Solargiga Energy

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

- Listed on 31 March 2008 on the Main Board of The Stock Exchange of Hong Kong Limited
- Revenue surged by 76.2% to RMB685.5 million
- Gross profit increased by 146.4% to RMB276.7 million
- Gross profit margin rose from 28.9% for the six months ended 30 June 2007 to 40.4% for the same period in 2008, being one of the highest among comparables
- Profit attributable to equity shareholders soared by 170.8% to RMB194.9 million
- Basic earnings per share rose by 150.0% to RMB12.5 cents
- The Board does not recommend the payment of interim dividend for the six months ended 30 June 2008

Note: the above calculation of profit attributable to equity shareholders and basic earnings per share excluded one-off non-operating items: IPO expenses of RMB11.6 million incurred in 2008 and gain on acquisition of the Acquired Group of RMB74.8 million generated in 2007.

INTERIM RESULTS

The board of directors (the "Board") of Solargiga Energy Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period in 2007. The consolidated interim financial report for the six months ended 30 June 2008 is unaudited, but has been reviewed by KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants whose unmodified review report is included in the consolidated interim financial report to be sent to shareholders. These interim results have also been reviewed by the Company's audit committee, comprising solely the independent non-executive Directors, one of whom chairs the committee.

UNAUDITED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2008
(Expressed in Renminbi)

		Six months ended 30 June	
		2008	2007
	Note	***RMB'000***	*RMB'000*
Turnover		**685,480**	388,976
Cost of sales		**(408,772)**	(276,666)
Gross profit		**276,708**	112,310
Other revenue	*3*	**3,512**	77,417
Other net loss	*4*	**(5,685)**	(2,066)
Selling and distribution expenses		**(3,127)**	(1,540)
Administrative expenses		**(45,442)**	(8,592)
Profit from operations		**225,966**	177,529
Finance costs	*5*	**(1,326)**	(3,252)
Profit before taxation	*5*	**224,640**	174,277
Income tax	*6*	**(41,356)**	(3,269)
Profit for the period		**183,284**	171,008
Attributable to:			
Equity shareholders of the Company		**183,284**	146,760
Minority interests		**–**	24,248
Profit for the period		**183,284**	171,008
Earnings per share (RMB cents)	*8*		
– Basic		**11.71**	10.21

UNAUDITED CONSOLIDATED BALANCE SHEET

At 30 June 2008
(Expressed in Renminbi)

	Note	**30 June 2008** *RMB'000*	31 December 2007 *RMB'000*
Non-current assets			
Property, plant and equipment	*9*	**333,517**	175,379
Lease prepayments		**48,380**	48,486
Prepayments for acquisition of property, plant and equipment		**9,238**	53,092
Deferred tax assets		**–**	922
		391,135	277,879
Current assets			
Inventories		**215,220**	137,832
Trade and other receivables	*10*	**355,832**	187,066
Pledged deposits		**–**	120
Cash and cash equivalents		**574,980**	348,978
		1,146,032	673,996
Current liabilities			
Short-term bank loans		**30,000**	127,000
Trade and other payables	*11*	**107,454**	144,068
Current tax payable		**11,954**	18,453
		149,408	289,521
Net current assets		**996,624**	384,475
Total assets less current liabilities		**1,387,759**	662,354

UNAUDITED CONSOLIDATED BALANCE SHEET *(continued)*
At 30 June 2008
(Expressed in Renminbi)

	Note	**30 June 2008** *RMB'000*	31 December 2007 *RMB'000*
Non-current liabilities			
Municipal government loan		**2,947**	2,890
Deferred tax liabilities		**10,737**	–
Deferred income		**27,095**	26,747
		40,779	29,637
Net assets		**1,346,980**	632,717
Capital and reserves			
Paid-in/issued capital	*12*	**152,189**	279
Reserves		**1,194,791**	632,438
Total equity		**1,346,980**	632,717

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
(Expressed in Renminbi)

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Cash (used in)/generated from operations	**(43,461)**	152,070
Tax paid	**(36,196)**	(2,812)
Net cash (used in)/generated from operating activities	**(79,657)**	149,258
Net cash used in investing activities	**(121,240)**	(197,780)
Net cash generated from financing activities	**427,053**	155,505
Net increase in cash and cash equivalents	**226,156**	106,983
Effect of exchange rate changes	**(154)**	–
Cash and cash equivalents at 1 January	**348,978**	46,704
Cash and cash equivalents at 30 June	**574,980**	153,687

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. GENERAL INFORMATION AND GROUP REORGANISATION

(a) The Company

Solargiga Energy Holdings Limited (the "Company") was incorporated in the Cayman Islands on 7 March 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KYI-1111, Cayman Islands and its principal place of business is Room 4001-06 Office Tower, Convention Plaza, Harbour Road, Wan Chai, Hong Kong. The Company was incorporated under the name of Solar Giga Holdings Ltd. By a resolution passed on 26 April 2007, the name of the Company was changed to Solargiga Energy Holdings Limited.

(b) Reorganisation

The Company and its subsidiaries are referred to as the "Group" in the interim financial report. The Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). On 7 May 2007, the Company became the holding company of the subsidiaries. Details of the Reorganisation are set out in note 27 to the 2007 Annual Report. The shares of the Company were listed on the Stock Exchange on 31 March 2008.

