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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL SUMMARY

– Turnover was RMB658.7 million, down by 55.9% as compared to RMB1,492.9 million in 2008.

– Gross loss was RMB5.8 million.

– Write-down of inventories amounted to RMB172.6 million for the year ended 31 December 2009. The amount represented the write-down of inventories for the first half of 2009. No further write-down of inventories was made for the second half of 2009.

– Net loss attributable to the equity shareholders of the Company amounted to RMB98.1 million.

– Basic loss per share was RMB5.75 cents.

– The board of Directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2009.

ANNUAL RESULTS

The directors (the "Directors") of Solargiga Energy Holdings Limited (the "Company") present herewith the results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2009 and the comparative figures which have been prepared on the basis described below.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	4	**658,720**	1,492,935
Cost of sales		**(664,500)**	(1,267,425)
Gross (loss)/profit		**(5,780)**	225,510
Other revenue	5	**14,898**	11,107
Other net income/(loss)	6	**2,890**	(7,602)
Selling and distribution expenses		**(5,311)**	(6,843)
Administrative expenses		**(105,521)**	(101,512)
(Loss)/profit from operations		**(98,824)**	120,660
Finance costs	7(a)	**(15,942)**	(3,290)
(Loss)/profit before taxation	7	**(114,766)**	117,370
Income tax benefit/(expenses)	8	**16,624**	(33,991)
(Loss)/profit for the year		**(98,142)**	83,379
Attributable to:			
Equity shareholders of the Company		**(98,098)**	83,379
Minority interests		**(44)**	–
(Loss)/profit for the year		**(98,142)**	83,379
(Loss)/earnings per share *(RMB cents)*			
– Basic and diluted	10	**(5.75)**	5.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(98,142)**	83,379
Other comprehensive loss for the year:		
Exchange differences on translation of financial statements of foreign operations	**(7,906)**	(2,212)
Total comprehensive (loss)/income for the year	**(106,048)**	81,167
Attributable to:		
Equity shareholders of the Company	**(106,004)**	81,167
Minority interests	**(44)**	–
Total comprehensive (loss)/income for the year	**(106,048)**	81,167

CONSOLIDATED BALANCE SHEET
At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		**536,849**	394,665
Prepayments for acquisition of property, plant and equipment		**63,264**	114,987
Lease prepayments		**63,948**	47,508
Prepayments for raw materials		**214,068**	170,809
Deferred tax assets		**42,925**	31,581
		921,054	759,550
Current assets			
Inventories		**441,288**	395,533
Trade and other receivables	*11*	**405,361**	322,976
Tax recoverable		**–**	1,878
Pledged deposits		**44,055**	25,071
Cash at bank and in hand		**236,191**	270,402
		1,126,895	1,015,860
Current liabilities			
Trade and other payables	*12*	**206,170**	252,433
Short-term bank loans		**289,274**	214,580
Current tax payable		**28**	4,315
		495,472	471,328
Net current assets		**631,423**	544,532
Total assets less current liabilities		**1,552,477**	1,304,082
Non-current liabilities			
Municipal government loan		**3,227**	3,003
Long-term bank loan		**70,000**	–
Deferred tax liabilities		**4,669**	7,232
Deferred income		**67,301**	30,333
		145,197	40,568
Net assets		**1,407,280**	1,263,514
Capital and reserves			
Share capital		**162,458**	152,189
Reserves		**1,225,261**	1,111,325
Total equity attributable to equity shareholders of the Company		**1,387,719**	1,263,514
Minority interests		**19,561**	–
Total equity		**1,407,280**	1,263,514

NOTES TO FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2009 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Stock Exchange").

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

– HKFRS 8, *Operating segments*

– HKAS 1 (revised 2007), *Presentation of financial statements*

– Improvements to HKFRSs (2008)

– Amendments to HKAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*

– Amendments to HKFRS 7, *Financial instruments: Disclosure — improving disclosures about financial instruments*

– HKAS 23 (revised 2007), *Borrowing costs*

– Amendments to HKFRS 2, *Share-based payment — vesting conditions and cancellations*

The amendments to HKAS 23, HKFRS 2 and Improvements to HKFRSs (2008) have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the financial statements. The impact of the remainder of these developments on the financial statements is as follows:

– HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. There were no additional reportable segments identified.

