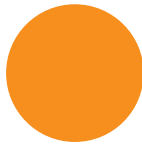


**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



A letter from the Board is set out on pages 4 to 11 of this circular and a letter from the Independent Board Committee containing its recommendations to the Independent Shareholders in relation to the terms of the Sale Agreement, the Processing Agreement and their respective cap amounts is set out on pages 12 to 13 of this circular. A letter from Piper Jaffray, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders on the terms of the Sale Agreement, the Processing Agreement and their respective cap amounts is set out on pages 14 to 21 of this circular.

A notice convening the Extraordinary General Meeting to be held at Vinson Room, Pacific Place Conference Centre, 5/F, One Pacific Place, 88 Queensway, Hong Kong on Friday, 7 November 2008 at 3:00 p.m. is set out on pages 30 to 31 of this circular. A form of proxy for use at the Extraordinary General Meeting is enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit with the Company's Hong Kong branch share registrar and transfer office at Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Extraordinary General Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Extraordinary General Meeting or any adjourned meeting should you so wish.

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## DEFINITIONS

*In this circular, the following expressions shall have the following meanings unless the context indicates otherwise:*

“associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Solargiga Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“connected persons”	has the same meaning as ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Sale Agreement and the Processing Agreement
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

“Huaxin Silicon”

Jinzhou Huaxin Silicon Material Trading Department\*  
( ), a sole proprietorship  
enterprise in the PRC and wholly-owned by Mr. Tan,  
is engaged in investment holding

“Hong Kong”

## DEFINITIONS

“Latest Practicable Date”	28 August 2008, being the latest practicable date prior to the printing of this circular for ascertaining information contained herein
“Listing Date”	31 March 2008, on which the trading of the shares of the Company first commenced on the Main Board of the Stock Exchange
“Listing Rules”	

**LETTER FROM THE BOARD**



**Solargi**

## LETTER FROM THE BOARD

### THE SALE AGREEMENT

Date: 12 August 2008

Parties: The Company

Huachang Guangfu, a company incorporated in the PRC, is owned (i) as to 53% by Huaxin Silicon whose equity interest is wholly owned by Mr. Tan, (ii) as to 22% by PLC which is owned as to 65% by Mr. Chong's wholly owned companies, as to 30% by Mr. Sam Wai Keung (a director of Jinzhou Huachang Silicon Materials Co., Ltd., a wholly owned subsidiary of the Company) and as to 5% by Mr. Chong Yu Ka, an Independent Third Party, (iii) as to 20% by Grand Sea, a Shareholder, and (iv) as to 5% by Seaquest, a Shareholder.

Grand Sea is owned as to 18.75% by Mr. Stephen Chiao Sun Hai. As Mr. Stephen Chiao Sun Hai is (i) the brother of Mr. Chiao Ping Hai who is a non-executive Director and (ii) a substantial shareholder of Grand Sea, Grand Sea is an associate of Mr. Chiao Ping Hai and a connected person of the Company under the Listing Rules. Seaquest is a Shareholder which is owned by Mr. Quintin Wu, an Independent Third Party.

Scope: Pursuant to the Sale Agreement, the Company has agreed to or procure its subsidiaries to sell solar wafers to Huachang Guangfu and/or its subsidiaries (the "**Sale Transactions**").

Term: The Sale Agreement has a fixed term of three financial years ending on 31 December 2010.

Price: The basis of determining the prices for the transactions under the Sale Agreement will be in accordance with the prevailing market price of solar wafers and the sales quantity.

Terms of the Sale Transactions: The terms of the Sale Transactions 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.

## LETTER FROM THE BOARD

Annual cap amounts for the Sale Transactions: During the term of the Sale Agreement, the annual maximum amount of the Sale Transactions will not exceed the following amounts:

- (i) RMB225,720,000 for the year ending 31 December 2008;
- (ii) RMB1,212,750,000 for the year ending 31 December 2009;  
and
- (iii) RMB2,113,650,000 for the year ending 31 December 2010.