2. BASIS OF PREPARATION

Except for Solar Technology Investment (Cayman) Corp. ("STIC") and its subsidiaries (hereinafter collectively referred to as the "Acquired Group"), which were acquired during the year ended 31 December 2007, other companies that took part in the Reorganisation and are included in the interim financial report were controlled by the same ultimate equity shareholder (referred to as "the controlling equity shareholder") before and after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling equity shareholder and, therefore, the Reorganisation is considered to be a business combination of entities under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") has been applied. The interim financial report has been prepared using the merger basis of accounting as if the Group had always been in existence, except for the acquisition of the Acquired Group. The net assets of the combining companies are combined using the existing book values from the controlling equity shareholder's perspective.

The consolidated income statement, consolidated statement of changes in equity and condensed consolidated cash flow statement of the Group include the results of operations of the Company and its subsidiaries for the period ended 30 June 2007 and 2008 or since their respective dates of incorporation or since the date which control was obtained, whichever is a shorter period, as if the current group structure had been in existence throughout the two periods presented. The consolidated balance sheet of the Group as at 31 December 2007 and 30 June 2008 has been prepared to present the combined assets and liabilities of the Group as at those dates.

The Group acquired the Acquired Group on 26 June 2007. The purchase method of accounting has been used to account for this acquisition.

3. OTHER REVENUE

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Gain on acquisition of subsidiaries	**–**	74,771
Government grants	**203**	1,559
Interest income from bank deposits	**1,942**	947
Others	**1,367**	140
	3,512	77,417

4. OTHER NET LOSS

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Net foreign exchange loss	**(5,379)**	(2,066)
Gain on disposals of property, plant and equipment	**34**	–
Others	**(340)**	–
	(5,685)	(2,066)

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank loans and other borrowings wholly repayable within five years	**4,239**	3,148
Interest on municipal government loan	**105**	104
Total interest expense on financial liabilities not at fair value through profit or loss	**4,344**	3,252
Less: Interest expense capitalised into construction in progress	**(3,018)**	–
	1,326	3,252

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
(b) Other items:		
Amortisation of lease prepayments	**564**	80
Depreciation	**8,474**	5,616

6. INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the period	**29,697**	3,156
Under-provision in respect of prior periods	**–**	54
	29,697	3,210
Deferred tax		
Origination and reversal of temporary differences	**11,659**	59
	41,356	3,269

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the current and prior periods.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the income tax rules and regulations of the People's Republic of China ("PRC"), the subsidiaries in the PRC are eligible for a 100% relief from PRC Enterprise Income Tax for two years from the first year they record assessable profits and, thereafter, they are subject to PRC Enterprise Income Tax at 50% of the applicable income tax rate for the following three years.

The first year that Jinzhou Xinri Silicon Materials Co., Ltd. ("Xinri") recorded assessable profits was 2001 and, therefore, Xinri was subject to a 50% tax exemption starting from 2003. As Xinri is engaged in an advanced technology business in the PRC, it has been granted an extension of the 50% tax exemption for a further three years. Accordingly, Xinri was subjected to a preferential tax rate of 13.5% for the year ended 31 December 2007.

The first year that Jinzhou Huachang Silicon Materials Co., Ltd. ("Huachang") and Jinzhou Huari Silicon Materials Co., Ltd. ("Huari") recorded assessable profits was 2003 and 2005, respectively. Accordingly, Huachang and Huari were subjected to a preferential tax rate of 13.5% for the year ended 31 December 2007.

The first year that Jinzhou Yangguang Energy Co., Ltd. ("Yangguang") recorded assessable profits was 2006. It was fully exempted from PRC Enterprise Income Tax for the year ended 31 December 2007.

Jinzhou Youhua New Energy Co., Ltd. ("Youhua") and Shanghai Jingji Electron Material Co., Ltd. ("Jingji") were subjected to preferential tax rates of 13.5% and 27% respectively for the year ended 31 December 2007.

On 1 January 2008, the Corporate Income Tax Law of the PRC ("new tax law") became effective. The corporate income tax rate has been adjusted to the standard rate of 25%. For Foreign Investment Enterprises ("FIE"s) which have not fully utilised their five-year tax holiday (i.e. two-year exemption and subsequent three-year 50% reduction of the applicable tax rate) will be allowed to continue to receive the benefits of the tax holiday during the five-year grandfathering period. For those FIEs which have not yet begun their five-year tax holiday period, the tax holiday period will be deemed to have commenced from the effective date of the new tax law.

Further under the new tax law, from 1 January 2008 onwards, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business but the relevant income is not effectively connected with the establishment or a place of business in the PRC, are subject to withholding tax at the rate of 5% or 10% on various types of passive income such as dividends derived from sources in the PRC. Distributions of pre-2008 earnings are exempted from the above-mentioned withholding tax.

