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Source: Hoku Scientific, Inc.

Tianwei Commits to Additional \$227 Million of Polysilicon From Hoku

Tuesday September 16, 4:30 pm ET

Hoku Announces Plant Capacity Increase to 4,000 MT

POCATELLO, ID and CHENGDU, CHINA--(MARKET WIRE)--Sep 16, 2008 -- Hoku Materials, Inc., a wholly owned subsidiary of Hoku Scientific, Inc. ([HOKU](#) - [News](#)) established to manufacture and sell polysilicon for the solar market, and Tianwei New Energy (Chengdu) Wafer Co., Ltd., a subsidiary of Tianwei New Energy Holdings Co., Ltd. that manufactures silicon wafers, photovoltaic cells, and modules in China, today announced the signing of a second long-term contract for Hoku's sale and delivery of additional quantities of polysilicon to Tianwei over a ten-year period beginning in the second quarter of 2010.

According to the contract, up to approximately \$227 million may be payable to Hoku during the ten-year period, subject to product deliveries and other conditions. Together with the first contract, this brings Tianwei's total orders from Hoku to approximately \$511 million over ten years. The take-or-pay contract provides for the delivery of predetermined volumes of polysilicon each year, with the first shipment in the second quarter of 2010 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 a deposit of \$10 million to Hoku in September 2008, and requires that Tianwei make additional deposits for products in the amount of \$12 million by December 15, 2008, \$12 million by April 30, 2009, and \$2 million upon first shipment. Under the agreement, Hoku will grant to Tianwei a security interest in all of its tangible and intangible assets related to its polysilicon business to secure Hoku's obligation to repay \$36 million to Tianwei as a credit against product shipments over time.

"We strive to develop solid relationships with suppliers who we view as long-term strategic partners for our mutual growth and success," said A. Guo, Tianwei's general manager. "Hoku shares this long-term view, and we are pleased to further solidify our relationship by placing this second order."

"Tianwei New Energy demonstrates an entrepreneurial spirit, and is backed by the strength of the Tianwei Group, an established leader in the power transmission equipment market in China," said Dustin Shindo, chief executive officer of Hoku Scientific, Inc. "Tianwei is an ideal long-term partner for Hoku, and we were happy to accept their second order."

With the \$36 million in additional prepayments from Tianwei, Hoku has secured an aggregate of \$306 million in prepayment commitments from its customers, including Suntech, Solarfun, Kinko Energy, and Wealthy Rise (Solargiga). These prepayment commitments will be paid to Hoku based on the terms of the respective agreements that Hoku has with each of its customers. Hoku previously reported its own cash contribution to the plant as \$47 million. Combining the new total of \$306 million in customer prepayment commitments with Hoku's cash contribution of \$47 million brings the total committed project funding to approximately \$353 million.

Shindo commented, "Considering the additional prepayments from our new contract with Tianwei and the anticipated timing of prepayment receipts from our other customers, we believe we have secured sufficient funding to keep the procurement and construction of our polysilicon plant on track through the first quarter of 2009, without the need to raise additional capital from financing in 2008. Nevertheless, we will continue evaluating market conditions to determine the best time to raise additional project funds that will be needed in 2009 through debt and/or equity."

Hoku previously reported that it was evaluating ways to increase the effective capacity of its facility beyond 3,500 metric tons of polysilicon production. Hoku recently finalized and obtained the necessary air permits from the State of Idaho to operate its plant at 4,000 metric tons of capacity.

Regarding capacity, Shindo noted, "This new contract with Tianwei increases Hoku's total allocated production output beyond 3,500 metric tons, but less than the 4,000 metric ton limit, which we have confirmed as the forecasted production output for our polysilicon plant. To enable this increase in our production capacity, we have previously designed our trichlorosilane production plant, vent gas recovery system,

and select other infrastructure items to accommodate additional production output beyond 3,500 metric tons per year. We expect that continued progress on project development will help us refine our estimated construction and procurement costs. With improved visibility on forecasted expenses, and with the incremental increase in planned production capacity, we are evaluating any associated increases in total project costs. That said, we believe that the increase in planned production output from 3,500 to 4,000 metric tons per year will not require the purchase of any additional polysilicon reactors, trichlorosilane production equipment, or vent gas recovery equipment."

About Hoku Scientific, Inc.

Hoku Scientific, Inc. ([HOKU - News](#)) 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 provides 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.

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About Tianwei New Energy (Chengdu) Wafer Co., Ltd.

Tianwei New Energy (Chengdu) Wafer Company is a wholly owned subsidiary of Tianwei New Energy Holdings Co., Ltd (TWNE), with first class silicon wafer facilities in China's Sichuan Province. By the first half of 2009, it will have installed wafer capacity of 300 MW, with plans to expand to 600 MW from 2009. Its parent company, TWNE, is also based in Sichuan, China. TWNE owns wafer, photovoltaic (PV) cell and module facilities. By the end of 2008, TWNE will have 100MW of installed PV cell capacity and 60MW of installed PV module capacity, with plans to increase PV cell and module capacity to 300 MW each in 2009. TWNE is a wholly owned subsidiary of Baoding Tianwei Group Company, Ltd., a leading manufacturer of power transmission equipment and green energy products in China, originally founded in 1958. Baoding Tianwei Group Company, Ltd. has approximately 8,000 employees. For more information visit www.twnesolar.com.

Forward-Looking Statements

This press release contains forward-looking statements that involve many risks and uncertainties. These statements relate to Hoku Materials's ability to successfully derive revenues from the sale of polysilicon to Tianwei New Energy (Chengdu) Wafer Co., Ltd., Solarfun, Suntech, Kinko, and Wealthy Rise (Solargiga); the timing of Hoku Materials's receipt of future prepayments in the aggregate amount of \$36 million from Tianwei, and in the aggregate of \$306 million from Tianwei, Solarfun, Suntech, Kinko, and Wealthy Rise (Solargiga); its ability to successfully raise sufficient funds to establish a polysilicon manufacturing plant; the timing and amount of financing that may be required to establish a polysilicon manufacturing plant, and if Hoku Materials will need to raise additional funds in 2008; the cost to engineer, procure, and construct a polysilicon plant, and any additional costs that may be incurred to increase the planned production capacity from 3,500 metric tons per year to 4,000 metric tons per year; Hoku Materials's ability to engineer and construct a production plant for polysilicon, including its ability to produce up to 4,000 metric tons of polysilicon per year; its ability to manufacture polysilicon; its ability to meet the delivery schedule in its agreement with Tianwei; the quality of polysilicon to be manufactured; Hoku Materials's costs to manufacture polysilicon, and its ability to offer pricing that is competitive with competing products; Tianwei's plans to expand its silicon wafer, PV cell, and PV module businesses; 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 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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