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|                              |  |
|------------------------------|--|
| “Major Transaction Circular” | the circular of the Company dated 15 December 2010 December 2010 regarding a major and connected transaction in relation to the acquisition of the entire issued shares of Sino Light Investment Limited by the Company            |
| “New Agreements”             | the New WWX Sale Agreement and the New WWX Supply Agreement  |
| “New WWX Sale Agreement”     | the framework sale agreement dated 3 November 2010 entered into between the Company and WWX in respect of the sale of upgraded and processed polysilicon, silicon solar ingots and silicon solar wafers to WWX or its subsidiaries |
| “New WWX Supply Agreement”   | the framework supply agreement dated 3 November 2010 entered into between the Company and WWX in respect of the supply of scrap polysilicon raw material, scrap ingots and scrap wafers to the Company or its subsidiaries         |
| “PRC”                        | the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau and Taiwan   |
| “RMB”                        | Renminbi, the lawful currency of PRC   |
| “SFO”                        | the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)   |
| “Share(s)”                   | the ordinary share(s) of HK\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”             | shareholder(s) of the Company  |

## DEFINITIONS

|                                     |   |
|-------------------------------------|---|
| “Supplemental WWX Supply Agreement” | the supplemental framework agreement dated 4 June 2008 to the Existing WWX Supply Agreement entered into between the Company and WWX  |
| “WWIC”                              | Wafer Works Investment Corp., an investment holding company incorporated in Samoa and to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, WWIC holds approximately 19.05% interests in the Company as at the Latest Practicable Date and hence a substantial Shareholder and a connected person of the Company                    |
| “WWX”                               | Wafer Works Corp., a company established in Taiwan and whose securities are listed on the Taiwan Gre Tai Securities Market. To the best of the Director’s information and belief and having made all reasonable enquiries, as at the Latest Practicable Date, WWX holds 100% interests in WWIC and is regarded as a substantial Shareholder and hence a connected person of the Company |
| “%”                                 | per cent.   |



**Solargiga Ener**

## LETTER FROM THE BOARD

### RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

#### Background

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 other things, 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 WWX Sale Agreement and the Existing WWX Supply Agreement. Subsequently, on 4 June 2008, the Company and WWX entered into the Supplemental WWX Sale Agreement and the Supplemental WWX Supply Agreement to revise the annual cap of the transactions under the Existing WWX Sale Agreement and the Existing WWX Supply Agreement, and to extend the term of each of the Existing WWX Sale Agreement and the Existing WWX Supply Agreement to 31 December 2010.

The extended term of each of the Existing Agreements will expire on 31 December 2010. The Board announces that on 3 November 2010, the Company has entered into the New Agreements with WWX in order to renew the terms of each of the Existing Agreement for three years from 1 January 2011 to 31 December 2013 (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 WWX SALE AGREEMENT

Date: 3 November 2010

Parties: (1) The Company  
(2) WWX

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, WWX holds 100% interests in WWIC. WWIC holds approximately 19.05% 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 Sale Agreement, the Company agreed to sell, or procure its subsidiaries to sell, upgraded and processed polysilicon, silicon solar ingots and silicon solar wafers to WWX or its subsidiaries.

Term: The New WWX Sale Agreement has a term commencing on 1 January 2011 and ending on 31 December 2013 (both days inclusive).

Pricing:

The basis of determining the prices for the transactions under the New WWX Sale Agreement will be determined with reference to the prevailing market price of upgraded and processed polysilicon, silicon solar ingots and silicon solar wafers.

Other terms of the transactions under the New WWX Sale Agreement:

of its quality and reliability. In addition, recycled polysilicon is a cheaper source of polysilicon raw material for semiconductor 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 Sale Agreement will continue to allow the Group to utilise its expertise and capacity in the processing of recycled polysilicon and generate additional revenue to the Group.

*I . . . . . : . L . . / R . .*

As mentioned above, WWX is a substantial shareholder of the Company and hence a connected person of the Company for the purpose of the Listing Rules. Consequently, the transactions under the New WWX Sale Agreement will constitute continuing or ing  
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Other terms of the transactions under the New WWX Supply Agreement: The terms of the New WWX Supply 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 from Independent Third Parties.