Based on this new tax law, the provision for PRC Enterprise Income Tax for the PRC subsidiaries of the Group for the six months ended 30 June 2008 has been calculated using the following rates:

Huachang	25%
Huari	12.5%
Jingji	25%
Jinzhou Rixin Silicon Material Co., Ltd.	25%
Xinri	25%
Yangguang	12.5%
Youhua	25%

7. DIVIDENDS

(a) Dividends attributable to the period

The directors do not recommend the payment of a dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

(b) Dividend attributable to the previous financial year, approved and paid during the period

	Six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the period, of RMB5.2 cents (HK$5.8 cents) per share	**88,258**	–
Final dividend in respect of the previous financial year, approved and paid during the period by certain subsidiaries of the Company *(note)*	**–**	113,658

Note: Pursuant to a resolution passed at a meeting of the board of directors on 27 February 2007, dividends of RMB113,658,000 were declared by certain subsidiaries of the Company to their then shareholders.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB183,284,000 (six months ended 30 June 2007: RMB146,760,000) and the weighted average of 1,564,667,052 (six months ended 30 June 2007: 1,437,166,500) ordinary shares of the Company in issue during the period as calculated as set out in note 8(b). The weighted average number of shares for the current and prior period has been adjusted for the capitalisation issue as if the capitalisation issue had been in existence throughout 2007 and the six months ended 30 June 2008. For details on the capitalisation issue, please refer to note 12(ii).

(b) Weighted average number of ordinary shares

	Number of ordinary shares	
	2008	2007
Issued ordinary shares at 1 January *(note 12)*	**2,874,333**	2,874,333
Effect of capitalisation issue *(note 12)*	**1,434,292,167**	1,434,292,167
Effect of share issued under the global offering *(note 12)*	**127,500,552**	–
Weighted average number of ordinary shares	**1,564,667,052**	1,437,166,500

(c) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2007 and 2008.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group acquired items of plant and machinery with a cost of RMB167,006,000 (six months ended 30 June 2007: RMB18,980,000). Items of plant and machinery with a net book value of RMB394,000 were disposed of during the six months ended 30 June 2008 (six months ended 30 June 2007: nil).

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2008	At 31 December 2007
	RMB'000	*RMB'000*
Trade receivables	**114,386**	77,118
Other receivables, prepayments and deposits	**241,446**	109,233
Amount due from a related party	**–**	715
	355,832	187,066

All of the trade and other receivables are expected to be recovered within one year.

(a) The ageing analysis of trade receivables as of the balance sheet date is as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Within 1 month	**53,605**	41,861
1 – 3 months	**38,254**	18,977
3 – 6 months	**15,861**	13,753
6 – 12 months	**5,730**	826
1 – 2 years	**936**	1,701
	114,386	77,118

The Group normally allows a credit period of 30-90 days to its customers.

(b) Included in trade receivables are aggregate amounts due from related parties of RMB45,833,000 (31 December 2007: RMB32,991,000).

(c) Included in other receivables, prepayments and deposits are prepayments for the purchase of raw materials from related parties of RMB1,823,000 (31 December 2007: RMB351,000).

11. TRADE AND OTHER PAYABLES

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Trade payables	**39,780**	38,367
Other payables and accrued expenses	**67,674**	105,701
	107,454	144,068

All of the trade and other payables are expected to be settled within one year.

(a) The ageing analysis of trade payables as of the balance sheet date is as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Within 1 month	**27,429**	24,627
1 – 3 months	**7,273**	9,584
3 – 6 months	**1,267**	1,858
6 – 12 months	**1,783**	1,164
1 – 2 years	**2,028**	1,134
	39,780	38,367

Included in trade payables are amounts due to related parties of RMB16,737,000 at 30 June 2008 (31 December 2007: RMB26,762,000).

12. AUTHORISED AND ISSUED SHARE CAPITAL

	2008		2007	
	No. of shares	***'000***	*No. of shares*	*'000*
Authorised:				
Ordinary shares of HK$0.1 each *(note 12(i))*	**5,000,000,000**	**HK$500,000**	3,800,000	HK$380
Equivalent to:		**RMB450,000**		RMB368
Ordinary shares, issued and fully paid:				
At 1 January/7 March	**2,874,333**	**279**	1	–
Arising from the Reorganisation *(note 12(iv))*	**–**	**–**	999,999	97
Acquisition of minority interests *(note 12(iv))*	**–**	**–**	343,708	33
Issue of new shares *(note 12(iv))*	**–**	**–**	1,530,625	149
Capitalisation issue *(note 12(ii))*	**1,434,292,167**	**129,086**	–	–
Shares issued under the global offering *(note 12(iii))*	**253,600,000**	**22,824**	–	–
At 30 June 2008/31 December 2007	**1,690,766,500**	**152,189**	2,874,333	279

(i) Pursuant to the ordinary resolutions passed on 12 January 2008, the authorised share capital of the Company was increased from HK$380,000 (equivalent to RMB368,000) to HK$5,000,000,000 (equivalent to RMB4,500,000,000) by the creation of 4,996,200,000 new ordinary shares of HK$0.1 (equivalent to RMB0.09) each.

