intelligent manufacturing and photovoltaic industry.

6 Trading Economics – China Inflation Rate (by month)

7 Paradigm Capital-Article: Huiyao Pinshang Energy Technology completed tens of millions of yuan PRE-A round of financing

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

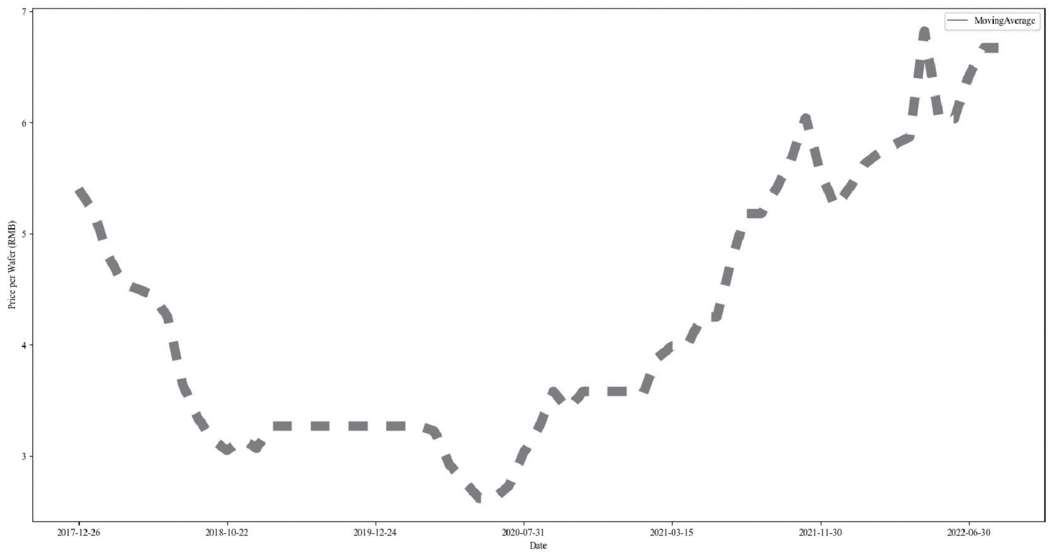
Company Name	**Current Capacity (2022)**	**Current Market Share (2022)**
Longi	115,000	18%
TCL Zhonghuan	115,000	36%
Gaojing	30,000	10%
Shangji	27,000	9%
Jingyuntong	20,000	6%
Shuangliang	20,000	6%
Meike	14,000	4%
Yuze	10,000	3%
Target Company	**9,000**	**3%**
Huayao	3,500	1%
Gaojia	2,000	1%
Hao'an	1,650	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 is more expensive than the former one, has potential and may be a non-negligible competitor for the former. And here's a chart illustrate the historical price trends of different types of P-type wafer.

Exhibit 6: P-type Wafer Price (Dec. 2021 to 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 rebounded in the early 2020, and started a steady uptrend until now.

III. SOURCES OF INFORMATION

We relied on the following internal and external information in performing this valuation:

Publicly Available Information:

- Financial data of comparable companies and exchange rates from Bloomberg;
- Financial statements of comparable companies from online.

Non-Public Information provided by the Management:

- The consolidated financial statements of the Target Company as of year ended 2020 and 2021;
- The management account of the Target Company as of 30 June 2021 and 2022;
- Business description of the Target Company;
- Discussion with the Management.

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 DISCLOSURE 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 Assumption on Valuation of Business Enterprise

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 there is no reason to doubt the truthfulness and accuracy of the information provided by the Management, and hence, we have assumed that such information provided to us are true and accurate. We have also consulted statistics, related government policies, articles and other public information on the related business to supplement the information provided by the Management. In arriving at our opinion of value, we have relied to a very considerable extent on the above-mentioned information.

The valuation procedures we employed were based on the International Valuation Standards formulated by the International Valuation Standards Council. The issues considered include, but not limited to, the following:

- Identification and recognition of the business subject to the valuation

- The rights, privileges, or conditions that attach to the ownership interest

- The nature and prospect of the monocrystalline silicon industry

- The existence of the guideline publicly-traded comparables

- Past operating results of the guideline publicly-traded comparables

- The capital structure of the guideline publicly-traded comparables

- The economic outlook and national policies that may affect the business

- The assets, liabilities, and equity and financial condition of the business

- The ability to generate future economic benefits and the measurability of such future economic benefits

- The business risks related to the operation of the business

- The financial statements and other information provided by the Target Company

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 all applicable laws and regulations will be complied with;

– There will be no material changes in the industry and its sub-industry in which the Target Company involved that would materially affect the revenues, profits and cash flows attributable to the Target Company;

– The market is efficient to reflect all available and relevant information;

– The market data are reliably, sufficiently and reasonably stated;

– The availability of finance will not be a constraint on operation of the Target Company;

– Exchange rates and interest rates will not differ materially from those presently prevailing;

– The Target Company have obtained all necessary permits, license, certificates and approvals to carry out the business operations of photovoltaic power generation business; those permits, license, certificates, and approvals will be renewed upon expiry;

– The Target Company will recruit and have competent management, key personnel, and technical staff to implement their operating plans.