Condition: The Sale Agreement is subject to approval by the Independent Shareholders.

Payment: Payments for the Sale Transactions will be at credit terms to be agreed between the parties in accordance with the normal term of sale offered to Independent Third Parties.

The annual cap amounts under the Sale Agreement are determined by reference to (i) the actual quantity of solar wafers produced by the Group in the first half of 2008; (ii) the anticipated increase in solar wafer production arising from an expansion in the Group's manufacturing bases which is, subject to the prevailing market conditions, expected to reach approximately 48 million, 150 million and 250 million pieces of solar wafer by end

. s r e d l c

## LETTER FROM THE BOARD

### THE PROCESSING AGREEMENT

Date: 12 August 2008

Parties: The Company

Jinzhou Aoke, a company incorporated in the PRC, is owned as to 35% by Jinzhou Yuexin whose equity interest is wholly owned by Mr. Tan and as to 65% by Independent Third Parties.

Scope: Pursuant to the Processing Agreement, the Company has agreed to or procure its subsidiaries to engage Jinzhou Aoke and/or its

## LETTER FROM THE BOARD

The Company has not entered into and has no intention in entering into any transactions with Jinzhou Aoke prior to the Extraordinary General Meeting. The annual cap amounts under the Processing Agreement are determined by reference to (i) the actual quantity of abrasives and mineral oil used by the Group in the first half of 2008; (ii) the anticipated increase in wafer production arising from an expansion in the Group's manufacturing bases which is, subject to the prevailing market conditions, expected to reach approximately 48 million, 150 million and 250 million pieces of wafer by end of 2008, 2009 and 2010, respectively; (iii) the anticipated quantity of recycled abrasives and mineral oil to be obtained by the Group in the next three financial years; and (iv) the projected processing fee of recycled abrasives and mineral oil in the next three financial years.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE SALE AGREEMENT AND THE PROCESSING AGREEMENT**

Huachang Guangfu is a new customer of the Group. Having considered the anticipated increasing demand of solar wafers from Huachang Guangfu whose transaction terms are no less favourable than terms available to other Independent Third Parties, the Directors believe that the entering of the Sale Agreement will enable the Group to secure a potential major customer and thereby enhancing the sale performance and profitability of the Group.

Recycled abrasives and mineral oil cost less than new abrasives and mineral oil. When mixed with new abrasives and mineral oil in a prescribed proportion, the mixture can be used in the slicing of solar ingots into solar wafers. Jinzhou Aoke is principally engaged in the recycling and processing of wire slurry, the factory of which is located in Jinzhou in the PRC. As such, the Directors consider that it would be cost efficient to engage Jinzhou Aoke to process the Group's wire slurry to recycled abrasives and mineral oil. In addition, with the close proximity between the Company and Jinzhou Aoke, the transportation costs will be lowered when compared with other wire slurry processing companies which are not located in Jinzhou. With the increasing demand for recycled abrasives and mineral oil, the Directors believe that the entering of the Processing Agreement, the terms of which are no less favourable than terms available to Independent Third Parties, will lower the overall production cost which is in line with the Group's strategy.

### **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 ingots and wafers are used for the manufacturing of photovoltaic cells which are important component of the solar energy generation system.

Huachang Guangfu is incorporated in the PRC and is principally engaged in the manufacturing of photovoltaic cells and solar cells. Jinzhou Aoke is incorporated in the PRC and is principally engaged in the business of recycling and reprocessing of wire slurry, lubrication and business on tclie-13.6(Teto )20got