(ii) Pursuant to the ordinary resolutions passed on 27 February 2008, the Directors alloted and issued a total of 1,434,292,167 shares of HK$0.1 (equivalent to RMB0.09) each credited as fully paid at par to the shareholders whose names appeared on the register of members of the Company at the close of business on the date of the Prospectus dated 17 March 2008 in proportion to their shareholding at that date by capitalising a sum of HK$143,429,000 (equivalent to RMB129,086,000) standing to the credit of the share premium account of the Company.

The allotment and issue of shares of the Company mentioned above is referred to as "Capitalisation issue".

(iii) On 31 March 2008, an aggregate of 253,600,000 ordinary shares of HK$0.1 (equivalent to RMB0.09) each were issued and offered for subscription at a price of HK$2.92 (equivalent to RMB2.63) per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately HK$682 million (equivalent to RMB613 million) net of related expenses from the share offer.

(iv) The details of these movements are set out in note 27 to the 2007 Annual Report.

13. CAPITAL COMMITMENTS

Capital commitments that relate to purchase of property, plant and equipment outstanding as at balance sheet date not provided for in the unaudited interim financial report were as follows:

	At 30 June 2008 *RMB'000*	At 31 December 2007 *RMB'000*
Authorised and contracted for	**244,988**	83,668
Authorised but not contracted for	**–**	8,570

14. NON-ADJUSTING POST BALANCE SHEET EVENT

Xinri, Huari, Huachang, Youhua and Yangguang merged as one operating entity after the period end when the relevant approvals were obtained from the Jinzhou Municipal Bureau of Foreign Trade and Economic Cooperation, the Administration for Industry and Commerce and other relevant government bodies.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group was successfully listed on the Main Board of Hong Kong Stock Exchange on 31 March 2008. Not only did the listing accelerate the process of expanding the Group's production capacity and enhancing technology, it also laid a solid foundation for its future development and further internationalisation. In 2008, the Group focuses on consolidating its leading position among the manufacturers of monocrystalline silicon ingots and wafers in China, with the aim of achieving a stable and continuous growth in profit, creating value for its business as well as maximizing return for its shareholders.

Expand production capacity to capture market opportunities

As global warming intensifies and fossil fuel prices continue to rise, the demand for green energy has been escalating. The solar photovoltaic (PV) industry in which the Group is engaged is developing with a quantum leap. As for the global PV markets, Germany, Spain, Japan and Italy are currently the major ultimate markets, while the US, South Korea, Australia and the Middle East are developing in full swing. Being a major energy consumer, China's future development potential is enormous and thanks to its economic growth and needs of environmental protection. To capture the persistent global demand for PV products, the Group started to operate additional 96 ingots pullers and 16 wiresaws in the third quarter of 2008, and expects that 13 more wiresaws will be in place by the end of 2008. As a result, the annual production capacity of monocrystalline silicon ingots was doubled to 2,000 tons in 2008 as compared to last year, while that of wafers significantly increased by 2.3 times to 56 million pieces with light energy conversion capability of approximately 200MW. The Group believes that the increased production capacity can speed up market share acquisition and improve operating efficiency, which will in turn sharpen the cutting edge of Solargiga in capturing opportunities arising from the fast expanding market.

Strategic alliances to secure stable supply of raw materials

In face of the rapid growth of the PV industry and to further strengthen the PV value chain of the Group, the Group formed strategic alliances with three leading players in the PV related industry, namely, Wafer Works Corporation, Space Energy Corporation and Sumitomo Corporation, capitalizing on the shared management experiences and enhanced technology on solar energy.

Polysilicon, the Group's major raw material, is in serious short supply due to insufficient output which leads to the escalating prices of the material. With the 96 newly purchased ingots pullers commencing commercial production in the second half of the year, production capacity of monocrystalline silicon ingots and wafers will significantly increase, so will the Group's demand for polysilicon, which is in severe short supply around the globe. In order to secure sufficient supply of polysilicon for 2008 to cater for the current production capacity and further ensure stable supply for 2009 and even for the mid-to-long term at favourable prices, the Group entered into the WWX Supplemental Supply Agreement and WWX Supplemental Sale Agreement on 4 June 2008 with Wafer Works Corporation to greatly increase the annual caps for the polysilicon supply and ingot as well as wafer sales from 2008 to 2010, lending further support to the Group's sustainable development in future. In addition, the Group will seek to enter into long-term supply contracts with other polysilicon manufacturers in order to stabilise the sources of supply for some raw materials.

Enhance technology to implement effective cost control

For solar energy to become a full-fledged alternative energy, its production costs without government subsidies must be able to compete with those of traditional fossil fuel energy. Therefore, apart from expanding production capacity and pursuing lower costs by economy of scale, the Group believes that only through continuous enhancement of production technology, quality improvement and cost reduction can it succeed in the long run with fierce competition fueled by new entrants as soon as the issue of polysilicon shortage is resolved. Since the entry barrier of and the technology level involved in monocrystalline solar ingot and wafer manufacture are relatively high, Solargiga, through its close co-operation with its strategic shareholders, integrated the advanced proprietary production know-how from China, Taiwan and Japan, such as the technologies on reclaimed silicon upgrading, crystal pulling for a mix of reclaimed and high-purity polysilicon, design of hot zone of crystal pulling, enhancement of slicing accuracy and yield rate. With a production model of vertical integration, Solargiga upgraded scrap polysilicon which could not be used directly in the production process by utilizing various unique techniques, and appropriately implemented the mixed use of such reclaimed polysilicon and high purity polysilicon in its production to deliver better quality at higher production efficiency and lower costs.