We were furnished, for the purpose of this valuation, with audited and unaudited financial data as well as other records and documents. We have reviewed and examined the financial information and have no reason to doubt the truth and accuracy of the information contained therein. We do not provide assurance on the financial information provided by the Management. In arriving at our opinion of value, we have relied upon such financial information, records and documents, as well as financial and business information from other sources.

VI. 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 ("**GPTC method**")

– Guideline transaction method ("**GTM method")**

(C) The C*ost 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* is thus adopted in the valuation of the *market value* of 45% equity interest in the Target Company. In addition, due to the limited transaction information available from the public source, we have drawn the conclusion based on the Guideline Publicly-traded Comparables Method (the "**GPTC**"), and the Guideline Transaction Method (the "**GTM**") was performed for cross checking purpose.

VII. MARKET APPROACH

The *Market Approach* is based upon the principle of substitution premise that a prudent buyer will pay no more for an asset that it would cost to acquire a substitute asset with the same utility. Therefore, we have analysed prices at which the equity or invested capital in similar business changed hands.

In the abovementioned methods, the *market value* of the Target Company is based on prices at which stocks or share interests of similar companies are trading in a public market.

Assumptions under the Guideline Publicly-traded Comparables Method (the "**GPTC**") and Guideline Transaction Method (the "**GTM**") include but not limited to:

- Good guideline publicly-traded comparables/transactions exist; and
- The market is efficient.

Under the GPTC method, a "**value measure**" is usually a multiple computed by dividing the enterprise value (the "**EV**") or equity value (the "**Price**") 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, a "**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 comparables, 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;

2. Relevant information about the comparable companies are available and publicly disclosed;

3. Sufficient data, including financial figures, market capitalisation can be obtained from public sources; and

4. The comparable companies have operations in the PRC, and listed in Hong Kong or the PRC.

After exhaustive searching, a total of 10 guideline publicly-traded comparables were chosen as comparable companies for the valuation of the Target Company. We have conducted the valuation on a market participant perspective that relied heavily on open market information, instead of internal information.

Shortlisted Guideline Publicly-Traded Comparables

(1) LONGi Green Energy Technology Co Ltd (601012 CH Equity)

LONGi Green Energy Technology Co., Ltd. manufactures solar energy products. The Company produces monocrystalline silicon ingots, monocrystalline silicon wafers, semiconductor materials, solar cells, and other products. LONGi Green Energy Technology mainly operates businesses in China.

(2) TCL Zhonghuan Renewable Energy Technology Co Ltd (002129 CH Equity)

TCL Zhonghuan Renewable Energy Technology Co., Ltd. manufactures and distributes discrete semiconductor devices. The Company produces and sells high voltage diodes, silicon rectifier diode, silicon bridge rectifiers, and other products. TCL Zhonghuan Renewable Energy Technology also operates import and export businesses.

(3) GCL Technology Holdings Ltd (3800 HK Equity)

GCL Technology Holdings Limited operates as a globally leading developer and manufacturer of high-efficiency PV materials. The Company produces polysilicon products. GCL Technology Holdings also conducts new energy businesses.

(4) Beijing Jingyuntong Technology Co Ltd (601908 CH Equity)

Beijing Jingyuntong Technology Co., Ltd. operates power generation businesses. The Company generates and distributes electric power, wind power, and other power products. Beijing Jingyuntong Technology also produces silicon products.

(5) Solargiga Energy Holdings Ltd (757 HK Equity)

Solargiga Energy Holdings Limited operates as a holding company. The Company, through its subsidiaries, manufactures and processes monocrystalline, multicrystalline silicon solar ingots, and wafers. Solargiga Energy Holdings operates worldwide.

(6) Comtec Solar Systems Group Ltd (712 HK Equity)

Comtec Solar Systems Group Limited designs, develops, and manufactures solar grade silicon ingots and wafers. The Company offers solar grade products such as pseudo square bricks, slurry wafers, and polysilicon products.