Payments for the transactions under the New WWX Supply Agreement 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. It is agreed that WWX will grant to the Group a credit period of 30 to 90 days.

Condition: The New WWX Supply Agreement is conditional upon approval by the Independent Shareholders.

The Group expects that during the period between 1 January 2011 and the date of the EGM, it may enter into transactions with WWX for the supply of scrap polysilicon raw

*I n t e r i m L i s t i n g R u l e s*

As mentioned above, WWX is a substantial shareholder of the Company and hence a connected person of the Company for the purpose of the Listing Rules. Consequently, the transactions under the New WWX Supply 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 Supply Agreement will exceed 5%, the New WWX Supply Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The bases of the above proposed Annual Caps are as follows:

- (a) The proposed Annual Caps under the New WWX Sale Agreement are determined with reference to (i) the Group's expected increase in processing capacity for the three years ending 31 December 2013; (ii) the estimated WWX's demand for ingots and wafers for its business in the photovoltaic industry; and (iii) the expected changes in the market price of silicon solar ingots and wafers for the three years ending 31 December 2013.
- (b) The proposed Annual Caps under the New WWX Supply Agreement are determined with reference to (i) the expected increase in the Group's production capacity for the three years ending 31 December 2013; (ii) the expected percentage volume of polysilicon, scrap ingots and scrap wafers to be procured from WWX; (iii) the outstanding amount of procurement contract entered into with WWX; (iv) the production ratio of silicon solar ingot to polysilicon; and (v) the expected changes in the market price of polysilicon for the three years ending 31 December 2013.

Towards the end of 2008, the damage caused by the financial tsunami triggered by the subprime crisis in the United States gradually deepened. Deflation, the drastic slowdown of global economy, and the substantial reduction in the demand for energy, have resulted in plummeting oil prices. The solar energy industry was also affected. The prices of polysilicon, the raw material, and ingots and wafers, the finished products, dropped significantly. It explains why the actual amounts under the Existing WWX Sale Agreement and the Existing WWX Supply Agreement were substantially below the estimated annual cap amounts for the years ending 31 December 2009. However, the Board believes that the development of renewable energy will gradually speed up following the economic recovery which has started to pick up since the third quarter this year. Looking forward, in line with the Group's strategy to expand its market share and improve its competitive strength, the production capacity of the Group will continue to increase and therefore, the Group's demand for the scrap polysilicon raw material, scrap ingots and scrap wafers under the New WWX Supply Agreement and the estimated WWX's demand for silicon solar ingots and silicon solar wafers under the New WWX Sale Agreement will continue to increase in the coming years.

## GENERAL INFORMATION

The Group is one of the leading manufacturers of monocrystalline silicon 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.

WWX is established in Taiwan and whose securities are listed on the Taiwan Gre Tai Securities Market. 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 New Agreements 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 New Agreements and the proposed Annual Caps of the New Agreements 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 New Agreements and their respective annual Cap Amounts in compliance with Rule 14A.48 of the Listing Rules.

WWIC, a wholly-owned subsidiary of WWX, which is interested in 344,208,822 Shares, representing approximately 19.05% of the issued share capital of the Company as at the Latest Practicable Date, and its associates, will abstain from voting for resolutions approving the transactions under the New Agreements.

Mr. Chiao Ping Hai ("Mr. Chiao"), the chairman of the Company and a non-executive Director, is also a director of both WWX and WWIC. Mr. Chiao is also a beneficial owner of 6,135,500 Shares, representing approximately 0.34% of the issued capital of the Company as at the date of Practicable Date. He will abstain from voting on the resolutions approving the Continuing Connected Transactions. Save as the aforesaid, no Director has any material interest in the Continuing Connected Transactions and therefore none of the Directors were required to abstain from voting on the resolutions approving the Continuing Connected Transactions.

## EGM

A notice convening the EGM to be held at Vinson Room, Pacific Place Conference Centre, 5/F One Pacific Place, 88 Queensway, Hong Kong on Wednesday, 26 January 2011 at 4:00 p.m. is set out on pages 146 to 148 of the Major Transaction Circular.