During the six months ended 30 June 2008, the Group' research and development team has successfully introduced a 20 inch hot zone for the production of 156 x 156 mm wafers and hence further enhanced its production efficiency. 156 x 156 mm monocrystalline wafers produced in 20 inch hot zone will be put into commercial production when there is strong demand for this kind of wafer.

Financial Review

As at 30 June 2008, with its expanded capacity, enhanced operation efficiency as well as technology and full support from its strategic shareholders, the Group continued to record rapid growth in its operations and achieved brilliant results during the period under review.

As the acquisition of Waferworks' solar business unit, Solar Technology Investment (Cayman) Corp. and its subsidiaries (together, the "Acquired Group"), was completed on 26 June 2007, contribution from the Acquired Group for the post-acquisition period since that date was incorporated into the unaudited consolidated income statement of the Group for the six months ended 30 June 2008.

Turnover

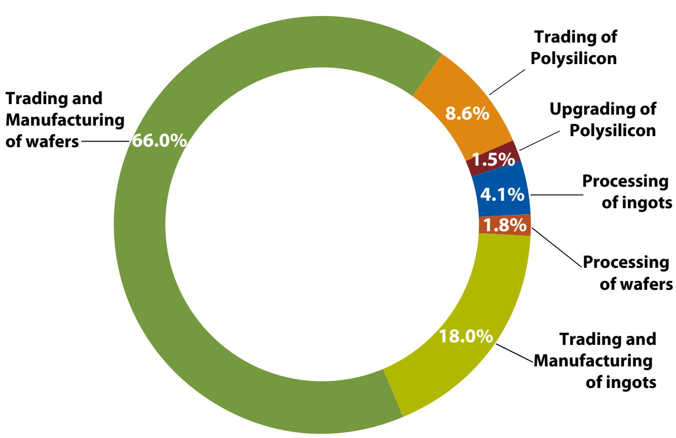
For the six months ended 30 June 2008, the Group's turnover increased to RMB685.5 million from RMB389.0 million for the corresponding period last year, representing a year-on-year growth of 76.2%. The increase was mainly due to the following reasons:

1. Since the completion of the acquisition of the Acquired Group on 26 June 2007, the designed annual ingot production capacity has increased by 36.0% from 759 tons to 1,032 tons.

2. The Group has manufactured and processed more wafers than ingots so as to provide a one-stop solution to customers, thereby further increasing revenues.

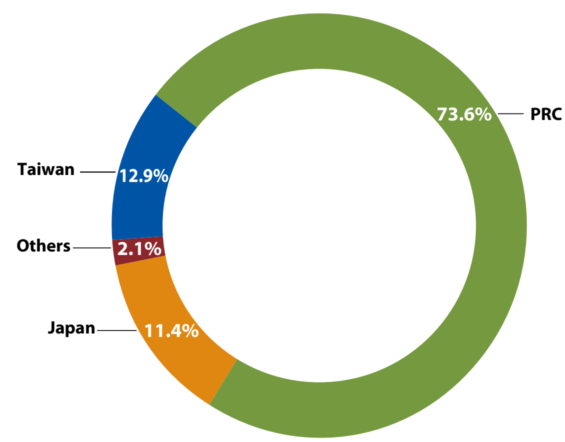
3. Higher global demand has driven rising market prices of solar ingots and wafers. In addition, under the existing seller-dominated market, the Group has been able to pass the increasing price pressure of polysilicon onto downstream players by charging higher selling prices.

Turnover Breakdown – By Business



For the six months ended 30 June, 2008

Turnover Breakdown – By Region



For the six months ended 30 June, 2008

As a result these explain the significant growth of the following operations:

1. Strong sales of solar wafers, which surged by 99.5% from RMB226.6 million to RMB452.1 million. This was attributable to the increase in both sales volume and average selling prices. During the six months ended 30 June 2008, the volume of wafer sold soared by 91.6 % from 5.1 million pieces to 9.7 million pieces.

2. Increased revenue from processing and upgrading service fees, which rose by 15.8%, from RMB44.1 million for the corresponding period last year to RMB51.1 million. This was mainly attributable to the increases in volume and fee of processing wafers and scrap polysilicon on behalf of customers.

3. Increased revenue from trading upgraded polysilicon amounting to RMB59.3 million. The Acquired Group purchases scrap polysilicon and upgrades it. Those upgraded polysilicon, which is not suitable for the Group's use in monocrystalline silicon ingot production, is then sold to third parties.

In terms of geographical contribution, the revenue was mainly generated from PRC, 73.6% of the Group's consolidated revenue, as the Group has sold more products and provided more processing service to PRC quality customers, thereby capitalizing on RMB appreciation and minimising the impact as a result of the reduction of VAT export refund originating from overseas sales of ingots and wafers, starting from July 2007. The remainder was mainly generated from sales to Taiwan (12.9%) and Japan (11.4%).

