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757

Energy Holdings Limited

能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 757)

**CONNECTED TRANSACTION
CONTINUING CONNECTED
AND
EXTRAORDINARY GENERAL**

Meeting of the Shareholders

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In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Caps”	the annual cap amounts of the Continuing Connected Transactions
“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

DEFINITIONS

“Existing WWX ^P rocessing Agreement”	the framework processing agreement dated 12 January 2008 entered into between the Company and WWX in respect of the provision of service for, among other things, the processing of recycled polysilicon by the Group to WWX and its subsidiaries
“First ^P hotovoltaic System Installation Agreement”	the framework agreement dated 2 November 2009 entered into between the Company and Kinmac in respect of the provision of photovoltaic system installation service from Kinmac to the Group
“Grand Sea”	Grand Sea Investments Limited, a Shareholder which to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is owned as to approximately 62.5% by Ms. Katherine Chiao, approximately 18.75% by Mr. Edward Young Chiao and approximately 18.75% by Mr. Stephen Chiao Sun-Hai (the brother of Mr. Chiao ^P ing Hai) as at the Latest ^P racticable Date
“Group”	the Company and its subsidiaries
“Guide Rollers Service Agreement”	the framework service agreement dated 2 November 2009 entered into between the Company and Jingxin Semi-conductor in respect of the provision of the services for re-coating and re-grooving guide rollers which is necessary for slicing of solar ingots into solar wafers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the ^P RC
“Huachang Guangfu”	錦州華昌光伏科技有限公司 (Jinzhou Huachang ^P hotovoltaic Technology Co., Ltd.*), a company established in the ^P RC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is owned as to 53% by Huaxin Silicon (a ^P RC enterprise wholly owned by Mr. Tan), as to 22% by ^P LC, as to 20% by Grand Sea and as to 5% by an Independent Third ^P arty as at the Latest ^P racticable Date. Huachang Guangfu is therefore an associate of Mr. Tan and hence a connected person of the Company

DEFINITIONS

“Huaxin Silicon”	錦州華新硅材料經營部 (Jinzhou Huaxin Silicon Material Trading Department*), a sole proprietorship enterprise established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is wholly-owned by Mr. Tan and engaged in investment holding as at the Latest Practicable Date. Huaxin Silicon is therefore an associate of Mr. Tan and hence a connected person of the Company
“Independent Board Committee”	an independent committee of the Board, comprising the independent non-executive Directors, which has been constituted to advise the Independent Shareholders on the Continuing Connected Transactions
“Independent Financial Adviser”	Mitsubishi UFJ Securities (HK) Capital, Limited, the independent financial adviser which has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions
“Independent Shareholders”	in the context of the Solar Cells Supply Agreement, “Independent Shareholders” mean the Shareholders other than Mr. Tan, Mr. Chong, P LC, Grand Sea, Mr. Chiao Ping-Hai and their respective associates; in the context of the Guide Rollers Service Agreement, “Independent Shareholders” mean the Shareholders other than Mr Tan and his associates; in the context of the First Photovoltaic System Installation Agreement and the Second Photovoltaic System Installation Agreement, “Independent Shareholders” mean the Shareholders other than Kinmac and its associates if they hold any Shares on the date of the EGM; in the context of the New Materials Supply Agreement, “Independent Shareholders” mean the Shareholders other than Mr. Tan, Mr. Chong, P LC and their respective associates; and in the context of the New WWX Processing Agreement, “Independent Shareholders” mean the Shareholders other than WWIC and WWX and their respective associates
“Independent Third Party(ies)”	a person or company who or which is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, not connected with the Company and its connected persons

“Installation Service”

the installation of photovoltaic system for solar energy generation on and subject to the terms and conditions of the First Photovoltaic System Installation Agreement and the Second Photovoltaic System Installation Agreement

“Jingxin Semi-conductor”

京鑫半導體材料有限公司 (Jingxin Semi-conductor Material Company Limited*), a company established in the PRC and to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is owned as to 40% by Ms. Chen Man, the

“Jinzhou Youxin”

錦州佑鑫電子材料有限公司 (Jinzhou Youxin Electronic Materials Co., Ltd.*), a sino-foreign joint venture established in the PRC and to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is owned as to 70% by an Independent Third Party and as to 30% by PLC as at the Latest Practicable Date. Jinzhou Youxin is

“New Materials Supply
Agreement”

“substantial shareholder(s)”

has the same meaning ascribed to it under the Listing Rules



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LETTER FROM THE BOARD

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into the following agreements which constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Solar Cells Supply Agreement

Date: 2 November 2009

Parties: (1) The Company
(2) Huachang Guangfu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Huachang Guangfu is owned as to 53% by Huaxin Silicon (a PRC enterprise wholly owned by Mr. Tan), as to 22% by PLC, as to 20% by Grand Sea and as to 5% by an Independent Third Party as at the Latest Practicable Date. Huachang Guangfu is therefore an associate of Mr Tan and hence a connected person of the Company

Scope: Pursuant to the Solar Cells Supply Agreement, the Company has agreed to purchase (or procure its subsidiaries to purchase), and Huachang Guangfu has agreed to supply, solar cells on and subject to the terms and conditions of the Solar Cells Supply Agreement.

Term: The Solar Cells Supply Agreement has a fixed term commencing on 2 November 2009 and ending on 31 December 2011 (both days inclusive).

Pricing: The basis of determining the prices for the transactions under the Solar Cells Supply Agreement will be in accordance with the prevailing market price of solar cells and the quantities to be purchased by the Group.

Other terms of the transactions under the Solar Cells Supply Agreement: The terms of the Solar Cells Supply Agreement and the transaction contemplated thereunder will be determined on an individual purchase order basis and the terms of which will be on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.

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Payments for the transactions under the Solar Cells Supply Agreement will be on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.

Condition: The Solar Cells Supply Agreement is subject to approval by the Independent Shareholders.

Annual caps: For each of the three financial years ending 31 December 2011, the annual cap amounts for the transactions under the Solar Cells Supply Agreement will not exceed the following amounts:

- (i) RMB34,188,000 for the year ending 31 December 2009;
- (ii) RMB397,860,000 for the year ending 31 December 2010; and
- (iii) RMB755,934,000 for the year ending 31 December 2011.

The annual cap amounts under the Solar Cells Supply Agreement will be determined by reference to (i) the expected production capacity of solar modules for the three financial years ending 31 December 2011 arising from the Group's inception in the downstream business in the photovoltaic industry; (ii) the expected level of demand of solar cells for the Group's requirements in respect of the production of solar modules; (iii) the anticipated demand from the Group for solar modules; and (iv) the price of solar cells purchased from Independent Third Parties.

Interim transactions

The Group expects that during the period between 2 November 2009 and 31 December 2009, it may enter into transactions with Huachang Guangfu for the supply of solar cells from Huachang Guangfu (the "**Interim Solar Cells Transactions**"). The Interim Solar Cells Transactions may be contracted on a transaction-by-transaction basis and individual agreements may be entered into with Huachang Guangfu for each of these Interim Solar Cells Transactions. The aggregate amount of the Interim Solar Cells Transactions is expected to be not more than RMB34,188,000. The Interim Solar Cells Transactions will be on normal commercial terms and in the usual and ordinary course of business of the Group. The Directors (including the independent non-executive Directors) are of the view that the terms of the Interim Solar Cells Transactions are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole. As the relevant ratios of the Interim Solar Cells Transactions are less than 2.5%, the Interim Solar Cells Transactions are only subject to the reporting and announcement requirements and will be exempt from the Independent Shareholders' approval requirements under the Listing Rules.

LETTER FROM THE BOARD

Reasons for entering into the Solar Cells Supply Agreement

As disclosed in the 2009 Interim Report of the Company, the Group established Jinzhou Jinmao for the production and sale of photovoltaic modules. As disclosed in the announcements of the Company dated 1 June 2009 and 11 June 2009, the proposed acquisition of Kinmac, being a producer of photovoltaic modules, demonstrates the Group's further effort and determination to develop its downstream business in the photovoltaic industry. The Directors believe that entering into the Solar Cells Supply Agreement would enable the Group to secure a steady and reliable source of solar cells for the Group's production of quality solar module products with higher stability and efficiency which will in turn enhance the profitability of the Group in the long run.