(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 Multiple

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, compare 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 over that of the entire stock market when investing in a small size company. Thus, theoretically, the guideline company multiples are necessary to be size-adjusted before application.

In this case, we have made adjustments in the multiples for size differences to reflect the information in the original multiples as if they have been derived from firms of the same size as the Target Company. The following exhibits set forth the guideline company multiples after size adjustment.

The Calculation of Adjusted P/E Multiples

Bloomberg Ticker	Size Premium	Size premium adjustment	Guideline P/E multiple	Equity capitalisation rate	Adjusted capitalisation rate	Size adjusted P/E multiple
601012 CH Equity	–0.76%	5.51%	47.75	2.09%	7.60%	13.15
002129 CH Equity	0.95%	3.80%	34.81	2.87%	6.67%	14.99
3800 HK Equity	1.71%	3.04%	9.15	10.93%	13.97%	7.16
601908 CH Equity	2.85%	1.90%	25.43	3.93%	5.83%	17.14
712 HK Equity	7.68%	–2.93%	N/A	N/A	N/A	N/A
1799 HK Equity	3.90%	0.85%	0.81	123.56%	124.41%	0.80
003026 CH Equity	3.90%	0.85%	68.31	1.46%	2.31%	43.22
757 HK Equity	7.68%	–2.93%	5.40	18.51%	15.58%	6.42
603185 CH Equity	1.71%	3.04%	24.75	4.04%	7.08%	14.12
688303 CH Equity	0.95%	3.80%	10.05	9.95%	13.75%	7.27
					Adopted Adjusted P/E multiple	13.81

Note (1): Mean of the multiples has been adopted.

Note (2): Negative figures are presented as "N/A".

Control Premium

It is widely recognised that an investment which offers an investor control of a business is worth more than a minority stake. In 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 transactions with implied minority discount from the RSM's Control Premium Study 2021. Based on the report, a control premium of 29.37% is appropriate to apply to the indicated market value of 45% equity interest in the Target Company.

Discount for Lack of Marketability ("DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted to cash if the owner chooses to sell. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company. Although the marketability discount is always observed and studied based on minority interest, its impact on the controlling equity interest valuation may be also substantial. In this valuation, the marketability discount was with reference to the Empirical Research Regarding Discounts for Lack of Marketability published by VFC LLC. In conclusion, a rounded DLOM of 31.10% is adopted for the Target Company in this valuation.

Under the P/E multiple method, the calculation of the market value of the Target Company is summarised in the following table.

Calculation of 45% Equity Interest in the Target Company

	in RMB unless specified otherwise
P/E Multiple(1)	13.81
Net Profit(2)	229,594,000
Equity value based on MI basis	3,170,693,140
Add: Control premium	931,126,885
Equity value before DLOM	4,101,820,025
Less: DLOM	(1,275,666,028)
100% Equity value	2,826,153,998
Market Value of 45% Equity Interest	1,271,769,299
Market Value of 45% Equity Interest (Rounded)	**1,272,000,000**

Note (1): Average multiples has been adopted

Note (2): Estimated trailing 12 months Net Profit

Cross-check using Guideline Transaction 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 publicly disclosed.

After exhaustive searching, a total of 9 guideline transactions were chosen in this exercise.

Shortlisted Guideline Transactions

No.	Announce Date	Target Name	Acquirer Name	Seller Name	Currency	Consideration	Implied Valuation	Implied P/E
1	29/4/2022	Quijing Yangguang New Energy Co Ltd	Guotal Junan Securities Co Ltd	Solargiga Energy Holdings Ltd	RMB	460,000,000	2,779,456,193	14.93
2	3/4/2022	Longji Lvneng Photovoltaic Engineering Co Ltd	Center International Group Co Ltd	LONGi Green Energy Technology Co Ltd	RMB	68,488,960	68,488,960	N/A
3	1/4/2022	JA Solar Co Ltd	Agricultural Bank of China Ltd, China Orient Asset Management Co Ltd, etc.	JA Solar Co Ltd	RMB	2,700,000,000	N/A	N/A
4	21/12/2021	Jiangsu Meike Solar Technology Co Ltd	China Construction Bank Corp, State Power Investment Corp Ltd, etc.	Jiangsu Meike Solar Technology Co Ltd	RMB	1,200,000,000	N/A	N/A
5	8/12/2021	Solargiga Energy Qinghai Co Ltd	Private Investor	Solargiga Energy Holdings Ltd	RMB	54,419,000	107,760,396	5.01
6	3/8/2021	Jiangsu Meike Solar Technology Co Ltd	Zhejiang Chint Electrics Co Ltd, Ningbo High-tech Zone Junrun Equity Investment Man, Sinopec Capital Co Ltd, etc	Jiangsu Meike Solar Technology Co Ltd	RMB	1,000,000,000	N/A	N/A
7	7/8/2021	Xi'an Longji Hydrogen Energy Technology Co Ltd	Tianjin Huizhi Win-Win Management Consulting LP, Tianjin Huizhi Tongchuang Management Consulting LP	LONGi Green Energy Technology Co Ltd	HKD	3,232,000,000	N/A	N/A
8	23/4/2021	Jiangsu Yueyang Photovoltaic Technology Co Ltd	Soargiga Energy Holdings Ltd	Jianhu Hongchuang Emerging Industry Fund	RMB	24,200,000	135,955,056	9.96
9	4/3/2021	Center International Group Co Ltd	LONGi Green Energy Technology Co Ltd	Private Investor, Beijing Shixingshengya Investment Co Ltd, Huayong Investment Group Co Ltd	RMB	1,635,067,588	6,000,248,028	32.22