Cost of sales

For the six months ended 30 June 2008, cost of sales increased by 47.7% to RMB408.8 million from RMB276.7 million for the same period last year. The increase was due to the substantial increase in turnover and the increase in raw material price. As a percentage of total turnover, cost of sales decreased from approximately 71.1% to 59.6%.

The increase in raw material costs was mainly due to shortage of polysilicon, which led to an increase in the price of the silicon raw materials. Besides, the need for more intensive upgrading steps to be taken in using more reclaimed polysilicon in the ingot production process to ensure comparable product quality also involved extra costs. As a result polysilicon cost is the largest component of cost of sales, followed by costs of auxiliary materials such as crucibles and graphites.

Gross profit and gross profit margin

During the period under review, the gross profit of the Group for the six months ended 30 June 2008 reached RMB276.7 million, an increase of 146.4% as compared to RMB112.3 million for the same period last year. This was because of the substantial increase in revenue as a result of the increased sales and processing service of solar ingots and wafers.

Gross profit margin surged from approximately 28.9% for the six months ended 30 June 2007 to 40.4% for the same period in 2008. This was mainly attributable to the following reasons:

1. Thanks to the current seller-dominated market and the Group's well recognized product qualities, the Group succeeded in positioning its products in the premium end of the market with higher selling prices and recorded high sales volume.

2. Lowered polysilicon costs resulted from the integration with the Acquired Group. Prior to the acquisition taking place in June 2007, the Acquired Group purchased low cost scrap polysilicon from Waferworks and then sold ingots produced to the Group with mark-ups. Therefore the Group did not fully enjoy the benefit from such low cost supply. Synergy has been achieved after the acquisition of the Acquired Group. Therefore the Group managed to control the costs despite the current rocketing polysilicon prices.

In addition the acquisition led to 36% increase in ingot production capacity, resulting in greater economies of scale to drive better cost advantages.

3. The Acquired Group had low grade scrap polysilicon stock at low costs. As this stock is not suitable for internal use, the Acquired Group sold a portion of this stock at prevailing high prices during the year, resulting in contributing a high gross profit margin.

4. Stringent cost control and improvement in production efficiency enhanced by R&D. In view of the severe polysilicon shortage, the Group has maintained its technical know-how advantage to reduce ingot and wafer manufacturing costs.

Other revenue

Other revenue mainly comprised interest income from bank deposits for the six months ended 30 June 2008. In 2007 it also consisted of an one-off non-operating gain on acquisition of the Acquired Group amounting to RMB74.8 million. This gain was the difference between the fair value of net assets of the Acquired Group at the acquisition date and the acquisition consideration.

Other net loss

Other net loss mainly comprised net foreign exchange losses amounting to RMB5.4 million. The losses arose from appreciation in RMB, the reporting currency, during the time gap between the transaction dates and the settlement dates.

Selling and distribution expenses

Selling and distribution expenses comprised mainly packaging expenses, freight charges and insurance expenses. There was an increase of 103.1%, from RMB1.5 million for the six months ended 30 June 2007 to RMB3.1 million for the period under review, accounting for only 0.5% of the Group's total turnover, owing to the strong global demand in ingots and wafers. The increase in the expenses was in line with that of turnover.

Administrative expenses

Administrative expenses comprised mainly the listing expenses of RMB11.6 million, share-based payment related to employee shares awarded prior to the IPO amounting to RMB8.5 million, staff costs and bonuses. Excluding both listing expenses and share-based payment which were not incurred in the first half of 2007, the administrative expenses for the first half of 2008 amounted to RMB25.3 million, increased year-on-year by 194.3%, or 3.7% of the Group's turnover. The increase was mainly due to (1) the increase in employees following the production capacity enhancement, and the expansion of workforce and senior management after the acquisition of the Acquired Group; (2) the higher compliance related expenses incurred due to the strengthening of corporate governance after listing.

Finance costs

The Group's finance costs reduced from RMB3.3 million for the six months ended 30 June 2007 to RMB1.3 million for the six months ended 30 June 2008. Finance costs represented mainly interests on bank loans and municipal government loan. The reason for the decrease in finance costs was due to bank loan repayment after the IPO.

Income tax

Income tax increased by 11.6 times from RMB3.3 million for the six months ended 30 June 2007 to RMB41.3 million for the six months ended 30 June 2008, mainly due to the increases in profit before taxation and effective tax rate. Starting from 2008 the Group also needs to account for the deferred tax expenses arisen from the withholding tax on dividend to be distributed from earnings generated from 2008. The tax amount is mainly calculated at 5% of PRC entities' earnings during the review period.

Excluding the non-taxable gain on the acquisition of the Acquired Group of RMB74.8 million in 2007, the non-deductible listing expenses of RMB11.6 million and the deferred tax expenses of RMB10.7 million incurred in 2008, the adjusted effective income tax rate increased from 3.3% for the six months ended 30 June 2007 to 13.0% for the same period in 2008. This was attributable to the change in tax concession enjoyed by the PRC entities, resulting in the increase in income tax rate ranging from zero to 13.5% in the first half of 2007 as compared with that ranging from 12.5% to 25% in the first half of 2008.