Implications under the Listing Rules

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Huachang Guangfu is owned as to 53% by Huaxin Silicon (a PRC enterprise wholly owned by Mr. Tan), as to 22% by P LC, as to 20% by Grand Sea and as to 5% by an Independent Third P arty as at the Latest P racticable Date. Huachang Guangfu is therefore an associate of Mr. Tan and hence a connected person of the Company. Consequently, the transactions under the Solar Cells Supply Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable ratios under the respective aggregate annual amounts of the transactions contemplated under the Solar Cells Supply Agreement will exceed 2.5%, the Solar Cells Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

Guide Rollers Service Agreement

Date: 2 November 2009

P arties:

- (1) The Company
- (2) Jingxin Semi-conductor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Jingxin Semi-conductor is owned as to 40% by Ms. Chen Man, the daughter-in-law of Mr. Tan, and as to 60% by Independent Third P arties as at the Latest P racticable Date. Jingxin Semi-conductor is therefore an associate of Mr. Tan and hence a connected person of the Company.

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Scope:	Pursuant to the Guide Rollers Service Agreement, the Company has agreed to engage or procure its subsidiaries to engage Jingxin Semi-conductor for the provision of services for re-coating and re-grooving guide rollers which is necessary for slicing of solar ingots into solar wafers.
Term:	The Guide Rollers Service Agreement has a fixed term commencing on 2 November 2009 and ending on 31 December 2011 (both days inclusive).
Pricing:	The basis of determining the prices for the transactions under the Guide Rollers Service Agreement will be in accordance with the prevailing market price for the provision of service for re-coating and re-grooving guide rollers.
Other terms of the transactions under the Guide Rollers Service Agreement:	The terms of the transactions under the Guide Rollers Service Agreement will be determined on an individual purchase order basis and the terms of which are on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties. Payments for the transactions under the Guide Rollers Service Agreement will be on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties.
Condition:	The Guide Rollers Service Agreement is subject to approval by the Independent Shareholders.
Annual caps:	For each of the three financial years ending 31 December 2011, the annual cap amounts for the transactions under the Guide Rollers Service Agreement will not exceed the following amounts: (i) RMB1,952,000 for the year ending 31 December 2009; (ii) RMB5,341,000 for the year ending 31 December 2010; and (iii) RMB10,120,000 for the year ending 31 December 2011.

The annual cap amounts under the Guide Rollers Service Agreement are determined by reference to (i) the anticipated increase in wafer production capacity arising from an expansion in the manufacturing bases which is, subject to the prevailing market conditions, expected to reach approximately 56 million, 150 million and 250 million pieces of wafers by end of 2009, 2010 and 2011, respectively; and (ii) the projected service fee for re-coating

First Photovoltaic System Installation Agreement

Date: 2 November 2009

Parties: (1) The Company
(2) Kinmac

Jinzhou Jinmao is owned as to 51% by Jinzhou Yangguang Energy Co., Ltd. (an indirect wholly owned subsidiary of the Company), as to 35% by Kinmac Holding Limited and as to 14% by an Independent Third Party as at the Latest Practicable Date. Jinzhou Jinmao is treated as a subsidiary of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Kinmac Holding Limited is wholly owned by Kinmac as at the Latest Practicable Date. As Kinmac is entitled to control the exercise of 35% voting right in Jinzhou Jinmao, Kinmac is a substantial shareholder of Jinzhou Jinmao for the purpose of the Listing Rules and hence the Company's connected person at the subsidiary level.

Scope: Pursuant to the First Photovoltaic System Installation Agreement, the Company has agreed to engage (or procure its subsidiaries to engage) Kinmac for the provision of, and Kinmac has agreed to provide, the Installation Service to the Group for the development of the Group's photovoltaic system integrator business on a non-exclusive basis in such amounts and quantities as the Company may require on and subject to the terms and conditions of the First Photovoltaic System Installation Agreement. The exact transaction amount of the First Photovoltaic System Installation Agreement will depend on the Group's demand for the Installation Service and its production capacity of solar modules. By entering into the First Photovoltaic System Installation Agreement, the Group is not obliged to engage Kinmac for the Installation Service for any fixed amount during the term of the First Photovoltaic System Installation Agreement.

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Term:	The First ^P photovoltaic System Installation Agreement has a fixed term commencing on 2 November 2009 and ending on 31 December 2011 (both days inclusive).
Pricing:	The basis of determining the prices for the transactions under the First ^P photovoltaic System Installation Agreement will be in accordance with the prevailing market price of the Installation Service to be provided by Independent Third ^P parties.
Other terms of the transactions under the First ^P photovoltaic System Installation Agreement:	The terms of the First^P photovoltaic System Installation Agreement and the transaction contemplated thereunder will be determined on normal commercial terms on a project-by-project basis as offered to other Independent Third^P parties who provide similar services for installation of photovoltaic system. ^Payments for the transactions under the First^P photovoltaic System Installation Agreement will be mutually agreed between the Company and Kinmac on a project-by-project basis.
Condition:	The First ^P photovoltaic System Installation Agreement is subject to approval by the Independent Shareholders.
Annual caps:	For each of the three financial years ending 31 December 2011, the annual cap amounts for the transactions under the First^P photovoltaic System Installation Agreement will not exceed the following amounts: (i) RMB37,000,000 for the year ending 31 December 2009; (ii) RMB316,750,000 for the year ending 31 December 2010; and (iii) RMB601,825,000 for the year ending 31 December 2011.

The annual cap amounts under the First^P photovoltaic System Installation Agreement will be determined by reference to (i) the expected capacity of solar modules for the three financial years ending 31 December 2011 arising from the Group's inception in the downstream business in the photovoltaic industry; (ii) the anticipated demand from the Group for photovoltaic system installation projects; and (iii) the costs of materials (including solar modules and other relevant parts and components) involved for the installation of photovoltaic system.

Interim transactions

The Group expects that during the period between 2 November 2009 and 31

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Second Photovoltaic System Installation Agreement

Date: 2 November 2009

Parties: (1) The Company

(2) Kinmac

Scope: Pursuant to the Second Photovoltaic System Installation Agreement, Kinmac has agreed to engage the Company for the provision of, and the Company has agreed to provide (or procure its subsidiaries to provide), the Installation Service to Kinmac on a non-exclusive basis in such amounts and quantities as Kinmac may require on and subject to the terms and conditions of the Second Photovoltaic System Installation Agreement. The exact transaction amount of the Second Photovoltaic System Installation Agreement will depend on Kinmac's demand for the Installation Service and its production capacity of solar modules. By entering into the Second Photovoltaic System Installation Agreement, Kinmac is not obliged to engage the Company for the Installation Service for any fixed amount during the term of the Second Photovoltaic System Installation Agreement.

Term: The Second Photovoltaic System Installation Agreement has a fixed term commencing on the date of the Second Photovoltaic System Installation Agreement and ending on 31 December 2011 (both days inclusive).

Pricing: The basis of determining the prices for the transactions under the Second Photovoltaic System Installation Agreement will be in accordance with the prevailing market price of the Installation Service to be provided by Independent Third Parties.

Other terms of the transactions under the Second Photovoltaic System Installation Agreement: The terms of the Second Photovoltaic System Installation Agreement and the transaction contemplated thereunder will be determined on normal commercial terms on a project-by-project basis as offered to other Independent Third Parties who provide similar services for installation of photovoltaic system.

Payments for the transactions under the Second Photovoltaic System Installation Agreement will be mutually agreed between the Company and Kinmac on a project-by-project basis.

Condition:

The Second Photovoltaic System Installation Agreement is subject to approval by the Independent Shareholders.

Annual caps:

For each of the three financial years ending 31 December 2011, the annual cap amounts for the transactions under the Second Photovoltaic System Installation Agreement will not exceed the following amounts:

- (i) RMB37,000,000 for the year ending 31 December 2009;
- (ii) RMB316,750,000 for the year ending 31 December 2010; and
- (iii) RMB601,825,000 for the year ending 31 December 2011.

The annual cap amounts under the Second Photovoltaic System Installation Agreement will be determined by reference to (i) the expected capacity of

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announcement requirements and will be exempt from the Independent Shareholder's approval requirements under the Listing Rules.

Reasons for entering into the Second Photovoltaic System Installation Agreement

As mentioned above, the Group is developing its downstream business in the photovoltaic industry. The Directors believe that the Second **P**hotovoltaic System Installation Agreement would enable the Group to utilise its expertise in photovoltaic system integration and generate additional revenue to the Group.