## LETTER FROM THE BOARD

### IMPLICATIONS OF THE LISTING RULES

As at the date of this circular, Huachang Guangfu is owned (i) as to 53% by Huaxin Silicon whose equity interest is wholly owned by Mr. Tan, (ii) as to 22% by PLC which is owned as to 65% by Mr. Chong's wholly owned companies, as to 30% by Mr. Sam Wai Keung (a director of Jinzhou Huachang Silicon Materials Co., Ltd., a wholly owned subsidiary of the Company) and as to 5% by Mr. Chong Yu Ka, an Independent Third Party; (iii) as to 20% by Grand Sea and (iv) as to 5% by Seaquest. As at the date of this circular, Jinzhou Aoke is owned as to 35% by Jinzhou Yuexin whose equity interest is wholly owned by Mr. Tan and as to 65% by Independent Third Parties. Accordingly, Huachang Guangfu and Jinzhou Aoke are the associates of Mr. Tan within the meaning of the Listing Rules, and the transactions contemplated under the Sale Agreement and the Processing 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 Sale Agreement and the Processing Agreement will exceed 2.5%, the Sale Agreement and the Processing Agreement will be subject to the reporting, announcement and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Continuing Connected Transactions will be entered into in the usual and ordinary course of businesses of the Group. The Directors (including the independent non-executive Directors) consider that the terms of the Sale Agreement and the Processing Agreement have been negotiated on arm's length basis and the Continuing Connected Transactions will be conducted on normal commercial terms. The Directors (including the independent non-executive Directors) are of the view that as far as the Independent Shareholders are concerned, the terms of the Sale Agreement and the Processing Agreement are fair and reasonable and in the interest of the Group and the Independent Shareholders as a whole.

The Company will therefore seek the approval of the Independent Shareholders of the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions under the Sale Agreement and the Processing Agreement on terms in compliance with Rule 14A.48 of the Listing Rules.

### EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting will be convened at which ordinary resolutions



**LETTER FROM THE BOARD**

**ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice of the Extraordinary General Meeting.

Yours faithfully,  
By order of the Board of  
**Solargiga Energy Holdings Limited**  
**Hsu You-Yuan**  
*Director*



## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions, we consider that the terms of the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions are fair and reasonable so far as the Company and the Shareholders are concerned and that they are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the Extraordinary General Meeting attached to the Circular to approve the terms of the Sale Agreement, the Processing Agreement and their respective annual cap amounts in relation to the Continuing Connected Transactions.

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

**Mr. WONG Wing Kuen, Albert**  
*Independent Non-executive Director*

**Ms. FU Shuangye**  
*Independent Non-executive Director*

**Dr. LIN Wen**  
*Independent Non-executive Director*

**Mr. ZHANG Chun**  
*Independent Non-executive Director*

## LETTER FROM PIPER JAFFRAY

*The following is the letter of advice from Piper Jaffray Asia Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular:*

# Piper Jaffray

3902B, 39th Floor, Tower 1  
Lippo Centre  
89 Queensway  
Hong Kong

2 September 2008

*The Independent Board Committee and  
the Independent Shareholders*

Solargiga Energy Holdings Limited  
Rooms 4001–06, Office Tower  
Convention Plaza  
1 Harbour Road  
Hong Kong

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Sale Agreement and the Processing Agreement, details of which are contained in the circular (“Circular”) dated 2 September 2008, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless context otherwise requires.

On 12 August 2008, the Company entered into the Sale Agreement with Huachang Guangfu pursuant to which the Company agreed to sell, or procure its subsidiaries to sell and Huachang Guangfu agreed to buy, or procure its subsidiaries to buy solar wafers.

On 12 August 2008, the Company entered into the Processing Agreement with Jinzhou Aoke pursuant to which the Company agreed to engage, or procure its subsidiaries to engage Jinzhou Aoke and/or its subsidiaries in the processing of wire slurry into recycled abrasives and mineral oil, the material necessary for slicing solar ingots into solar wafers.