Profit from operations, Profit attributable to equity shareholders

Excluding the one-off gain on the acquisition of the Acquired Group generated in 2007 and listing expenses incurred in 2008, during the period under review, the Group's profit from operations shot up by 131.4%, from RMB102.7 million for same period last year to RMB237.6 million, accounting for 34.7% of the total turnover. This was mainly the result of the substantial increase in gross profit, partially offset by the operating expenses which did not generate any income during the initial stage of operations expansion when the production capacity had yet to materialize.

Excluding the one-off gain on the acquisition of the Acquired Group generated in 2007 and listing expenses incurred in 2008, during the period under review, profit attributable to equity shareholders for the six months ended 30 June 2008 was RMB194.9 million, representing a 170.8% growth over the corresponding period last year. This surge was mainly due to the substantial increase in profit before taxation, partially offset by the increase in tax expenses. In addition, after the group restructuring for listing completed in June 2007, the Group has had no minority interests, which means that shareholders have been able to enjoy the whole profit earned by the Group. The profit attributable to minority interests amounted to RMB24.2 million for the first six months of 2007.

Working capital

	For the first half of	
Turnover days	**2008**	2007
Inventories	**79**	100
Trade receivables	**25**	45
Trade payables	**17**	41
Cash cycle	**87**	103

Inventory turnover day

The inventories of the Group comprised mainly raw materials, namely polysilicon, crucibles and other auxillary materials. Owing to the expansion in production capacity as well as its good relationship with suppliers, the Group managed to increase its inventory of raw materials. However the severe polysilicon shortage in the solar industry caused the reduction in the inventory turnover day. The Group's optimal inventory level should be around 3 months for polysilicon and 1 month for other auxiliary raw matierals.

Trade receivable days

In the first half of 2008, the sales to PRC customers increased greatly with immediate settlement upon goods delivery, therefore it led to the drop in trade receivable day as compared with higher proportion of overseas customers with longer credit periods in the first half of 2007.

Trade payable days

Given the limited worldwide polysilicon supply and increasing polysilicon usage of the Group, it needed to purchase raw material with higher proportion of advance payment to suppliers. As a result the trade payable days was reduced to 17 days.

Liquidity and financial resources

The Group's principal sources of working capital have been the cash flow generated from operating activities, bank borrowings and IPO proceeds. As at 30 June 2008, the Group showed a current ratio of 7.7, being current assets over current liabilities, and a net cash position, both representing a healthy financial position for future development.

The Group was at a net cash position of RMB542.1 million as at 30 June 2008 with cash and cash equivalents of RMB575.0 million and outstanding borrowings of RMB32.9 million, comprising short-term bank loans of RMB30 million and a long-term municipal government loan of RMB2.9 million without asset pledge. Therefore the net borrowings to equity ratio for the Group as at 30 June 2008, expressed as a percentage of net borrowings of RMB-542.1 million and shareholders' equity of RMB1,347.0 million, was increased to -40.2% from -34.6% as at 31 December 2007. The negative sign represents net cash position for both periods.

The Group's net cash outflow from operating activities for the reported period amounting to RMB79.7 million was primarily resulted from the increase in raw material inventories and advance payment for purchase of raw material, in view of the business expansion and the severe polysilicon shortage.

The Group's net cash outflow from investing activities for the reported period amounting to RMB121.2 million was mainly capital expenditure for increasing production capacity.

The Group's net cash outflow from financing activities for the reported period amounting to RMB427.1 million mainly comprised net IPO proceeds of RMB613.4 million, net bank loan repayment of RMB97.0 million and dividend payment of RMB88.3 million.

Contingent liabilities

At 30 June 2008, there were no material contingent liabilities.

Foreign currency risk

Renminbi is the functional currency of the operations of the Group, and the Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in foreign currencies other than Renminbi, which are primarily US dollars and JPY. The Directors do not expect any significant impact from the exchange rate movement since the Group uses foreign currencies collected from customers to settle the payment in foreign currencies to suppliers. In addition, the Directors ensure that the net exposure is kept to an acceptable level by buying or selling US dollars and JPY at spot rates when necessary to solve short-term imbalances.

Human Resources

As at 30 June 2008, the Group had 790 employees. The remuneration package of the existing employees includes basic salary, discretionary bonus, share-based payment and social security contribution. Employee benefit expenses included in administrative expenses increased to RMB15.3 million as at 30 June 2008 from RMB3.6 million as at 30 June 2007, which represented an increase of 329.0%, resulting from the expansion of workforce and strong and experienced management team to cope with the multiple increase in production scale.

Future plans and strategies

Future development strategy and prospect

As the oil prices continue to rise, renewable energy has swiftly emerged as a preferred alternative, among which solar energy is the cleanest, safest and the most convenient to use. Due to its infinity nature, solar energy has gradually caught the attention from the governments of various countries and their people. Being the second largest monocrystalline ingots manufacturer in China, the Group will seize such immense opportunity and adopt the following strategies for further development:

Expand production capacity to increase market share

A number of countries are actively promoting the use and development of renewable energy, promulgating related regulations as well as introducing favourable measurements to encourage the development of solar energy industry. Being one of the largest energy-consuming countries, China has tremendous market potential that should not be underestimated. In addition, the Chinese government has strongly promoted the development of renewable energy by promulgating the "Renewable Energy Law of PRC" in January 2006. The government encouraged the use of solar energy as a clean energy by implementing subsidy programmes and incentive schemes. According to a white paper entitled "China's Energy Conditions and Policies" issued by the State Council of China on 26 December 2007, China will actively develop renewable energy facilities aiming at increasing the utilization of renewable energy as a percentage to the overall energy consumption to 10% and 15% in 2010 and 2020 respectively.