Relationship between the First Photovoltaic System Installation Agreement and the Second Photovoltaic System Installation Agreement

Jinzhou Jinmao and Kinmac are both principally engaged in the production of photovoltaic modules and the provision of photovoltaic system installation services which are the downstream businesses in the photovoltaic industry. Jinzhou Jinmao mainly focused on the photovoltaic market in the **P** RC whereas Kinmac is a Taiwanese company and principally focused on the photovoltaic market outside the **P** RC. By entering into the First **P**hotovoltaic System Installation Agreement, the Group would have the right to engage Kinmac and utilise its resources (including without limitation, the photovoltaic modules production capacity of Kinmac) for the photovoltaic system installation projects in the **P** RC. On the other hand, by entering into the Second **P**hotovoltaic System Installation Agreement, Kinmac would have the right to utilise Jinzhou Jinmao's resources (including without limitation, the photovoltaic modules production capacity of Jinzhou Jinmao) for the photovoltaic system installation projects outside the **P** RC. The Company considers the arrangements under the First **P**hotovoltaic System Installation Agreement and the Second **P**hotovoltaic System Installation Agreement would enable the Group to improve its operating efficiency and achieve synergies for the Group's development of the photovoltaic business.

As announced on 11 June 2009, a sale and purchase agreement has been entered into for the proposed acquisition by the Group of 77.17% interests in Kinmac (the "**Proposed Acquisition**"). Completion of the **P**roposed Acquisition is conditional on, among others, the relevant governmental consents and approvals having been obtained. Should the **P**roposed Acquisition be completed, Kinmac will become a subsidiary of the Company and the transactions under the First **P**hotovoltaic System Installation Agreement and the Second **P**hotovoltaic System Installation Agreement between the Group and Kinmac will cease to be continuing connected transactions under Chapter 14A of the Listing Rules. Further announcement on the status of the **P**roposed Acquisition will be made by the Company in due course.

Implications under the Listing Rules

As disclosed above, Kinmac is a connected person of the Company at the subsidiary level. Consequently, the transactions under the Second **P**hotovoltaic System Installation Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable ratios under the respective aggregate annual amounts of the transactions contemplated under the Second **P**hotovoltaic System

Installation Agreement will exceed 2.5%, the Second Photovoltaic System Installation Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Background

Reference is made to the prospectus of the Company dated 17 March 2008 in relation to, among others, certain continuing connected transactions contemplated under the Existing Agreements.

At the time of the Company's listing on the main board of the Stock Exchange in March 2008, the Stock Exchange has granted to the Company, among others, a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rule 14A.47 and 14A.48 of the Listing Rules in respect of the transactions under the Existing Materials Supply Agreement and the Existing WWX Processing Agreement. The Existing Agreements will expire on 31 December 2009. The Board announces that on 2 December 2009, the Company has entered into the New Agreement with the relevant connected persons in order to renew the term of each Existing Agreement for three years from 1 January 2010 to 31 December 2012 (both days inclusive) on and subject to the terms and conditions of the New Agreements. Details of the New Agreements are set out below:

New Materials Supply Agreement

Date: 2 December 2009

Parties

- (1) The Company
- (2) Jinzhou Changhua

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, Jinzhou Changhua is owned as to 40% by

LETTER FROM THE BOARD

Reasons for entering into the New Materials Supply Agreement

Graphite materials and quartz crucibles are essential materials for the Group's production of silicon ingots. The Directors (including the independent non-executive Directors) consider that the continuance of the transactions for the supply of the Materials would enable the Group to ensure a steady and reliable source of the Materials for the Group's production of ingots and thereby enable the Group to maintain the quality of its ingots and hence longer length for each ingot produced from the ingots puller.

Implications under the Listing Rules

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, as at the date of the Latest Practicable Date, Jinzhou Changhua is owned as to 40% by Huaxin Silicon, which is wholly owned by Mr. Tan, and as to 60% by P LC. P LC is owned as to 65% by Mr. Chong's wholly-owned companies and as to 35% by Independent Third Parties. Jinzhou Changhua is therefore an associate of each of Mr. Tan (an executive Director) and Mr. Chong (a non-executive Director) and hence a connected person of the Company. To the best of the Director's knowledge, information and belief having made all reasonable enquiry, as at the date of the Latest Practicable Date, Jinzhou Youxin is owned as to 70% by an Independent Third Party and as to 30% by P LC. Jinzhou Youxin is therefore also an associate of Mr. Chong and hence a connected person of the Company. Consequently, the transactions under the New Materials Supply Agreement will constitute continuing connected transactions for the Company under the Listing Rules. As the applicable ratios under the respective aggregate annual amounts of the transactions contemplated under the New Materials Supply Agreement will exceed 2.5%, the New Materials Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

New WWX Processing Agreement

Date: 2 December 2009

Parties: (1) The Company
(2) WWX

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, WWX holds 100% interests in WWIC. WWIC holds approximately 21.11% interests in the Company. Each of WWX and WWIC is therefore a substantial Shareholder and hence a connected person of the Company.

Scope:	Pursuant to the New WWX Processing Agreement, the Company agreed to provide, or procure its subsidiaries to provide, the services in respect of acidic wash of silicon, the processing and recycling of top and tail scrap, pot scrap and scrap silicon into polysilicon and other raw materials necessary for the production of solar ingots as well as the processing and production of ingots and wafers to WWX and its subsidiaries.
Term:	The New WWX Processing Agreement has a term commencing on 1 January 2010 and ending on 31 December 2012 (both days inclusive).
Pricing:	The basis of determining the prices for the transactions under the New WWX Processing Agreement will be determined with reference to the prevailing market price in respect of the processing services provided by comparable sub-contractors in the PRC market.
Other terms of the transactions under the New WWX Processing Agreement:	The terms of the New WWX Processing Agreement and the transaction contemplated thereunder will be determined on an individual order basis and the terms of which are on normal commercial terms and no less favourable to the Company than the terms available

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the companies incorporated or registered in Taiwan. As recycled polysilicon is a cheaper source of polysilicon raw material for semi-conductor production, WWX may have considerable demand for recycled polysilicon for its semi-conductor production. Hence, the Directors (including the independent non-executive Directors) consider that the New WWX Processing Agreement will continue to allow the Group to utilise its expertise and capacity in the processing of recycled polysilicon and processing and production of ingots and wafers and generate additional revenue to the Group.

Implications under the Listing Rules

As mentioned above, WWX is a substantial Shareholder and hence a connected person of the Company for the purpose of the Listing Rules. Consequently, the transactions under the New WWX Processing Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As the applicable ratios under the respective aggregate annual amounts of the transactions contemplated under the New WWX Processing Agreement will exceed 2.5%, the New WWX Processing Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

HISTORICAL AMOUNTS OF THE TRANSACTIONS UNDER THE EXISTING AGREEMENTS

Set out below are (a) the actual transaction amounts for the year ended 31 December 2008 and the ten months ended 31 October 2009 and (b) the annual caps for the two years ending 31 December 2009 in respect of the transactions under the Existing Agreements:

	Audited transaction amount for the year ended 31 December 2008	Annual cap for the year ended 31 December 2008	Unaudited transaction amount for the ten months ended 31 October 2009	Annual cap for the year ending 31 December 2009
Existing Materials Supply Agreement	RMB51,855,000	RMB185,177,000	RMB31,950,000	RMB246,450,000
Existing WWX Processing Agreement	RMB8,031,000	RMB43,910,000	RMB625,000	RMB53,524,000

LETTER FROM THE BOARD

GENERAL INFORMATION

The Group is one of the leading manufacturers of monocrystalline silicon solar ingots, measured in terms of production output and sales in the PRC. It is engaged in the manufacturing of monocrystalline silicon ingots and wafers and the recycling and processing of scrap polysilicon. Silicon solar ingots and wafers are used for the manufacturing of photovoltaic cells which are important components of the solar energy generation system. The Group has also extended into the manufacture of multicrystalline silicon solar ingots and wafers, the production and sales of photovoltaic modules as well as installation of photovoltaic systems in 2009.

Huachang Guangfu is established in the PRC and is principally engaged in the manufacturing of photovoltaic cells and solar cells. Jingxin Semi-conduct is established in the PRC and is principally engaged in the business of guide rollers re-coating and re-grooving. Kinmac is established in Taiwan and is principally engaged in the production of photovoltaic modules, the design and installation of solar panel modules. Jinzhou Huarong is established in the PRC and is principally engaged in property management and provision of water and heat to factories. Jinzhou Changhua is established in the PRC and is principally engaged in production of graphite materials and carbon products. Jinzhou Youxin is established in the PRC and is principally engaged in production and sales of quartz glass. WWX is established in Taiwan and whose securities are listed on the Gre Tai Securities Market of Taiwan Stock Exchange Corporation. WWX and its subsidiaries are engaged in the manufacturing and sales of semiconductor wafers and related products in the semiconductor industry, as well as sales and distribution of solar ingots and solar wafers to the companies incorporated or registered in Taiwan.