A proxy form for use at the EGM is also enclosed with the Major Transaction Circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete, sign and return the proxy form in accordance with the instructions stated thereon to the Company's branch share registrar and transfer office in Hong Kong,

Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting of a listed issuer must be taken by poll. Therefore, all the resolutions proposed at the EGM will be voted by poll. An announcement on the results of the poll will be published by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

#### **RECOMMENDATION**

The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions are in the interests of the Group and the Shareholders as a whole and accordingly recommend all the Shareholders to vote in favour of the relevant resolutions in respect of the Continuing Connected Transactions to be proposed at the EGM.

#### **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



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

(Incorporated in the Cayman Islands)  
 (Stock code: 757)

15 December 2010

To: The Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular of the Company dated 15 December 2010. Capitalised terms used herein have the same meaning as those defined in the Circular, unless otherwise defined.

We have been appointed as members of the Independent Board Committee to advise you in connection with the terms of the Continuing Connected Transactions and the respective Annual Caps, details of which are set out in the “Letter from the Board” in the Circular.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Continuing Connected Transactions and the respective Annual Caps. The Independent Board Committee was set up to advise you whether in its view the terms of the Continuing Connected Transactions and the respective Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Company and the Shareholders are concerned.

First Shanghai Capital Limited has been appointed by the Company to advise us and the Independent Shareholders as to whether the Continuing Connected Transactions and the respective Annual Caps are fair and reasonable so far as the Company and the Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 16 to 24 of the Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 5 to 13 of the Circular and the additional information set out in the appendices to the Circular.

Having considered the terms of the Continuing Connected Transactions and the respective Annual Caps, we consider that the terms of the Continuing Connected Transactions and the respective Annual Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable as far as the Company and the Shareholders are concerned. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the EGM attached to the Major Transaction Circular to approve the terms of the Continuing Connected Transactions and the respective Annual Caps.

Yours faithfully,  
For and on behalf of  
**Independent Board Committee**

**Mr. WONG Wing Kuen, Albert**  
I . . . . N . . . . D . . . .

**Ms. FU Shuangye**  
I . . . . N . . . . D . . . .

**Dr. LIN Wen**  
I . . . . N . . . . D . . . .

**Mr. ZHANG Chun**  
I . . . . N . . . . D . . . .



In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group, and have assumed that all such information and representations made or referred to in the Circular and provided to us by the management of the Group were true at the time they were made and continued to be true up to the time of the holding of the EGM. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Group and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the management of the Group nor have we conducted any form of investigation into the business, affairs or future prospects of the Group and WWX.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion on the terms of the New Agreements and the Annual Caps, we have taken into account the following principal factors and reasons:

### **1. Background to and reasons for the entering into of the New Agreements**

The Group is engaged in the manufacturing of monocrystalline silicon solar ingots and wafers and the recycling and processing of scrap polysilicon and was listed on the Main Board of the Stock Exchange on 31 March 2008. Silicon solar ingots and wafers are used for the manufacturing of photovoltaic cells which are important components of a solar energy generation system. According to the annual report of the Company for the year ended 31 December 2009 (the "2009 Annual Report"), turnover of the Group amounted to approximately RMB658.7 million for the year ended 31 December 2009, of which approximately RMB623.1 million was contributed by sales of silicon solar ingots, wafers and modules. The Group is highly devoted in expanding its solar energy related business, for instance, as disclosed in the interim report of the Company for the six months ended 30 June 2010, the Group is planning to expand its annual production capacity of monocrystalline solar ingots from currently 350 megawatt ("MW") to 800 MW in the third quarter of 2010 and expand its annual capacity of solar energy photovoltaic modules from currently 50 MW to 200 MW by the end of 2011.

On the other hand, 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. WWX is listed on the Taiwan Gre Tai Securities Market. We noted from the prospectus of the Company dated 21 January 2008 that WWX has entered into a non-competition undertaking where WWX will not (i) manufacture solar ingots and wafers; and (ii) sell or

incorporated or registered in Taiwan. According to the 2009 Annual Report, export sales to Taiwan of the Group amounted to approximately RMB21.6 million for the year ended 31 December 2009 and we also noted that sales to WWX amounted to approximately RMB17.4 million during the same year, implying that WWX is a principal channel for the sales of products of the Company in Taiwan.