* *Negative figures or unavailable values are presented as "N/A".*

Conclusion for Cross Checking

Under the Guideline Transaction Method, P/E multiples range from 5.01 to 32.22, with an adjusted mean (exclude highest and lowest value) of 12.44. Therefore, we are of opinion that the adopted P/E multiple under GPTM of 13.81 is appropriate in this valuation as it is within a reasonable range and close to the cross-checking figure.

VIII. CONCLUSION OF VALUE

Based upon the facts, investigations, analyses and procedure described and the valuation method employed, it is our opinion that the *market value* of 45% equity interest in Qujing Yangguang New Energy Co., Ltd. as of 30 June 2022 can be reasonably stated as **RENMINBI ONE BILLION TWO HUNDRED AND SEVENTY TWO MILLION (RMB1,272,000,000) Only**.

The conclusion of value arrived at herein is based on the assumption that the current level of management expertise and effectiveness, and that 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
HONG KONG APPRAISAL ADVISORY LIMITED

Jacqueline W. Huang	**Nick Fung**
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*
Nick Fung, *CFA*
Jenny Xu, *CFA*
Wilson Guan, *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 Executives' 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 held *(Note 1)*	Approximately percentage of shareholding *(%)*
Mr. TAN Wenhua ("**Mr. Tan**")	Beneficial interest *(Note 2)*	556,924,443 (L)	16.76%
	Interest of a controlled corporation *(Note 2)*	155,320,308 (L)	4.67%
Mr. TAN Xin	Beneficial interest	41,762,000 (L)	1.26%
Mr. HSU You Yuan	Beneficial interest	15,591,016 (L)	0.47%
Mr. WANG Junze	Beneficial interest	100,500 (L)	Less than 0.01%

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, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

As at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' Interests in Shares and Underlying Shares

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the persons (other than a Director or chief executive of the Company) who (a) 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 (b) were, directly or indirectly, interested in 10% or more in the Shares of the Company carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group, were as follows:

Name	**Capacity**	**Number of Shares held** *(Note 1)*	**Approximately percentage of shareholding** *(%)*
Hiramatsu International Corp.	Beneficial owner	304,261,692 (L)	9.15%
Hanako Hiramatsu *(Note 2)*	Beneficial interest	304,261,692 (L)	9.15%
Madam Sze Tan Hung	Beneficial interest	237,295,000 (L)	7.14%
Mr. Tung Ching Sai *(Note 3)*	Interest of spouse	237,295,000 (L)	7.14%

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' INTEREST 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.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by the members of the Group within two years immediately preceding the date of this circular, and are or may be material:

(a) the capital injection agreement entered into by Jinzhoug Yangguang, Jack Win Investment Holdings Limited（俊懋投資控股有限公司）, Wintek International Corp.（文特客國際集團公司）, Jianhu Huimei Investment Centre*（建湖匯美投資中心）, Jianhu Hongchuang Emerging Industry Fund*（建湖縣宏創新興產業基金）, Jianhu High-tech Investment Development Co., Ltd.*（建湖縣高新投資發展有限公司） and Jiangsu Yueyang Photovoltaic Technology Co., Ltd. dated 20 November 2020 in respect of the capital injection in the amount of RMB100,000,000 into Jiangsu Yueyang Photovoltaic Technology Co., Ltd. through cash contribution by Jinzhou Yangguang, among which RMB69,440,000 should be accounted as registered capital by Jiangsu Yueyang Photovoltaic Technology Co., Ltd, and RMB30,560,000 shall be accounted as capital reserve of Jiangsu Yueyang Photovoltaic Technology Co., Ltd;