The Directors (including the independent non-executive Directors) consider that the terms of the Continuing Connected Transactions were negotiated on arm's length basis and the transactions contemplated thereunder will be conducted in the usual and ordinary course of businesses of the Group and on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that the terms of the Continuing Connected Transactions are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole.

The Company will seek the approval by the Independent Shareholders of the Solar Cells Supply Agreement, the Guide Rollers Service Agreement, the First P photovoltaic System Installation Agreement, the Second P photovoltaic System Installation Agreement and the New Agreements and their respective annual cap amounts in compliance with Rule 14A.48 of the Listing Rules.

Mr. Tan, who is interested in 475,761,999 Shares, representing approximately 27.87% of the issued Shares as at the Latest Practicable Date, and his associates, will abstain from voting for the resolutions approving the transactions under the Solar Cells Supply Agreement, the Guide Rollers Service Agreement and the New Materials Supply Agreement.

Mr. Chong, who is interested in an aggregate of 116,366,290 Shares, representing approximately 6.81% of the issued Shares as at the Latest Practicable Date, and his associates (including PLC and Prosperity Electric Corporation), will abstain from voting for the resolutions approving the transactions under the Sollar Cells Supply Agreement and the New Materials Supply Agreement. Details of the shareholding of Mr. Chong and his associates in the Company are set out in the section headed “Disclosure of Interests” in appendix III to this circular.

Mr. Chiao Ping Hai, who is interested in 6,135,500 Shares, representing approximately 0.36% of the issued Shares as at the Latest Practicable Date, and his associates, will abstain from voting for the resolutions approving the transactions under the Solar Cells Supply Agreement. Grand Sea, which to the best of the Directors’ knowledge information and belief having made all reasonable enquiry, is also a Shareholder as at the Latest Practicable Date, and its associates, will abstain from voting for the resolutions approving the transactions under the Solar Cells Supply Agreement.

WWIC, which is interested in 360,358,822 Shares, representing approximately

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to (1) the letter from the Independent Board Committee as set out in appendix I of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Continuing Connected Transactions; (2) the letter from the Independent Financial Adviser as set out in appendix II of this circular which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions; and (3) additional general information as set out in appendix III to this circular.

You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding as to how to vote at the EGM in respect of the Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Solargiga Energy Holdings Limited
Chiao Ping Hai
Chairman

Solar

Having considered the terms of the Continuing Connected Transactions and the respective Caps, we consider that the terms of the Continuing Connected Transactions and



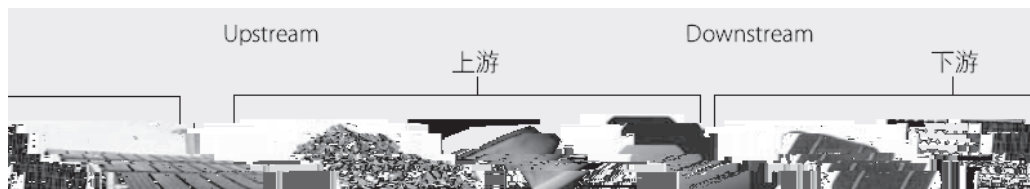
assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Huachang Guangfu, Jingxin Semi-conductor, Kinmac, Jinzhou Changhua, Jinzhou Youxin and Wafer Works Corp and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Non-Exempt Continuing Connected Transactions (including the proposed annual caps), we have considered the following principal factors and reasons:

1. Background of and reasons for entering into the Non-Exempt Continuing Connected Transactions

The Group is one of the leading manufacturers of monocrystalline silicon solar ingots, measured in terms of production output and sales in China. It is engaged in the manufacturing of monocrystalline silicon ingots and wafers and the recycling and processing of scrap polysilicon. Silicon solar ingots and wafers are used for the manufacturing of photovoltaic cells which are important components of the solar energy generation system, details of which are set out below:



		Subject matter	Our analysis/ observation	Our view
(3)	First Photovoltaic System Installation Agreement	the Company has agreed to engage (or procure its subsidiaries to engage) (but is not obliged to engage for any fixed amount during the term) Kinmac for the provision of, and Kinmac has agreed to provide, the Installation Service to the Group for the development of the Group's photovoltaic system integrator business on a non-exclusive basis in such amounts and quantities as the Company may require	- The Group is developing its downstream business in the photovoltaic industry - Upon our due diligence enquiry, we understand that the Group is relatively new in offering the service of installation of	

	Subject matter	Our analysis/ observation	Our view
(5) New Materials Supply Agreement	Jinzhou Changhua and Jinzhou Youxin agreed to supply, and the Group agreed to purchase, the Materials	- Graphite materials and quartz crucibles are essential materials for the Group's production of silicon ingots - Upon our enquiry, we understand from the Company that so far - the Company has never purchased graphite materials from outside suppliers other than Jinzhou Changhua; - the Group has been procuring graphite materials and quartz crucibles from outside suppliers	Based on the foregoing, we concur with the Directors' view that the continuance of the transactions for the supply of the Materials would enable the Group to ensure a steady and reliable source of the Materials for the Group's production of ingots and thereby enable the Group to maintain the quality of its ingots and hence longer length for each ingot produced from the ingots puller
(6) New WWX Processing Agreement	the Company agreed to provide, or procure its subsidiaries to provide, the services in respect of acidic wash of silicon, the processing and recycling of top and tail scrap, pot scrap and scrap silicon into polysilicon and other raw materials necessary for the production of solar ingots as well as the processing and production of ingots and wafers to WWX or its subsidiaries	- Silicon solar ingots and wafers are used for the manufacturing of photovoltaic cells which are important components of the solar energy generation system - WWX and its subsidiaries are engaged in the manufacturing and sales of semiconductor wafers and related products in the semiconductor industry, as well as sales and distribution of solar ingots and solar wafers to the companies incorporated or registered in Taiwan - As recycled polysilicon is a cheaper source of polysilicon raw material for semi-conductor production, WWX may have considerable demand for recycled polysilicon for its semi-conductor production - Upon our enquiry, we understand from the Company that - WWX used to engage the Group mostly to process silicon as demanded by WWX for the two years ended 31 December 2009 (during the stage of the Existing WWX^P processing Agreement);	Based on the foregoing, we concur with the Directors' view that the New WWX^P processing Agreement will continue to allow the Group to utilise its expertise and capacity in the processing of recycled polysilicon and processing and production of ingots and wafers to generate additional revenue to the Group

Subject matter	Our analysis/ observation	Our view
	- o WWX used to procure ingots and wafers from independent third parties for the two years ended 31 December 2009 (during the stage of the Existing WWXP rocessing Agreement); and - o WWX intends to focus more on engaging the Group to process the ingots and wafers as demanded by WWX in the coming three years ending 31 December 2012 (in addition to silicon)	

Against the background as stated above, we consider that there is an acceptable rationale for the Group to enter into the Non-Exempt Continuing Connected Transactions.