We noted that the Group has sold upgraded and processed polysilicon, solar ingots and solar wafers to WWX and/or its subsidiaries (the "WWX Group") prior to its listing on the Stock Exchange. As stated in the letter from the Board, since the manufacturing of silicon solar ingots and wafers are part of the Group's core business, the Directors believe that WWX has been purchasing silicon solar ingots and wafers from the Group mainly because of its quality and reliability. In regards to recycled polysilicon, it 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. The entering into of the New WWX Sale Agreement will allow the Group to continue to utilise its expertise and capacity in the processing of recycled polysilicon and generate additional revenue to the Group.

As disclosed in the letter from the Board, WWX produces scrap polysilicon, scrap ingots and wafers (the "Silicon Materials") as an output from their manufacturing process. As recycled polysilicon is a cheaper source of polysilicon raw material for silicon solar ingot and wafer production, the Group may have considerable demand for recycled polysilicon for its silicon solar ingot and wafer production. Furthermore, the Group also runs a scrap polysilicon recycling and processing facility which uses Silicon Materials as raw material inputs and the Group has also purchased Silicon Materials prior to its listing on the Stock Exchange. Thus, the entering into of the New WWX Supply Agreement will continue to allow the Group to utilise its expertise and capacity in the processing of recycled polysilicon as well as provide an alternative source of raw polysilicon for its silicon solar ingot and silicon solar wafer manufacturing business.

Having considered (i) the principal businesses of the Group and WWX Group; (ii) WWX is a principal channel for the sales of products of the Company in Taiwan; (iii) sales to WWX can generate revenue to the Group; (iv) the Group can secure WWX as a stable supplier of raw polysilicon; and (v) the principal terms of the New Agreements are fair and reasonable as discussed below, we are of the view that the entering into of the New Agreements is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

**. Principal terms under the New Agreements**

(\*) P, . . . . N. WW S . A, . . . .

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 from Independent Third Parties. Payments for the transactions under the New WWX Sale Agreement 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. It is agreed that the Group will grant to WWX a credit period of 30 to 90 days.

(ii) Prices for the transactions under the New WWX Supply Agreement.

As set out in the letter from the Board, the prices for the transactions under the New WWX Supply Agreement will be determined with reference to the prevailing market prices of Silicon Materials. The terms of the New WWX Supply 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 from Independent Third Parties. Payments for the transactions under the New WWX Supply Agreement 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. It is agreed that WWX will grant to the Group a credit period of 30 to 90 days.

In addition, we have reviewed the 2009 Annual Report and noted that (i) the independent non-executive Directors have confirmed, among others, the continuing connected transactions of the Group for the year ended 31 December 2009 were entered into and conducted either on normal commercial terms or terms no less favourable to the Company than terms available to or from independent third parties; and (ii) the Company has received a letter from its auditors as required under Rules 14A.38 of the Listing Rules in relation to the continuing connected transactions of the Company for the year ended 31 December 2009. We have also enquired the management of the Group regarding the internal control of the Group and we understand that the Group will comply with the relevant Listing Rules governing the Continuing Connected Transactions as set out in the section headed "Measures to ensure compliance with the Listing Rules" below.

Having considered, in particular, that (i) the prices for the Continuing Connected Transactions will be determined with reference to prevailing market prices; (ii) trade debtors and receivables of the Group are due within 30 to 90 days from the date of billing as disclosed in the 2009 Annual Report; and (iii) the payment terms of the Continuing Connected Transactions will be no less favourable to the Company than the terms available from Independent Third Parties, we are of the view that the New Agreements are on normal commercial terms and the terms of which are fair and reasonable so far as the Independent Shareholders are concerned.

### 3. Annual Caps under the New Agreements

The following table shows the historical transaction amounts and the Annual Caps under the New Agreements:-

|                          | Actual transaction amounts                          |   | Annual Caps  |       |                      |
|--------------------------|---|---|--|-------|----------------------|
|                          | For the year ended 31 December 009<br>(RMB<br>‘ ‘ ) | For the nine months ended 30 September 010<br>(RMB<br>‘ ‘ ) | For the year ending 31 December 011<br>(RMB<br>‘ ‘ ) |       |                      |
|                          |   |   | 01   | 01    | 013<br>(RMB<br>‘ ‘ ) |
| New WWX Sale Agreement   | 17.4  | 0.4   | 334.9  | 403.2 | 410.0                |
| New WWX Supply Agreement | 110.0   | 84.4  | 249.2  | 223.8 | 229.9                |