As at the Latest Practicable Date, Huachang Guangfu is owned (i) as to 53% by Huaxin Silicon whose equity interest is wholly owned by Mr. Tan; (ii) as to 22% by PLC which is owned as to 65% by Mr. Chong’s wholly owned companies, as to 30% by Mr. Sam Wai Keung (a director of Jinzhou Huachang Silicon Materials Co., Ltd., a wholly owned subsidiary of the Company) and as to 5% by Mr. Chong Yu Ka, an Independent

## LETTER FROM PIPER JAFFRAY

Third Party; (iii) as to 20% by Grand Sea; and (iv) as to 5% by Sequest. As at the Latest Practicable Date, Jinzhou Aoke is owned as to 35% by Jinzhou Yuexin whose equity interest is wholly owned by Mr. Tan and as to 65% by Independent Third Parties. Mr. Tan is an executive Director, a shareholder and a connected person of the Company. Accordingly, Huachang Guangfu and Jinzhou Aoke are the associates of Mr. Tan within the meaning of the Listing Rules and the transactions contemplated under the Sale Agreement and the Processing Agreement will constitute continuing connected transactions for the Company under the Listing Rules.

The Group is one of the leading manufacturers of monocrystalline silicon 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 ingots and wafers are used for the manufacturing of photovoltaic cells which are important component of the solar energy generation system.

Huachang Guangfu, a company incorporated in the PRC, is principally engaged in the manufacturing of photovoltaic cells and solar cells.

Jinzhou Aoke, a company incorporated in the PRC, is principally engaged in the business of recycling and reprocessing of wire slurry, lubricants and silicon materials.

### **BASES OF THE ADVICE**

In formulating our advice, we have relied on the statements, information and facts supplied, and the opinions expressed and the representations made by the Directors and management of the Group, which we have assumed to be true and accurate at the time they were made and continue to be true and accurate in all aspects at the date of the despatch of the Circular. We have also assumed that all statements of beliefs, opinions, assumptions and intention made by the Directors and the management of the Group in the Circular were reasonably made after due and careful enquiry and the expectations and intentions made by the Directors and management of the Group will be met or carried out as the case may be. We consider that we have reviewed sufficient information to reach an informed view to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group or that any material facts have been omitted or withheld.

We have not, however, conducted an independent in-depth investigation of the information provided by the management of the Group and Directors, nor have we conducted any independent investigation into the businesses, and affairs of the Group or its future prospects.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our advice on the Continuing Connected Transactions, we have taken into consideration the principal factors and reasons set out below.

## LETTER FROM PIPER JAFFRAY

### A. The Sale Agreement

#### *Benefit of and reasons for the Sale Agreement*

According to 2008 China Solar Grade Wafer/Ingot Industry Research Report published by C YResearch Solar Energy Research Center, a research institute in China, China solar wafer shipment experienced an increase of 177.6% from 2005 to 2006, 146.8% from 2006 to 2007, and is expected to be increased by 99.4% by the end of 2008. China solar wafer shipment is expected to remain high and increasing in the coming years with great demand from China cell or module manufacturers.

Having discussed with the management of the Group, we understand that there has been shortage in solar wafers in the market. Currently, the Group is in full production capacity. The Group plans to substantially increase its manufacturing capacity in order to meet the anticipated increasing demand for the Group's products. As mentioned in the "Letter from the Board", subject to the prevailing market conditions, the annual solar wafer production capacity of the Group is expected to reach approximately 48 million, 150 million and 250 million pieces of solar wafer by end of 2008, 2009 and 2010, respectively. The Directors believe the entering into of the Sale Agreement will enable the Group to secure a potential major customer.

We note that there has been shortage of solar wafers in the market. As such, we have discussed with the management of the Group what factors they would consider in selecting customers, in particular, among independent customers and Huachang Guangfu, in case the demand for the Group's solar wafers exceeds the supply. The management of the Group has advised that in selecting customers, they would consider, among other things, the terms of the transactions, payment history as well as the relationship with the customers and that there will be no preferential treatment given by the Group to Huachang Guangfu. The Directors are of the view that Huachang Guangfu could satisfy the customers' selection criteria mentioned above.