2. Key terms of the Non-Exempt Continuing Connected Transactions

Pricing and payment terms

We set out the basis of determining the prices and the payment (and other) terms pursuant each of the Solar Cells Supply Agreement, the Guide Rollers Service Agreement, the First P hotovoltaic System Installation Agreement and the Second P hotovoltaic System Installation Agreement, the New Materials Supply Agreement and the New WWXP rocessing Agreement in the table below:

	Pricing	Other terms	Payment terms
(1) Solar Cells Supply Agreement	➤ will be in accordance with the prevailing market price of solar cells and the quantities to be purchased by the Group	➤ will be determined on an individual purchase order basis and the terms of which will be on normal commercial terms and no less favourable to the Company than terms available from Independent Third P arties	➤ will be on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third P arties
(2) Guide Rollers Service Agreement	➤ will be in accordance with the prevailing market price for the provision of service for re-coating and re-grooving guide rollers		➤ Upon our enquiry, we understand from the Company that the credit period is usually 30 days, which is not uncommon with market practice for industrial product/service

		Pricing	Other terms	Payment terms
(3)	First Photovoltaic System Installation Agreement	➤ will be in accordance with the prevailing market price of the Installation Service to be provided by Independent Third Parties	➤ will be mutually agreed between the Company and Kinmac on a project-by-project basis	➤
(4)	Second Photovoltaic System Installation Agreement			

	Pricing	Other terms	Payment terms
(6) New WWX Processing Agreement	> will be determined with reference to the prevailing market price in respect of the processing services provided by a comparable sub-contractor in the market in the PRC	> will be determined on an individual order basis and the terms of which are on normal commercial terms and no less favourable to the Company than the terms available from Independent Third Parties	> will either be cash on delivery or on such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties > the Group will grant to WWX a credit period of 30 to 90 days, which we consider is not uncommon with market practice for industrial service

Upon our enquiry, we understand from the Company that up to the Latest Practicable Date, none of the Non-Exempt Continuing Connected Transactions actually took place except for those under the Guide Rollers Service Agreement, the New Materials Supply Agreement and the New WWX Processing Agreement. In this connection, we have reviewed invoices between (i) the Group and Jingxin Semi-conductor or independent third parties; (ii) the Group and Jinzhou Changhua/Jinzhou Youxin or independent third parties; (iii) the Group and WWX or independent third parties, all taken place in 2009. According to the relevant invoices, we note that and have further been reaffirmed by the Company that (i) the price levels charged by, and (ii) the settlement days required by Jingxin Semi-conductor, Jinzhou Changhua/Jinzhou Youxin and WWX regarding the transactions actually took place under the Non-Exempt Continuing Connected Transactions were generally comparable to those offered by independent third parties and hence were on normal commercial terms.

3. Annual caps

As set out in the Letter from the Board, we summarise the proposed and actual historical figures of the transactions under the Non-Exempt Continuing Connected Transactions in the table below:

	For the year ended/ending 31 December					
	2007 Proposed (Actual) (RMB'000)	2008 Proposed (Actual) (RMB'000)	2009 Proposed (Actual) (RMB'000)	2010 Proposed (RMB'000)	2011 Proposed (RMB'000)	2012 Proposed (RMB'000)
(1) Solar Cells Supply Agreement	–	–	34,188 (0) ²	397,860	755,934	–
Growth %	–	–	–	+ 4% ¹	+ 0%	–
(2) Guide Rollers Service Agreement	–	–	1,952 (711) ²	5,341	10,120	–
Growth %	–	–	–	-54% ¹	+8 %	–
(3) First Photovoltaic System Installation Agreement	–	–	37,000 (0) ²	316,750	601,825	–
Growth %	–	–	–	+43% ¹	+ 0%	–
(4) Second Photovoltaic System Installation Agreement	–	–	37,000 (0) ²	316,750	601,825	–
Growth %	–	–	–	+43% ¹	+ 0%	–
(5) New Materials Supply Agreement	–	185,177	246,450	164,485	292,039	419,594
	(46,377)	(51,855)	(31,949) ²			
Growth %	–	–	+33%	-33%	+78%	+44%
(6) New WWX Processing Agreement	–	43,910	53,524	246,828	359,756	448,409
	(3,543)	(8,031)	(625) ²			
Growth %	–	–	+22%	+361%	+46%	+25%
The Group's sales turnover						
	1,015,538	1,492,935				
Growth %						
	+146%	+47%				

otes:

- Adjusted on a pro rata basis (x 12 months/ 2 months)
- Actual historical figures up to 31 October 2009

As illustrated in the above table, the proposed year-on-year increase of annual cap under the six Non-Exempt Continuing Connected Transactions for the three years ending

PRC

Global

2. In accordance with the “Notice on the Successful Implementation of Photovoltaic Project of Golden Sun (關於做好金太陽示範工程實施工作的通知)” jointly issued by Ministry of Finance, Ministry of Science and Technology and Bureau of Energy, the Chinese government will implement a total of 642MW

We further assess the reasonableness of each of the proposed annual caps under the Non-Exempt Continuing Connected Transactions in the table below:

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 200		Our analysis/view
(1) Solar Cells Supply Agreement	(i) the expected production capacity of solar modules for the three financial years ending 31 December 2011 arising from the Group's inception in the downstream business in the photovoltaic industry;	We note that the proposed annual caps correlate to (i) x (iv), which is ➤ “estimated quantity of Jinzhou Jinmao's expected actual production (after accounting for a respective utilisation rate of 100%, 95% and 95% on the expected production capacity) x ➤ estimated unit price of solar cells” Quantity
	(ii) the expected level of demand of solar cells for the Group's requirements in respect of the production of solar modules;	Upon our enquiry, we understand that for the three financial years ending 31 December 2011, (a) the production capacity of Jinzhou Jinmao's solar modules for the three financial years ending 31 December 2011 is expected by the Group to be 4MW, 50MW and 100MW respectively; and
	(iii) the anticipated demand from the Group for solar modules; and	(b) Jinzhou Jinmao's expected actual production quantity (after accounting for a respective utilisation rate of 100%, 95% and 95%) of solar modules for the three financial years ending 31 December 2011 is expected by the Group to be 4MW, 47.5MW and 95MW respectively.
	(iv) the price of solar cells purchased from Independent Third Parties	On the quantity demand side, we note that as disclosed recently in the announcement of the Company dated 18 November 2009, the Group has been awarded with the tender of 13.5MW photovoltaic power generation project under the Golden Sun Programme to be implemented in Liaoning Province.

**Basis of determining the
annual caps as
disclosed in the
announcement of the
Company dated
2 November 200**

Our analysis/view

Price

Upon our enquiry, we understand from the Company that so far the Company has never purchased solar cells from outside suppliers (either Huachang Guangfu nor independent third party). Hence, no invoices between (i) the Company and (ii) Huachang Guangfu or independent third party suppliers are made available to us for our comparison.

According to the relevant invoices, we note that and have further been reaffirmed by the Company that the estimated unit price levels to be charged by Huachang Guangfu (as a component for arriving at the proposed annual cap) for the three financial years ending 31 December 2011

- (a) are generally comparable to those prevailing levels offered by Huachang Guangfu to independent third parties; and
- (b) have been allowed for a year-on-year decline of 5% and 2% for 2010 and 2011 respectively.

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 200

Our analysis/view

(2) Guide Rollers Service Agreement

(i) the anticipated increase in wafer production capacity arising from an expansion in the manufacturing bases which is, subject to the prevailing market conditions, expected to reach approximately 56 million, 150 million and 250 million pieces of wafers by end of 2009, 2010 and 2011, respectively; and

We note that the proposed annual caps correlate to (i) x (ii) x a buffering factor, which is

- “estimated quantity of wafers to be sliced from solar ingots as constrained by the Group’s wafer production capacity x
- estimated unit service fee for re-coating and re-grooving guide rollers x
- +30% for buffering an expected future improvement of efficiency in slicing wafers from solar ingots”

Quantity

(ii) the projected service fee for re-coating and re-grooving guide rollers in the next three financial years

(a) We observe that the anticipated increase in wafer production capacity for 2010 represents an annual growth rate of about +168% (150 million/ 56 million), which size is roughly in line with the growth rate of the proposed annual cap of about +174% for 2010 under the Guide Rollers Service Agreement

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 2009

Our analysis/view

- (b) Upon our due diligence review, we note that
1. as disclosed earlier in the circular of the Company dated 27 April 2009, the Group's then anticipated increase in wafer production capacity was approximately 99 million, 200 million and 325 million pieces of wafers by end of 2009, 2010 and 2011, respectively; and
 2. as disclosed earlier in the latest published interim report of the Company, the annual production capacity of wafers was expected rise to 150 million pieces at the end of 2009.

Upon our comparison and our enquiry, we understand from the Company that the relevant downward revision in the announcement of the Company dated 2 November 2009 was attributable to the less-than-expected level of utilisation rate of the Group's wiresaws for wafer production.

On the quantity demand side, we note that as disclosed recently in the announcement of the Company dated 18 November 2009, the Group has been awarded with the tender of 13.5MW photovoltaic power generation project under the Golden Sun Programme to be implemented in Liaoning Province.

Price

According to the relevant invoices, we note that and have further been reaffirmed by the Company that the prevailing/estimated unit price levels charged/to be charged by Jingxin Semi-conductor (as a component for arriving at the proposed annual cap for the three financial years ending 31 December 2011)

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 200

Our analysis/view

- (a) are generally comparable to those prevailing levels offered by independent third parties to the Company; and
- (b) have been allowed for a year-on-year decline of 5% and 5% for 2010 and 2011 respectively.