We noted from the table above that the historical transaction amounts for the year ended 31 December 2009 were quite low as compared to the Annual Caps. As explained in the letter from the Board, as a result of the financial tsunami in late 2008 which affected the solar energy industry, the prices of polysilicon, raw material, ingots, wafers and finished products dropped significantly in 2009. We have also reviewed information published by Solarbuzz, an international solar energy research and consulting company that provides a range of services including industry reports, custom research and consulting for industry news and information with analysts in the United States, Europe and Asia, which we noted that the excess of solar cell production over market demand caused weighted crystalline silicon module price average for 2009 to crash 38% over the prior year level. In addition, as disclosed in the 2010 Interim Report, as a result of the substantial increase in the market demand for the products of the Group during the six months ended 30 June 2010, the Group failed to fully meet the strong demand from its customers. Moreover, the PRC remained the major market of the Group, accounting for approximately 63.4% of total sales, whereas the major overseas markets were North America and Japan, accounting for approximately 27.1% and 9.1% of total sales respectively, for the six months ended 30 June 2010 as disclosed in the 2010 Interim Report. We have been advised by the management of the Group that, despite the turnover of the Group for the six months ended 30 June 2010 has improved as compared to the same period in the previous year, the actual transaction amount with WWX has not yet fully recovered for the nine months ended 30 September 2010 due to the inability of the Group to immediately satisfy demand of all customers, such as WWX, given the rapid recovery of the industry and the higher priority to serve the major orders from key customers in the PRC, North America and Japan. Accordingly, the actual transaction amounts under the Existing Agreements were below the estimated annual caps for the ended 31 December 2009 and the nine months ended 30 September 2010.

(c) Annual Caps for the New WWX Sale Agreement

As stated in the letter from the Board, the proposed Annual Caps under the New WWX Sale Agreement are determined with reference to (i) the Group's expected increase in processing capacity for the three years ending 31 December 2013; (ii) the estimated WWX's demand for ingots and wafers for its business in the photovoltaic industry; and (iii) the expected changes in the market price of silicon solar ingots and wafers for the three years ending 31 December 2013.

To assess the fairness and reasonableness of the Annual Caps for the New WWX Sale Agreement, we have reviewed and discussed with the management of the Group the expected production capacity expansion schedule and the expected percentages of volume of silicon solar ingots and wafers to be sold to WWX. We noted that the production capacity of the Group is expected to increase in each of the three years ending 31 December 2013 and the expected maximum production capacities of the Group were used to determine the Annual Caps which resulted in the substantial increase in the



the expected prices for determining the Annual Caps under the New WWX Supply Agreement are reasonable. Based on the above, we are of the view that the bases of the proposed Annual Caps under the New WWX Supply Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

#### **4. Measures to ensure compliance with the Listing Rules**

In compliance with the annual review requirements under Chapter 14A of the Listing Rules, the Company will comply with the following during the term of the New Agreements:

- (i) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the Company's annual report and accounts that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the New Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the Continuing Connected Transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Company if the Continuing Connected Transactions involve provision of goods or services by the Company; (c) have been entered into in accordance with the relevant agreement governing the transactions; and (d) have not exceeded the respective annual caps;
- (iii) the Company will allow, and will procure that the counterparty to the Continuing Connected Transactions will provide the auditors of the Company with sufficient access to the relevant records of the Continuing Connected Transactions for the purpose of reporting on the Continuing Connected Transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or

In light of the conditions attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company on the terms of the Continuing Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

#### RECOMMENDATION

Having taking into account the above principal factors, we consider that the entering into of the New Agreements is in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole and the terms of the New Agreements are on normal commercial terms and the bases of the respective Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned. We therefore advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favour of the relevant resolutions to approve the New Agreements and the respective Annual Caps to be proposed at the EGM.

