



## **Hoku and Jiangxi Kinko Energy Sign \$298 Million Polysilicon Supply Contract**

### **Hoku Updates Plant Financing Strategy, Reports Polysilicon Production Fully Allocated**

POCATELLO, ID and SHANGHAI, CHINA, Jul 30, 2008 (MARKET WIRE via COMTEX News Network) -- Hoku Materials, Inc., a wholly owned subsidiary of Hoku Scientific, Inc. (NASDAQ: HOKU), established to manufacture and sell polysilicon for the solar market, and Jiangxi Kinko Energy Company, Ltd., a manufacturer of silicon ingots, wafers and related products in China, today announced the signing of a definitive contract for Hoku's sale and delivery of solar-grade polysilicon to Kinko Energy over a ten-year period beginning in late-2009.

According to the contract, up to approximately \$298 million may be payable to Hoku during the ten-year period, subject to product deliveries and other conditions. The take-or-pay contract provides for the delivery of predetermined volumes of polysilicon each year, with the first shipment in the second half of 2009 and the remainder over a ten-year period at set prices that will decline throughout the term of the agreement. The contract also provides for an initial deposit of \$10 million to Hoku, and requires that Kinko Energy make additional prepayments for products in the amount of \$20 million by December 20, 2008 and an additional \$25 million by March 31, 2009. Under the agreement, Hoku will grant to Kinko Energy a security interest in its polysilicon assets to secure Hoku's obligation to repay \$55 million to Kinko Energy as a credit against product shipments over time.

"We are pleased to have established a relationship with Kinko Energy, an emerging player in the global silicon ingot and wafer industries," said Dustin Shindo, chief executive officer of Hoku Scientific. "Kinko Energy's strategic approach and their focus on growth in the solar market make them an excellent long-term partner for Hoku."

"We are excited to partner with Hoku and look forward to a long and productive business relationship," said Kinko Energy chairman, X.D. Li. "Hoku is a clear leader among new polysilicon market entrants, and securing this long-term supply agreement is an important part of Kinko Energy's future expansion goals."

The agreement with Kinko Energy contributes to the financing needed by Hoku to complete its planned Idaho production facility. Previously, Hoku had announced plans to fund the \$390 million polysilicon plant through \$240 million from customer pre-payments and \$40 million of its own cash, with the remaining \$110 million to come from a combination of pre-payments from new customers, and from debt, equity and other financing strategies. Under the terms of the agreement with Kinko, up to \$55 million could be applied toward this remaining \$110 million, potentially reducing it by half.

"We plan to continue with our equity distribution agreement and other funding strategies, but do not expect we will need to sell as many shares to complete our plant financing," Shindo said. "The contract with Kinko Energy provides \$10 million in near-term funds which will be deployed during our ramp-up to pilot production. And, with a total of \$30 million expected from Kinko before the end of 2008, the agreement reduces our risk of not meeting the financing contingencies in some of our other customer supply contracts."

With the signing of the Kinko Energy agreement, Hoku also confirmed that the plant's expected annual production of 3,500 metric tons (MT) of polysilicon had been fully allocated.

"Looking over a ten year period, we are actually slightly oversold at current planned capacity," said Shindo. "As we have previously stated, though, Hoku is in ongoing contract amendment discussions with both Sanyo and GEWD/Solar Fabrik. We are generally seeking to strengthen these two relationships, but we may adjust delivery amounts or timing to either Sanyo or GEWD, or both, to address this slight overage."

About Hoku Scientific, Inc.

Hoku Scientific, Inc. (NASDAQ: HOKU) is a diversified clean energy technologies company with three business units: Hoku Materials, Hoku Solar and Hoku Fuel Cells. Hoku Materials plans to manufacture, market, and sell polysilicon for the solar market from its plant currently under construction in Pocatello, Idaho. Hoku Solar is a provider of turnkey photovoltaic systems in Hawaii. Hoku Fuel Cells has developed proprietary fuel cell membranes and membrane electrode assemblies for stationary and automotive proton exchange membrane fuel cells. For more information visit [www.hokuscientific.com](http://www.hokuscientific.com).

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About Jiangxi Kinko Energy Company, Ltd.

Jiangxi Kinko Energy Co., Ltd. is one of the largest emerging manufacturers of solar industry silicon products and semiconducting materials in China. Specializing in the production of silicon ingots, blocks and wafers, Kinko Energy's silicon industry assets currently include mono-crystalline furnaces, polycrystalline ingot casting furnaces, wire cutting and chipping equipment, and related production facilities, among others. Jiangxi Kinko Energy Company, Ltd. is affiliated with DeSun Solar Company, Ltd. (Group) and is a privately held, overseas funded, high technology enterprise whose investors include Hong Kong Paker Technology Company, Ltd. For more information, visit [www.kinkosolar.com](http://www.kinkosolar.com).

#### Forward-Looking Statements

This press release contains forward-looking statements that involve many risks and uncertainties. These statements relate to the timing and amount of financing Hoku Scientific and Hoku Materials will need to raise to complete the engineering, procurement, and construction of their planned polysilicon production plant; Hoku Materials's ability to successfully derive revenues from the sale of polysilicon to Jiangxi Kinko Energy Company, Ltd.; the timing of when Hoku Materials expects to receive an aggregate of \$55 million in prepayments from Jiangxi Kinko Energy Company, Ltd.; the ability of Hoku Materials to engineer and construct a production plant for polysilicon; its ability to produce polysilicon; its ability to meet the delivery schedule in its agreement with Jiangxi Kinko Energy Company Ltd.; Kinko Energy's expansion plans; Hoku Materials's relationship with Sanyo and Global Expertise Wafer Division and the terms of any amended agreements with each of Sanyo and Global Expertise Wafer Division, respectively; Hoku Scientific's future financial performance; its business strategies and plans; and objectives of management for future operations. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "will," "would" and similar expressions intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause Hoku Scientific's actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. In evaluating these statements, you should specifically consider the risks described in Hoku Scientific's respective filings with the Securities and Exchange Commission, as applicable. Except as required by law, Hoku Scientific assumes no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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