(3) First Photovoltaic System Installation Agreement

- (i) the expected capacity of solar modules for the three financial years ending 31 December 2011 arising from the Group's inception in the downstream business in the photovoltaic industry;
- (ii) the anticipated demand from the Group for photovoltaic system installation projects; and
- (iii) the costs of materials (including solar modules and other relevant parts and components) involved for the installation of photovoltaic system

We note that the proposed annual caps correlate to (ii) x (iii), which is essentially

- “estimated quantity of utilisation by the Group for Kinmac's capacity for photovoltaic system installation projects x
- estimated unit price (ex-factory) of materials”

Quantity

Upon our enquiry, we understand that for the three financial years ending 31 December 2011,

- (a) Kinmac's expected capacity of solar modules for the three financial years ending 31 December 2011 is expected by the Group to be 50MW, 50MW and 100MW respectively; and
- (b) the anticipated utilisation by the Group for Kinmac's capacity for photovoltaic system installation projects for the three financial years ending 31 December 2011 is expected by the Group to be 2.92MW, 25MW and 50MW respectively.

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 2009

Our analysis/view

On the quantity demand side, we note that as disclosed recently in the announcement of the Company dated 18 November 2009, the Group has been awarded with the tender of 13.5MW photovoltaic power generation project under the Golden Sun Programme to be implemented in Liaoning Province.

Price

Upon our enquiry, we understand from the Company that so far the Company has never engaged outside service provider (either Kinmac nor independent third party) to assist in the Company's installation of photovoltaic systems. Hence, no invoices between (i) the Company and (ii) Kinmac or independent third party are made available to us for our comparison.

With reference to the relevant invoices between Kinmac (as service provider) and independent third party (as service recipient), we note that and have further been reaffirmed by the Company that the estimated unit price levels to be charged by Kinmac (as service provider) to the Company (as a component for arriving at the proposed annual cap for the three financial years ending 31 December 2011)

- (a) are generally comparable to those prevailing levels offered by Kinmac to independent third parties; and
- (b) have been allowed for a year-on-year decline of 0% and 5% for 2010 and 2011 respectively.

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 200

Our analysis/view

(4) Second Photovoltaic System Installation Agreement

- (i) the expected capacity of solar modules of Kinmac for the three financial years ending 31 December 2011;
- (ii) the anticipated demand from Kinmac for photovoltaic system installation projects; and
- (iii) the costs of materials (including solar modules and other relevant parts and components) involved for the installation of photovoltaic system

We note that the proposed annual caps correlate to (ii) x (iii), which is essentially

➤ “estimated quantity of utilisation by Kinmac for the Group’s capacity for photovoltaic system installation projects x

➤ estimated unit price (ex-factory) of materials”

Quantity

Upon our enquiry, we understand that for the three financial years ending 31 December 2011,

- (a) the Group’s expected capacity of solar modules for the three financial years ending 31 December 2011 is expected by the Group to be 4MW, 50MW and 100MW respectively;
- (b) the anticipated utilisation by Kinmac for the Group’s capacity for photovoltaic system installation projects for the three financial years ending 31 December 2011 is expected by the Group to be 2.92MW, 25MW and 50MW respectively.

Price

Upon our enquiry, we understand from the Company that

- (a) so far the Company has never offered its service of installation of photovoltaic systems to either Kinmac nor independent third party. Hence, no invoices bet(thir)119.-a ofoup tvol.8(19.9(er)- Hence, TJ8.1580(vice)-7.8(the)adof

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 November 200

Our analysis/view

With reference to the relevant invoices between Kinmac (as service provider) and independent third party (as service recipient), we note that and have further been reaffirmed by the Company that the estimated unit price levels to be offered by the Company (as service provider) to Kinmac (as a component for arriving at the proposed annual cap for the three financial years ending 31 December 2011)

- (a) are generally comparable to those prevailing levels offered by Kinmac to independent third parties; and
- (b) have been allowed foe36156f1466966-1.Tc0Tw0(Basis) t3-317.8(theal)-317.9(y)19.9(ear)19.9(s)-317.8(ending)317.8(th tgdat

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 December 200

- (iv) the expected utilisation rate of the Group's production capacity for the 3 years ending 31 December 2012

Our analysis/view

According to the relevant invoices, we note that and have further been reaffirmed by the Company that the prevailing/estimated unit price levels charged/to be charged by Jinzhou Changhua/Jinzhou Youxin (as a component for arriving at the proposed annual cap for the three financial years ending 31 December 2012) are generally comparable to those prevailing levels offered (i) by independent third parties to the Company or (ii) by Jinzhou Changhua to independent third parties.

Quantity

For ingots, the table below sets out (a) the average annual maximum production capacity of the Group; (b) the average utilisation rate of the Group; and (c) the output level of the Group, for (i) the year ended 31 December 2008, (ii) the nine months ended 30 September 2009, and (iii) the three years ending 31 December 2012:

	Actual		Estimated		
	For the year ended 31 December 2008	For the nine months ended 30 September 200	For the year ending 31 December 2010	For the year ending 31 December 2011	For the year ending 31 December 2012
Average annual maximum capacity of the Group (kg)	1,000,000	1,300,000	2,500,000	4,500,000	6,500,000
Average utilization rate of the Group (%)	70%	60%	95%	95%	95%
Estimated output of the Group (kg)	700,000	780,000	2,375,000	4,275,000	6,175,000
Changes (%)	n/a	11%	204%	80%	44%

Source: Company data

As stated in the Group's annual report for the year ended 31 December 2008, the Group added 96 monocrystalline silicon ingot pullers and 16 wiresaws and made further additions of 13 wiresaws by the end of 2008. Furthermore, as stated in the Group's interim report for the six months ended 30 June 2009, the installation and fine-tuning processes for the 4 multicrystalline silicon ingot casting furnaces have been completed, and the casting furnaces are expected to duly come into operation in the fourth quarter of 2009. Taking into account of the commencement of the said additional production facilities in coming years, it is reasonable to expect the Group's maximum production capacity will be increased.

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 December 2009

Our analysis/view

On the quantity demand side, given (a) the recent rebound in the global economies, especially in the PRC new energy markets; (b) the rally in crude oil price since the second quarter of 2009; and (c) the Company's announcement dated 18 November 2009 that the Group was awarded with a new sizable tender of a photovoltaic power generation project, the Company expects to see a substantial rebound in the solar energy industry in the coming years. As such, the Company expects the Group can operate at utilisation rate of approximately 95% level in the coming three years ending 31 December 2012.

As discussed with the Company, the proposed annual cap under the New Materials Supply Agreement for the year ending 31 December 2010 of RMB164.49 million can be derived on the basis of the following factors:

- (a) the Group's unaudited actual transaction amount of approximately RMB25.86 million for the nine months ended 30 September 2009 under the Existing Material Supply Agreement;
- (b) the estimated increase in the usage of the Materials of +56% as the Group intends to focus more on the production of wafers with larger dimension of 156 x 156mm, which is becoming more popular (rather than the traditional wafers with dimension of 125 x 125 mm) in the coming years;
- (c) the estimated increase in the Group's total output of ingots to 2,375,000 kg in 2010 by approximately +204% over the Group's actual total output of ingots of 780,000 kg in the nine months ended 30 September 2009 (after accounting for (a) the increased production capacity of the Group to 2,500,000 kg in 2010; and (b) the expected utilisation rate of the Group of 95%); and
- (d) a buffering factor of about +34%.

Basis of determining the annual caps as disclosed in the announcement of the Company dated 2 December 200

Our analysis/view

The proposed annual cap for the year ending 31 December 2011 and 31 December 2012 are RMB292.04 million and RMB419.59 million respectively, which represent an increase of approximately +78% and +44% over the proposed annual cap in the previous year. Upon comparison, we note that such magnitudes of increase are in line with the estimated increase in the Group's total output of ingots in the same period of approximately of +80% and +44% respectively.