Yours faithfully,  
For and on behalf of  
**First Shanghai Capital Limited**

**Helen Zee**  
M / / D, ,

**Fanny Lee**  
M / / D, ,

## 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.

### DISCLOSURE OF INTERESTS

#### (I) 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 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 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<br>( <i>N . 1</i> ) | Approximate percentage of shareholding<br>(%) |
|------------------|---|---|---|
| Mr. Tan Wenhua   | Beneficial Interest   | 475,761,999(L)                            | 26.33%  |
|                  | Interest in options ( <i>N . 2</i> )  | 13,014,375(L)                             | 0.72%   |
|                  | Security interest ( <i>N . 2</i> )  | 13,014,375(L)                             | 0.72%   |
|                  | Interest in the share options granted under the share 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<br>(N . 1) | Approximate percentage of shareholding<br>(%) |
|----------------------------|---|----------------------------------|---|
| Mr. Chong Kin Ngai (N . 3) | Interest of controlled corporation                                  | 80,075,540(L)                    | 4.43%   |
|                            | Trustee's interest  | 26,058,625(L)                    | 1.44%   |
|                            | Personal interest   | 2,449,500(L)                     | 0.14%   |
|                            | Family interest   | 1,100,000(L)                     | 0.06%   |
| Mr. Hsu You Yuan           | Beneficial Interest   | 12,440,927(L)                    | 0.69%   |
|                            | Interest in options (N . 2)   | 2,080,000(L)                     | 0.12%   |
|                            | Security interest (N . 2)   | 2,080,000(L)                     | 0.12%   |
|                            | 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)                     | 0.34%   |
|                            | Interest in options (N . 2)   | 8,304,875(L)                     | 0.46%   |
|                            | Security interest (N . 2)   | 8,304,875(L)                     | 0.46%   |
| Ms. Zhang Liming           | Beneficial Interest (N . 4)   | 3,133,500(L)                     | 0.17%   |
|                            | 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%   |

| <b>Name of Director</b>    | <b>Nature of interest</b>   | <b>Number of<br/>Shares held<br/>(Note 1)</b> | <b>Approximate<br/>percentage of<br/>shareholding<br/>(%)</b> |
|----------------------------|---|---|---|
| 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%   |

Note:

- (1) The letter "L" denotes the person's long position in such securities.
- (2) Mr. Tan Wenhua, 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 Listing Date. These Directors

**(II) 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  | Capacity                             | Number of Shares held<br>( <i>N . 1</i> ) | Percentage of Shareholding<br>(%) |
|---|--------------------------------------|---|-----------------------------------|
| WWIC  | Beneficial owner                     | 344,208,822(L)                            | 19.05%                            |
| WWX ( <i>N . 2</i> )                              | Interest of a controlled corporation | 344,208,822(L)                            | 19.05%                            |
| Jean Salata                                       | Interest of a controlled corporation | 119,045,000(L)                            | 6.59%                             |
| Baring Private Equity Asia GP IV Limited          | Interest of a controlled corporation | 119,045,000(L)                            | 6.59%                             |
| Baring Private Equity Asia GP IV, L.P.            | Interest of a controlled corporation | 119,045,000(L)                            | 6.59%                             |
| The Baring Asia Private Equity Fund IV, L.P.      | Interest of a controlled corporation | 122,139,421(L)                            | 6.76%                             |
| Baring Private Equity Asia IV Holding (6) Limited | Beneficial interest                  | 119,045,000(L)                            | 6.59%                             |

*N . 1:*

- (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 enquiry, as at the Latest Practicable Date, WWIC is wholly-owned by WWX. By virtue of the SFO, WWX is deemed to be interested in the Shares held by WWIC.

Save as disclosed above, the Directors were not aware that there was any person (other than a Director) who, as at the Latest Practicable Date, had an interest or a short position 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, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or in any options, in respect of such capital.

### 3. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial and trading position of the Group since 31 December 2009, the date of which the latest audited financial statements of the Group were made up.