As mentioned in the paragraph headed "Principal terms of the Sale Agreement" below, the terms of Sale Transactions will be on normal commercial terms and no less favourable to the Company than terms available from Independent Third Parties, and payments for the Sale Transactions will be at credit terms to be agreed between the Group and Huachang Guangfu in accordance with the normal term of sale offered to Independent Third Parties. Furthermore, based on the estimated demand of the Group's solar wafers from Huachang Guangfu, Huachang Guangfu could become one of the major customers of the Group. As the terms offered by Huachang Guangfu under the Sale Transactions will be no less favourable to the Company than terms available from Independent Third Parties, and Huachang Guangfu could become one of the major customers of the Group, we concur with the Directors' view that Huachang Guangfu could satisfy the customers' selection criteria mentioned above.

## LETTER FROM PIPER JAFFRAY

Having considered the Group's plan to substantially increase the solar wafer production capacity in the next three financial years and, based on the estimated demand from Huachang Guangfu during the same period (as mentioned in the paragraph headed "Bases of the annual caps under the Sale Agreement" below), Huachang Guangfu would become one of the major customers of the Group, we concur with the Directors' view that it is in the interests of the Company to enter into the Sale Agreement so as to secure a potential major customer and broaden customer base.

### *Principal terms of the Sale Agreement*

The Sale Agreement has a fixed term of three financial years ending on 31 December 2010. The selling price of solar wafers for the transactions under the Sale Agreement is determined in accordance with the prevailing market price of solar wafers and the sales quantity. The terms of the Sale Transactions 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 Sale Transactions will be at credit terms to be agreed between the Group and Huachang Guangfu in accordance with the normal term of sale offered to Independent Third Parties.

On the basis that (i) the Sale Agreement is entered into in the ordinary course of business of the Company; (ii) the terms of the Sale Transactions are based on normal commercial terms and will be no less favourable to the Company than terms available from the Independent Third Parties, we concur with the Directors' view that the principal terms of the Sale Agreement are fair

## LETTER FROM PIPER JAFFRAY

Third Parties for the financial year ended 31 December 2007 and the six months ended 30 June 2008, as well as certain sample sales invoices of solar wafers sold to Independent Third Parties. We note that the selling prices are generally in a slightly increasing trend. We have discussed with the management of the Group regarding the basis of the annual caps and note that the average price of solar wafers sold to Huachang Guangfu for the three years ending 31 December 2010 is estimated based on the recent price of solar wafers sold to Independent Third Parties.

Furthermore, the annual caps also represent approximately 5 million, 25 million and 43 million pieces of solar wafers to be sold to Huachang Guangfu for each of the three years ending 31 December 2010, respectively. We were advised that such sales volume is determined based on the expected solar wafer demand of Huachang Guangfu for the three years ending 31 December 2010, which in turn is estimated based on the planned production capacity of Huachang Guangfu. We have reviewed the planned production capacity of Huachang Guangfu for the three years ending 31 December 2010 provided to the Company by the management of Huachang Guangfu. We note that the sales volume of solar wafers sold to Huachang Guangfu estimated under the annual caps for the year ending 31 December 2008 represents approximately 100% of the estimated solar wafer demand from Huachang Guangfu in the second half of 2008, while the estimated sales volume of solar wafers sold to Huachang Guangfu for the two years ending 31 December 2010 represents approximately 55% to 65% of the estimated solar wafer demand from Huachang Guangfu for the same periods.

As mentioned in the "Letter from the Board", after taking consideration of the Group's expansion plan in solar wafer production capacity and subject to the prevailing market conditions, the annual solar wafer production capacity of the Group is (or the two years ending 31 December 2010 represents approximately 55% to 65% of the estimated solar wafer demand from Huachang Guangfu for the same periods).

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**B. The Processing Agreement**

*Benefit of and reasons for the Processing Agreement*

Jinzhou Aoke, a company incorporated in the PRC, is principally engaged in the business of recycling and reprocessing of wire slurry, lubricants and silicon materials. Processing of wire slurry produces recycled abrasives and mineral oil, which are the material necessary for slicing solar ingots into solar wafers.