(6) New WWX Processing Agreement

- (i) the Group's expected increase in processing capacity for the three years ending 31 December 2012; and
- (ii) the estimated WWX's demand for recycled polysilicon materials required for its semi-conductor production and its demand for ingots and wafers for its business in the photovoltaic industry

We note that the proposed annual caps correlate to (i), and is essentially

- "estimated quantity of the Group's processing capacity of ingots and wafer and silicon x
- estimated unit processing fee for ingots, wafers and silicon x
- estimated percentage allocated exclusively to WWX out of the Group's entire processing capacity of ingots and wafer and silicon for all customers (independent and connected) (to avoid the Group's over-exposure to a single customer)"

Quantity

Upon our enquiry, we understand from the Company that

- (a) the estimated quantity of the Group's processing services of ingots for WWX is in line with the Group's estimated average annual maximum production capacity of ingots of 2,500,000 kg, 4,500,000 kg and 6,500,000 kg for the coming three years ending 31 December 2012 respectively;
- (b) the estimated quantity of the Group's processing services of wafer for WWX is in line with the Group's estimated annual production capacity of 150 million, 250 million pieces and 300 million pieces of wafer for the coming three years ending 31 December 2012 respectively; and

**Basis of determining the
annual caps as
disclosed in the
announcement of the**

Taking into account of the conditions attached to the transactions contemplated under the Non-Exempt Continuing Connected Transactions, in particular, (i) the ways of setting the proposed annual caps; and (ii) the compliance with all other relevant requirement under the Listing Rules (which include the annual review and/or confirmation by the independent non-executive Directors and auditors of the Company on the actual execution of the transaction contemplated under the continuing connected transactions pursuant to Rule 14A.37 and Rule 14A.38 of the Listing Rules), we consider that the Company has taken appropriate measures to govern the Company in carrying out the continuing connected transactions, with a view to safeguarding the interests of the Shareholders thereunder.

RECOMMENDATION

Having considered the principal factors and reasons, we are of the opinion that the terms of the Non-Exempt Continuing Connected Transactions (including the proposed annual caps) are on normal commercial terms, in the ordinary course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and we recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM for approving the Non-Exempt Continuing Connected Transactions (including the proposed annual caps).

Yours faithfully,
For and on behalf of

Mitsubishi UFJ Securities (HK) Capital, Limited

Harry Yu

Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with respect to the Company. The information contained herein relating to the Company has been supplied by the Directors, who collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiry, that to the best of their knowledge, information and belief, there are no other facts not contained in this circular the omission of which would make any statement herein misleading insofar as it relates to the Company.

2. DISCLOSURE OF INTERESTS

(a) Interest and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and the shares, underlying shares and debentures of its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or the shares, underlying shares and debentures of any associated corporations (within the meaning of Part XV of the SFO) 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 were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares held (note 4)	Approximate percentage of holding (%)
Mr. Tan	Beneficial Interest	475,761,999(L)	27.87%
	Interest in options (note 4)	17,352,500(L)	1.02%
	Security interest (note 4)	17,352,500(L)	1.02%
	Interest in the share options granted under the share option scheme of the Company adopted on 27 February 2008 (the "Share Option Scheme")	500,000(L)	0.03%

Name of Director	Nature of interest	Number of Shares held (note 2)	Approximate percentage of holding (%)
Mr. Chong (note 2)	Interest of controlled corporation	80,075,540(L)	4.69%
	Personal interest	2,449,500(L)	0.14%
	Trustee's interest	33,841,250(L)	1.98%
Mr. Hsu You Yuan	Beneficial Interest	16,306,552(L)	0.96%
	Interest held by Mr. Chong as the trustee for Mr. Hsu (note 2)	2,659,375(L)	0.16%
	Interest in options (note 4)	2,591,000(L)	0.15%
	Security interest (note 4)	2,591,000(L)	0.15%
	Interest in the share options granted under the Share Option Scheme	500,000(L)	0.03%
Mr. Chiao Ping Hai	Beneficial Interest	6,135,500(L)	0.36%
	Interest in options (note 4)	10,994,000(L)	0.64%
	Security interest (note 4)	10,994,000(L)	0.64%
Ms. Zhang Liming	Beneficial Interest (notes 2 and 3)	3,133,500(L)	0.18%
	Interest in the share options granted under the Share Option Scheme	1,000,000(L)	0.06%
Mr. Zhang Chun	Interest in the share options granted under the Share Option Scheme	500,000(L)	0.03%
Ms. Fu Shuangye	Interest in the share options granted under the Share Option Scheme	500,000(L)	0.03%

Name of Director	Nature of interest	Number of Shares held (note 2)	Approximate percentage of holding (%)
Dr. Lin Wen	Interest in the share options granted under the Share Option Scheme	500,000(L)	0.03%
Mr. Wong Wing Kuen, Albert	Interest in the share options granted under the Share Option Scheme	500,000(L)	0.03%

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2)
 - (a) As at the Latest Practicable Date, Mr. Chong is beneficially interested in an aggregate of 82,525,040 Shares, of which 2,449,500 Shares are directly held by Mr. Chong, 64,140,040 Shares are held by Prosperity Electric Corporation ("PEC") and 15,935,500 Shares are held by PLC. PLC is held as to 20% by PEC, as to 45% by Leigh Company Limited and as to 35% by Independent Third Parties. Both PEC and Leigh Company Limited are wholly-owned by Mr. Chong.
 - (b) Mr. Chong holds 33,841,250 Shares as trustee on behalf of certain Directors, members of the senior management and staff of the Group. Of the said 33,841,250 Shares, 3,133,500 Shares are held by Mr. Chong in trust for Ms. Zhang Liming, an executive Director, and 2,659,375 Shares are held by Mr. Chong in trust for Mr. Hsu You Yuan, an executive Director.
- (3) As at the Latest Practicable Date, Ms. Zhang Liming's 3,133,500 Shares were registered in the name of Mr. Chong as trustee who is entrusted to exercise voting rights and hold the dividends and other distributions made in respect of the relevant Shares in trust for, among others, the relevant employees and senior management members (if any) to the extent the relevant Shares remain subject to a lock-up period.
- (4) Mr. Tan, Mr. Hsu You Yuan and Mr. Chiao Ping Hai are entitled to buy back the Shares of the relevant senior management and employees in the event that any of them cease to be employed or engaged within 4 years after the date of listing of the Company. These Directors also have security interest in these Shares pursuant to share charges granted by the relevant employees to secure their obligations to pay for the purchase price of the Shares and their obligations to comply with the relevant regulatory requirements to which they are subject (if any).

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or their associates has any interests or short positions in any Shares, underlying Shares and debentures of the Company or any shares, underlying shares and debentures of any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange.

(b) Interest and short positions of substantial Shareholders in Shares, underlying Shares and debentures

As at the Latest Practicable Date, so far as is known to any Directors, the following persons (other than a Director) have interests or short positions in the Shares and 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 as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Nature of interest	Number of Shares held (note 1)	Percentage of Shareholding (%)
WWIC	Beneficial owner	360,358,822(L)	21.1%
WWX (note 2)	Interest of a controlled corporation	360,358,822(L)	21.1%
Jean Salata	Interest of a controlled corporation	119,045,000(L)	6.97%
Baring Private Equity Asia GP IV Limited	Interest of a controlled corporation	119,045,000(L)	6.97%
Baring Private Equity Asia GP IV, LP	Interest of a controlled corporation	119,045,000(L)	6.97%
The Baring Asia Private Equity Fund IV, LP	Interest of a controlled corporation	122,139,421(L)	7.15%
Baring Private Equity Asia IV Holding (6) Limited	Interest of a controlled corporation	119,045,000(L)	6.97%

Notes:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) To the best of the Directors' knowledge, information and belief having made all reasonable

3. MATERIAL ADVERSE CHANGES

The Directors confirm that, as at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the financial and trading position of the Group since 31 December 2008, the date of which the latest audited financial statements of the Group were made up save and except that as disclosed in the Company's interim report 2009 and the Company's announcement dated 28 October 2009, in the midst of the recent global economic downturn, the Group's profitability has been adversely affected due to (a) the Group's business that has experienced slowdown in revenue and decline in both raw material prices and product selling prices and (b) loss on diminution in value of inventories as a result of continuous fall in raw material prices and product selling prices since the fourth quarter of 2008. That said, since the third quarter of 2009, the Group gradually ramped up the production capacity of monocrystalline silicon solar ingots and wafers and has recorded its highest quarterly shipment volume in the Group's history. Meanwhile, there has been no further write-down of inventories due to stabilising raw material prices during the third quarter of 2009.