Capitalizing on such a good opportunity for development, the Group, in addition to acquiring 96 monocrystalline silicon ingot pullers and 29 wiresaws this year, plans to enhance its capacity in the coming year. The Group will complete the construction of a new production plant that can accommodate 200 ingot pullers and 43 wiresaws in 2009. The installation of ingot pullers is expected to start in the third quarter of 2009 and commence operation gradually with full operation expected from the last quarter of 2009 upon completion of installation. Wiresaws will be delivered in batches to the factory and installation will start during the late-second quarter of 2009. Operation is expected to commence in the third quarter of 2009. By then, the number of monocrystalline silicon ingot pullers and wiresaws will increase to about 400 and 80 respectively in 2009. The annual capacity of ingots and wafers will increase to 4,000 tonnes and 150 million pieces respectively, with the solar energy conversion capability being increased to 400MW per year.

The increase in production capacities will be funded by the listing proceeds and internal resources. Besides, with the appreciation of Renminbi and the decrease in export tax rate, the Group will, upon the completion of the production capacity enhancement, accelerate the development of China's market in future in order to further increase its local market share.

Enhance the ability of research and development to optimize operation effectiveness

Monocrystalline silicon ingot industry is characterized by its relatively high technology requirements and enhancing the R&D capacilities is one of the important strategies for the group to strengthen its market competitiveness. In order to reduce its overall operating costs, the Group will continuously enhance its technical know-how advantage in ingot crystallization and wafer slicing, ensure cost-effectiveness of the manufacturing process by introducing the latest technology widely used in the industry and explored the possibilities of reclaiming the waste silicon powder produced during the wafer manufacturing process for ingots production. Besides, the Group will also proactively increase product varieties, including the research and development in respect of larger and thinner wafers and the application of the advanced magnetic technology of semiconductor in solar crystal pulling in order to maintain its leading position in the market. The 12-inch monocrystalline ingot pullers will be delivered to the factory in the third quarter of 2008, and trial production will start with research and development commencing in the fourth quarter of this year. The 40 ingot pullers with added magnetic field will be delivered to the factory by the end of the third quarter of 2009, and the production will start as soon as installation and fine-tunning are completed. The Directors believe that by continuous research and development, the Group's capacities of ingot crystallization, wafer slicing as well as reclaiming and upgrading of polysilicon will be enhanced. In addition, the Group will continue to cooperate with academic institutions. The research centre jointly established with Dalian University of Technology will be completed in the third quarter of 2009 and possesses world class technology. It will assist the Group in developing new products and technology and nurturing of the R&D technicians so as to optimize operating efficiency.

Stabilize the supply of raw materials by diversification of source

In view of the worldwide shortage of polysilicon raw material, the Group will actively look for new suppliers for raw materials. Apart from strategic investors the Group has entered into long-term supply agreements with a number of suppliers, thereby meeting a part of the production requirement as well as reducing the risks of unstable supply of raw materials and price fluctuation. The Group has already commenced applying a larger proportion of lower grade polysilicon in the production of silicon ingots and wafers and further studied the feasibility of using metallurgical silicon in the production of monocrystalline silicon ingots with the aim of diversifying the source of material supply.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company reviews and enhances its corporate governance practices continuously and is committed to a high standard of corporate governance. During the six months ended 30 June 2008, the Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules. For details of the corporate governance of the Company, please refer to the Corporate Governance Report as set out in the annual report of the Company for the year ended 31 December 2007.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules as the required standard governing share transactions by Directors. Having made specific enquiries of all the Directors, the Company confirmed that all of them have complied with the required standards set out in the Model Code regarding directors' share transactions for the six months ended 30 June 2008.

Purchase, Sale and Redemption of the Company's Listed Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed securities during the six months ended 30 June 2008.

Audit Committee

The Audit Committee of the Company comprising four independent non-executive directors and one non-executive director has reviewed the accounting principles and practices adopted by the Group, and has reviewed such matters as internal controls and financial reporting with the management of the Company, including the review of the interim results for the six months ended 30 June 2008.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.solargiga.com). An interim report for the six months ended 30 June 2008 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

On behalf of the Board
HSU You Yuan
Director

Hong Kong, 29 August 2008

As at the date of this announcement, the executive directors of the Company are Mr. TAN Wenhua, Mr. HSU You Yuan, Ms. ZHANG Liming; Non-executive Directors are Mr. CHIAO Ping Hai (chairman), Mr. CHONG Kin Ngai and Independent Non-executive Directors are Mr. WONG Wing Kuen, Albert, Ms. FU Shuangye, Dr. LIN Wen and Mr. ZHANG Chun.