Pursuant to the Processing Agreement, the Company will supply wire slurry to Jinzhou Aoke for recycling and processing into abrasives and mineral oil, which will be used by the Company during the slicing of solar ingots into solar wafers. Based on a cost comparison analysis, the Directors believe that the cost of recycled abrasives and mineral oil is less than the cost of purchasing new abrasives and mineral oil. Furthermore, the solar wafer production capacity is expected to increase substantially for the next three years ending 31 December 2010. As such, the Company might be able to benefit from lower raw material cost while fulfilling the Company's rising needs of abrasives and mineral oil for the anticipated increase in solar wafer production capacity. Entering into of the Processing Agreement is in line with the Group's strategy to reduce cost.

We have reviewed the Company's previous processing costs with an independent processing company, and purchasing prices of new abrasives and mineral oil and note that the previous processing costs with such independent processing company were lower than the purchasing prices of new abrasives and mineral oil.

Furthermore, as the factory of Jinzhou Aoke and one of the factories of the Group are both located in Jinzhou, the Directors consider that the Group might also be able to benefit from the close proximity, such as less time needed for transportation when compared with other wire slurry processing companies located outside Jinzhou.

Having considered the above, we concur with the view of the Directors that entering into of the Processing Agreement is in the interest of the Company and Shareholders as a whole.

*Principal terms of the Processing Agreement*

Pursuant to the Processing Agreement, the terms of the Processing Transactions 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 shall be at credit terms to be agreed between the parties in accordance with the normal term of supplies offered by Independent Third Parties.

## LETTER FROM PIPER JAFFRAY

On the basis that (i) the Processing Agreement is entered into in the ordinary course of business of the Company; (ii) the terms of the Processing Transactions are based on normal commercial terms and the processing cost will be no less favourable to the Company than terms available from Independent Third Parties, we concur with the Directors' view that the principal terms of the Processing Agreement are fair and reasonable.

### *Bases of the annual caps under the Processing Agreement*

The Company currently estimates that the annual recycling and processing fee payable to Jinzhou Aoke for both abrasives and mineral oil will not exceed the maximum amount of RMB9 million, RMB76 million and RMB148 million for each of the three years ending 31 December 2010, respectively.

We have discussed with the management of the Group regarding the basis of the annual caps, and reviewed the production cost ledgers of abrasives and mineral oil for the first half of 2008 and the Group's planned solar wafer production capacity for the three years ending 31 December 2010. In determining the annual caps under the Processing Agreement, the Group estimates that approximately 800 tons, 6,900 tons, and 13,400 tons of recycled abrasives and mineral oil will be obtained from recycling and processing of the Group's wire slurry for each of the three years ending 31 December 2010, respectively. We note that such estimates are made based on (i) the actual quantity of abrasives and mineral oil used in the first half of 2008; and (ii) the quantity of abrasives and mineral oil estimated to be used for solar wafer production based on the Group's planned solar wafer production capacity for the three years ending 31 December 2010 as mentioned in the "Letter from the Board". Furthermore, we have reviewed the agreement entered into between the Group and an independent processing company in 2007 and note that the processing costs for recycled abrasives and mineral oil under the annual caps are estimated based on the previous processing costs paid by the Group to such independent processing company. As such, we concur with the Directors' view that the assumptions and projections made in

## LETTER FROM PIPER JAFFRAY

### RECOMMENDATION

Having considered the factors and reasons discussed above, we consider that the Sale Agreement and Processing Agreement are in the interests of the Company and the Shareholders as a whole, and that the terms of the Sale Agreement and the Processing Agreement and the related annual caps are fair and reasonable as far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Sale Agreement and Processing Agreement and the related annual caps at the Extraordinary General Meeting.