4. DIRECTORS' INTEREST IN POTENTIALLY COMPETING BUSINESS

Mr. Tan, Mr. Hsu You Yuan, being the executive Directors, and Mr. Chong and Mr. Chiao Ping Hai, being the non-executive Directors, are interested in other related businesses, particulars of which are set out below:

Mr. Tan

Mr. Tan holds 53% interest in Huachang Guangfu and 40% interest in Jinzhou Changhua. Huachang Guangfu is engaged in the manufacturing of P V and solar cells. Jinzhou Changhua is engaged in the manufacturing of graphite and graphite related products. The businesses of Huachang Guangfu and Jinzhou Changhua do not compete with that of the Group. Huachang Guangfu, being a manufacturer of P V and solar cells, or some other materials (not being polysilicon), is a downstream company of the Group because P V and solar cells are made from wafers, which the Group manufactures. Huachang Guangfu does not manufacture any polysilicon, ingots or wafers. On the other hand, Jinzhou Changhua, as a company which manufactures graphite and graphite related products, is also not a competitor of the Group because (a) the Group is not engaged in the manufacturing of graphite or any graphite related products; and (b) graphite is not a substitute for, or alternative raw material to, polysilicon in the manufacturing of solar related products.

Mr. Hsu You Yuan

Mr. Hsu You Yuan has an indirect interest in Helitek, which is a subsidiary of WWX. Mr. Hsu also has an indirect interest in Neo Solar Power Corp. ("Neo Solar"). Both WWX and Helitek are engaged in the semi-conductor industry. WWX's scope of business includes the manufacture of silicon wafers for the semi-conductor industry, and Helitek is involved in the sale of such silicon wafers in the United States of America whereas the Group is engaged in the manufacture of solar wafers.

Although polysilicon is the basic raw material used in the production of semiconductors and solar cells or solar-related products, the quality and purity level of the polysilicon required for the production of semi-conductors is higher than that required for the production of solar cells or solar-related products. Also, it would not be cost effective for solar product manufacturers to use costly semi-conductor grade polysilicon or silicon wafers to manufacture solar products. Besides, Neo Solar, as a manufacturer of solar cells, uses wafers or other materials (not being polysilicon) as raw materials for its production. Neo Solar is a downstream company of the Group, since it uses the products that the Group manufactures. Thus, Neo Solar is not a competitor of the Group.

Mr. Chiao Ping Hai

Mr. Chiao Ping Hai has interests in WWX, 上海合晶硅材料有限公司 (Wafer Works (Shanghai) Corp*) ("WWXS") and Wafer Works Epitaxial Corp. These three companies are all engaged in the business of manufacturing silicon wafers used in the semi-conductor industry. Mr. Chiao Ping Hai also has indirect interests in Helitek and Heli-Vantech, Inc., both of which are engaged in the trading of silicon wafers used in the manufacture of semi-conductors. As explained above, the semi-conductor industry is different from that of the solar technology industry; thus, WWX, WWXS and Wafer Works Epitaxial Corp., Helitek and Heli-Vantech, Inc., are not engaged in any competing business of the Group.

Mr. Chong

Like Mr. Tan, Mr. Chong holds interest in Huachang Guangfu and Jinzhou Changhua. As explained above, Huachang Guangfu and Jinzhou Changhua are not competitors of the Group, as the Group, Huachang Guangfu and Jinzhou Changhua are engaged in different industries. Mr. Chong also holds an interest in Jinzhou Youxin, which is principally engaged in the trading of quartz crucibles.

Jinzhou Youxin is not a competitor to the Group because (a) quartz crucible is an auxiliary raw material for the Group's manufacturing of polysilicon products. Jinzhou Youxin, being in the business of trading quartz crucibles, is an upstream company which supplies auxiliary raw materials to the Group; and (b) Jinzhou Youxin does not manufacture any polysilicon or polysilicon related products.

5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, save for (a) the exempt continuing connected

Company's principal place of business in Hong Kong since 20 March 2009 as disclosed in the Company's announcement dated 20 March 2009 and (b) the transfer of certain equipment and facilities including the equipment for the production of solar modules, computers, printers and information technologies equipment and certain office furniture transferred to the Group from Huachang Guangfu (Mr. Tan's associate as mentioned in the paragraph headed "Solar Cells Supply Agreement – Implications under the Listing Rules" of the "Letter from the Board" in which this circular forms part) pursuant to an asset transfer agreement as disclosed in the announcement of the Company dated 2 November 2009, none of the Directors had 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 was proposed to be acquired, or disposed of by, or leased to any member of Group since 31 December 2008, the date of which the latest audited financial statements of the Group were made up.

6. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the Continuing Connected Transactions and the other continuing connected transactions as disclosed in the Company's annual report for the year ended 31 December 2008, the circular of the Company dated 27 April 2009 and the announcements of the Company dated 2 November 2009 and 3 December 2009, none of the Directors is interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Company.

7. DIRECTORS' SERVICE CONTRACTS

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

8. 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.

. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

Name	Qualification
Mitsubishi UFJ Securities (HK) Capital, Limited	a registered institution for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Mitsubishi UFJ Securities (HK) Capital, Limited did not have any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2008, the date to which the latest audited financial statements of the Group were made up; and was not beneficially interested in the share capital of any member of the Group and did not have any right

- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 29 to 30 of this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out on pages 31 to 55 of this circular;
- (e) the written consent from the Independent Financial Adviser referred to in the paragraph headed “Expert’s Qualification and Consent” in this appendix;
- (f) the Solar Cells Supply Agreement;
- (g) the Guide Rollers Service Agreement;
- (h) the First^P photovoltaic System Installation Agreement;
- (i) the Second^P photovoltaic System Installation Agreement;
- (j) the New Materials Supply Agreement; and
- (k) the New WWX^P processing Agreement.



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wafers, a copy of which is tabled before the meeting and marked "B" and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the Guide Rollers Service Agreement be and are hereby approved, confirmed and ratified;

- (b) the respective annual cap amounts in relation to the transactions contemplated under the Guide Rollers Service Agreement for the three years ending 31 December 2011 be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all such things and take all other steps which, in his or her opinion, may be necessary or desirable for the purpose of giving effect to the Guide Rollers Service Agreement and the transactions contemplated thereby."

3. **"THAT**

- (a) the framework agreement (the "First Photovoltaic System Installation Agreement") dated 2 November 2009 entered into between the Company and Kinmac Solar Corporation ("Kinmac") in respect of the provision of photovoltaic system installation service from Kinmac to the Company and its subsidiaries, a copy of which is tabled before the meeting and marked "C" and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the First Photovoltaic System Installation Agreement be and are hereby approved, confirmed and ratified;
 - (b) the respective annual cap amounts in relation to the transactions contemplated under the First Photovoltaic System Installation Agreement for the three years ending 31 December 2011 be and are hereby approved; and
- Company and Kinmac Solar Corporation ("Kinmac") in respect of the provision of photovoltaic system installation service from Kinmac to the Company and its subsidiaries, a copy of which is tabled before the meeting marked "C" and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the First Photovoltaic System Installation Agreement be and are hereby approved, confirmed and ratified;

- (b) the respective annual cap amounts in relation to the transactions contemplated under the Second Photovoltaic System Installation Agreement for the three years ending 31 December 2011 be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all such things and take all other steps which, in his or her opinion, may be necessary or desirable for the purpose of giving effect to the Second Photovoltaic System Installation Agreement and the transactions contemplated thereby.”

5. **“THAT**

- (a) the framework supply agreement (the “New Materials Supply Agreement”) dated 2 December 2009 entered into between the Company, 錦州昌華碳素制品有限公司 (Jinzhou Changhua Carbon Products Company Limited) and 錦州佑鑫電子材料有限公司 (Jinzhou Youxin Electronic Materials Co., Ltd.) in respect of the supply of the graphite materials and quartz crucibles to the Company and its subsidiaries for the production of silicon ingots, a copy of which is tabled before the meeting and marked “E” and initialled by the chairman of the meeting for identification purpose, and the terms of the transactions contemplated under the New Materials Supply Agreement be and are hereby approved, confirmed and ratified;
- (b) the respective annual cap amounts in relation to the transactions contemplated under the New Materials Supply Agreement for the three years ending 31 December 2012 be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all such things and take all other steps which, in his or her opinion, may be necessary or desirable for the purpose of giving effect to the New Materials Supply Agreement and the transactions contemplated thereby.”

6. **“THAT**

- (a) the framework processing agreement (the “New WWX Processing Agreement”) dated 2 December 2009 entered into between the Company and Wafer WorW “

- (b) the respective annual cap amounts in relation to the transactions contemplated under the New WWX^P rocessing Agreement for the three years ending 31 December 2012 be and are hereby approved; and
- (c) any one director of the Company be and is hereby authorised to do all