### 4. DIRECTORS' INTEREST IN POTENTIALLY COMPETING BUSINESSES'

Mr. Tan Wenhua, being the executive Director, and Mr. Chong Kin Ngai 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 Wenhua

Mr. TAN Wenhua holds 32.14% indirect interest in 錦州華昌光伏科技有限公司 (Jinzhou Huachang Photovoltaic Technology Co., Ltd.\*) (“**Huachang Guangfu**”) and 40% interest in 錦州昌華碳素製品有限公司 (Jinzhou Changhua Carbon Production Co., Ltd\*) (“**Jinzhou Changhua**”). Huachang Guangfu is engaged in the manufacturing of PV 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 PV and solar cells, or some other materials (not being polysilicon), is a downstream company of the Group because PV 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. CHIAO Ping Hai

Mr. CHIAO Ping Hai has interests in WWX, 上海合晶矽材料有限公司 (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. Although silicon wafer is the basic raw material used in the production of semi-conductors and solar cells or solar-related products, the quality and purity level of silicon wafer required for the production of semi-conductors is higher than that required for the production of solar cells or solar-related products, it would not be cost effective for solar product manufacturers to use costly semi-conductor grade silicon wafers to manufacture solar products. 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.



**6. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE**

The Directors have interests in the following contracts which are significant in relation to the business of the Group:

- (a) the Existing WWX Sale Agreement between the Company and WWX (which is owned as to 1.39% by Mr. Chiao Ping Hai (“**Mr. Chiao**”), a director of WWX and a non-executive Director);
- (b) the Existing WWX Supply Agreement between the Company and WWX (in which Mr. Chiao has interests as described in (a) above);
- (c) a framework sale agreement dated 12 August 2008 between the Company and Huachang Guangfu, a company indirectly owned (i) as to 32.14% by Mr. Tan Wenhua (an executive Director) (“**Mr. Tan**”), (ii) as to 7.7% by PLC, a company indirectly owned as to 65% by Mr. Chong Kin Ngai (a non-executive Director) (“**Mr. Chong**”) and (iii) as to 14% by Grand Sea Investments Limited (“**Grand Sea**”) (which is held as to 37.5% by Mr. Stephen Chiao Sun Hai, the elder brother of Mr. Chiao who is a non-executive Director), pursuant to which the Company has agreed to sell, or procure its subsidiaries to sell, and Huachang Guangfu agreed to buy, silicon solar wafers;
- (d) a framework agreement dated 17 April 2009 between the Company and 錦州吉興新材料有限公司 (Jinzhou Jixing New Material Company Limited\*) (“**Jinzhou Jixing**”), a company indirectly owned as to 35% by Mr. Tan, pursuant to which (i) the Company agreed to sell, or procure its subsidiaries to sell, and Jinzhou Jixing agreed to purchase, or procure its subsidiaries to purchase, wire slurry; and (ii) Jinzhou Jixing agreed to sell, or procure its subsidiaries to sell, and the Company agreed to purchase, or procure its subsidiaries to purchase, recycled abrasives and mineral oil which serve as the Group’s materials for the slicing of silicon solar ingots into silicon solar wafers;
- (e) a framework supply agreement dated 2 November 2009 between the Company and Huachang Guangfu, a company indirectly owned (i) as to 32.14% by Mr. Tan, (ii) as to 7.7% by PLC, a company indirectly owned as to 65% by Mr. Chong and (iii) as to 14% by Grand Sea (which is held as to 37.5% by Mr. Stephen Chiao Sun Hai, the elder brother of Mr. Chiao who is a non-executive Director), pursuant to which the Company has agreed to purchase, or procure its subsidiaries to purchase, and Huachang Guangfu has agreed to supply, solar cells;
- (f) a framework service agreement dated 2 November 2009 between the Company and 京鑫半導體材料有限公司 (Jingxin Semi-conductor Material Company Limited\*) (“**Jingxin Semi-conductor**”), a company owned as to 40% by Ms. Chen Man, the daughter-in-law of Mr. Tan, pursuant to which 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 silicon solar ingots into silicon solar wafers;

- (g) a framework service agreement dated 2 December 2009 between the Company and 錦州華榮物業管理有限公司 (Jinzhou Huarong Property Management Company Limited\*) (“**Jinzhou Huarong**”), a company indirectly owned as to 90% by Mr. Tan, pursuant to which Jinzhou Huarong agreed to provide water

Save for the disclosure herein, 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 Latest Practicable Date 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.

**9. EXPERT'S QUALIFICATION AND CONSENT**

First Shanghai has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

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

| <b>Name</b>    | <b>Qualification</b>  |
|----------------|---|
| First Shanghai | Licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity |

**10. EXPERT'S INTERESTS**

As at the Latest Practicable Date, First Shanghai 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 2009, 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 (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 11. GENERAL