Yours faithfully,  
For and on behalf of  
**Piper Jaffray Asia Limited**  
**Steven Chiu**  
*Principal*

## 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 enquiries, that to the best of their knowledge 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

### (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 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 (Note 1)	Approximate percentage of holding (%)
Mr. Tan (Note 4)	Beneficial Interest	471,910,500(L)	27.90%
	Interest in an option	31,036,000(L)	1.84%
	Security interest	17,352,500(L)	1.03%
Mr. Chong (Note 2)	Interest of controlled corporation	98,464,500(L)	5.83%
	Personal interest	1,254,500(L)	0.07%
	Trustee's interest	34,814,000(L)	2.06%

<b>Name of Director</b>	<b>Nature of interest</b>	<b>Number of shares held (Note 1)</b>	<b>Approximate percentage of holding (%)</b>
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Save as disclosed above, as at the Latest Practicable Date, none of the Directors of the Company or their associates has any interests or short positions in any shares, underlying shares and debentures of the Company or 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.

**(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 of the Company, the following persons have interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO 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	Percentage of shareholding (%)
Wafer Works Investment Corp. (" <b>WWIC</b> ")	Beneficial owner	358,364,000(L) (Note 1)	21.2%
Wafer Works Corp. (" <b>WWX</b> ") (Note 2)	Interest of a controlled corporation	358,364,000(L)	21.2%
Space Energy Corporation	Beneficial owner	144,978,500(L)	8.57%
Toshinao Nimura (Note 3)	Interest of a controlled corporation	144,978,500(L)	8.57%
Jean Salata	Interest of a controlled corporation	114,614,000(L)	6.78%
Baring Private Equity Asia GP IV Limited	Interest of a controlled corporation	114,614,000(L)	6.78%
Baring Private Equity Asia. GP IV, L.P	Interest of a controlled corporation	114,614,000(L)	6.78%

Name	Capacity	Number of shares held	Percentage of shareholding (%)
The Baring Asia Private Equity Fund IV, L.P.	Interest of a controlled corporation	114,614,000(L)	6.78%
Baring Private Equity Asia IV Holding (6) Limited	Beneficial interest	114,614,000(L)	6.78%

*Notes:*

1. The letter "L" denotes the person's long position in such securities.
2. WWIC is wholly-owned by WWX. By virtue of the SFO, WWX is deemed to be interested in the Shares held by WWIC.
3. Toshinao Nimura was interested in approximately 34.22% of the issued share capital of Space Energy Corporation as at the Latest Practicable Date.

Save as disclosed above, the Directors of the Company were not aware that there was any person (other than a Director of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10 per cent. or more of the nominal value of any class of share capital carrying rights to



**Mr. Chong**

Mr. Chong holds interest in Huachang Guangfu and (Jinzhou Changhua Carbon Production Co., Ltd.\*) (“**Jinzhou Changhua**”). Huachang Guangfu is engaged in the manufacture of PV and solar cells, Jinzhou Changhua is engaged in the manufacture of graphite and graphite related products. As explained above, Huachang Guangfu and Jinzhou Changhua are not competitors of the Company, as the Company, Huachang Guangfu and Jinzhou Changhua are engaged in different industries. Mr. Chong also holds an interest in (Jinzhou Youxin Electronic Materials Co., Ltd.\*) (“**Jinzhou Youxin**”) which is principally engaged in the trading of quartz crucibles.

Jinzhou Youxin is not a competitor to the Group because (a) quartz crucibles is an auxiliary raw material for the manufacture of polysilicon products which the Group manufactures. 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, 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 2007, the date of which the latest audited financial statements of the Group were made up.

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

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

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

Piper Jaffray 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 the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Piper Jaffray	a corporation licensed to carry out Types 1 (dealing in securities) and 6 (advising on



**NOTICE OF EXTRAORDINARY GENERAL MEETING**



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## NOTICE OF EXTRAORDINARY GENERAL MEETING

Processing Agreement and the execution of the Processing Agreement by any one director of the Company be and are hereby approved, confirmed and ratified;

- (b) the respective annual cap amounts in relation to the Processing Agreement for the three years ending 31 December 2010 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 purposes of giving effect to the Processing Agreement and the transactions contemplated thereby.”