(b) the conditional subscription agreement dated 21 January 2021 entered into between the Company as issuer and Madam Sze Tan Hung for the subscription of 180,000,000 Shares at the subscription price of HK$0.29 per Share;

(c) the agreement dated 23 April 2021 entered into between Jinzhou Yangguang as the purchaser and Jianhu Hongchuang Emerging Industry Fund*（建湖縣宏創新興產業基金）as the vendor in respect of the sale and purchase of approximately 17.8% equity interest in Jiangsu Yueyang Photovoltaic Technology Co., Ltd. at the consideration of RMB24,200,000;

(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 of 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)*(錦州久吉新能源材料經營部(有限合夥)), 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)*(深圳博泉企業管理中心(有限合夥)(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)*(南京州博方維企業管理中心(有限合夥)(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.*(深圳市榮信泰富投資有限公司)(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)*(溫州玖致創業投資合夥企業(有限合夥))(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*（曲靖坤弘企業管理諮詢中心(有限合夥)(the "**Fifth Investor**");

(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)*（曲靖經開區興產股權投資基金合夥企業(有限合夥))(the "**Sixth Investor**");

(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)*（曲靖經開區產業引導股權投資基金合夥企業(有限合夥)(the "**Seventh Investor**");

(o) the service agreement entered into between Qujing Yangguang and Guotai Junan Securities Co., Ltd.（國泰君安証券股份有限公司)("**Guotai Junan**") 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 ("**Investors**");

(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. QUALIFICATIONS AND CONSENTS OF EXPERTS

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

Name	Qualifications
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

Name	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 all references to their respective names in the form and context in which they are included.

9. MISCELLANEOUS

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong.

(c) The Company's share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary is Mr. Yeung Chi Tat. Mr. Yeung is a fellow member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

(e) The English text of this circular shall prevail over its Chinese text.

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.

Solargiga Energy

Solargiga Energy Holdings Limited

陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Solargiga Energy Holdings Limited (陽光能源控股有限公司) (the "**Company**") will be held at Room 1402, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong on Wednesday, 7 December 2022 at 11 a.m. to consider and, if thought fit, approving the following ordinary resolution:

ORDINARY RESOLUTION

1. "**THAT**:

   (a) the equity transfer agreement dated 28 October 2022 (the "**Equity Transfer Agreement**", a copy of which is tabled at the EGM and marked "A" and initialed by the chairman of the EGM for the purpose of identification) entered into among Jinzhou Yangguang Energy Co., Ltd (錦州陽光能源有限公司) (the "**Jinzhou Yangguang**"), Qujing Huaqin Energy Technology Partnership (Limited Partnership) (曲靖華勤能源科技合夥企業(有限合夥)), Qujing Hongyuan Energy Technology Partnership (Limited Partnership) (曲靖弘元能源科技合夥企業(有限合夥)), Jinzhou Xinyuan Lebang Energy Technology Co., Ltd. (錦州鑫元樂邦能源科技有限公司), Guangdong Lesso Banhao Photovoltaic New Energy Technology Co., Ltd. (廣東聯塑班皓新能源科技集團有限公司) and Liansu Group Company Limited (the "**Purchasers**") pursuant to which Jinzhou Yangguang agreed to sell, and the Purchasers agreed to acquire, 45.00% equity interest in Qujing Yangguang New Energy Co., Ltd (曲靖陽光新能源股份有限公司) at an aggregate consideration of RMB1,350.0 million and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(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**") of Directors for determining the entitlements to the Special Dividend be and is hereby approved and any Director be and is hereby authorised to take such action, do such things and executed such further documents as the Director may at his/her absolute discretion consider necessary or desirable for the purpose of or in connection with the implementation of the payment of the Special Dividend".

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

* *For identification purposes only*

Hong Kong, 21 November 2022

Head office and principal place of business in Hong Kong:
Room 1402, Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Notes:

1. The register of members of the Company will be closed from Monday, 5 December 2022 to Wednesday, 7 December 2022, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the EGM to be held on Wednesday, 7 December 2022, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 December 2022.

2. Every shareholders entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

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.

4. To be valid, a proxy form together with the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be lodged with the branch share registrar of the Company in Hong Kong at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 48 hours before the time fixed for holding the EGM.

5. If a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above is in force in Hong Kong at any time between 7:00 a.m. and 11:00 a.m. on Wednesday, 7 December 2022, an announcement will be made in such event to notify the Shareholders of any alternative date for the EGM.

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