– As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in the financial statements and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2009

The Group has not early adopted the following new or revised standards that have been issued but are not effective for accounting periods beginning on or after 1 January 2009. The directors of the Company anticipate that the application of these new or revised standards will have no material impact on the financial statements of the Group.

- HKAS 27 (Revised), *Consolidated and Separate Financial Statements*
- HKFRS 3 (Revised), *Business Combinations*
- Amendments to HKAS 39, Financial instruments: *Recognition and measurement — Eligible hedged items*
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- Improvements to HKFRSs 2009
- Amendments to HKFRS 2, *Share-based payment — Group cash-settled share-based payment transactions*
- HKFRS 9, *Financial instruments*

3. SEGMENT REPORTING

On the adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, there were no additional reportable segments identified.

The Group operates in a single operating segment, being the manufacturing of, trading of and provision of processing services for monocrystalline and multicrystalline silicon solar ingots/wafers, and the producing of and trading of photovoltaic modules as well as the installation of photovoltaic systems. In addition, the Group's business participates primarily in only one geographical location classified by the location of assets, i.e. the People's Republic of China (the "PRC").

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of a customer is based on the location at which goods have been delivered.

	2009	2008
	RMB'000	*RMB'000*
Domestic sales – Mainland China	**515,387**	1,116,500
Export sales		
– North America	**73,785**	11,996
– Japan	**39,247**	147,609
– Taiwan	**21,585**	192,170
– Germany	**5,316**	17,226
– Norway	**1,380**	4,042
– Korea	**781**	3,351
– Other countries	**1,239**	41
Sub-total	**143,333**	376,435
Total	**658,720**	1,492,935

4. TURNOVER

The principal activities of the Group are the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers and the producing of and trading of photovoltaic modules as well as the installation of photovoltaic systems.

Turnover represents the sales value of goods supplied to customers less value added tax and trade discounts and income from the provision of processing services and the installation of photovoltaic systems. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2009	2008
	RMB'000	*RMB'000*
Sales of polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers/modules	**623,085**	1,379,674
Processing service fees	**34,849**	113,261
Photovoltaic system installation service fees	**786**	–
	658,720	1,492,935

5. OTHER REVENUE

	2009	2008
	RMB'000	*RMB'000*
Government grants	**10,023**	1,265
Interest income from bank deposits	**1,953**	3,982
Rental income from operating leases	**1,932**	1,296
Income from sale of scrap materials	**566**	3,463
Insurance claims received	**289**	681
Others	**135**	420
	14,898	11,107

6. OTHER NET INCOME/(LOSS)

	2009	2008
	RMB'000	*RMB'000*
Net foreign exchange gain/(loss)	**3,791**	(7,598)
Loss on disposal of property, plant and equipment	**(901)**	(4)
	2,890	(7,602)

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

		2009	2008
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest on bank loans wholly repayable within five years	**17,028**	6,093
	Interest on municipal government loan	**224**	215
	Total interest expense on financial liabilities not at fair value through profit or loss	**17,252**	6,308
	Less: interest expenses capitalised into construction in progress*	**(1,310)**	(3,018)
		15,942	3,290
(b)	**Staff costs**		
	Contributions to retirement schemes	**4,997**	4,788
	Equity-settled share-based payment expenses	**25,046**	24,428
	Salaries, wages and other benefits	**36,274**	40,695
		66,317	69,911
(c)	**Other items**		
	Amortisation of lease prepayments	**1,063**	978
	Auditor's remuneration	**1,498**	2,250
	Depreciation	**31,675**	20,724
	Operating lease charges – property	**2,065**	1,493
	Research and development costs	**17,654**	7,204
	Impairment of trade debtors	**4,752**	–
	Write-down of inventories	**172,648**	220,235

* *The borrowing costs have been capitalised at a rate of 5.31% to 6.66% (2008: 5.85% to 6.23%) per annum.*

8. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2009	2008
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the year	**28**	65,610
Over-provision in respect of prior years	**(2,745)**	–
Tax refund on domestic equipment purchases	**–**	(8,192)
	(2,717)	57,418
Deferred tax		
Origination and reversal of temporary differences	**(11,642)**	(23,427)
Effect on deferred tax balances at 1 January resulting from an increase in tax rate	**(2,265)**	–
	(13,907)	(23,427)
Income tax (benefit)/expense	**(16,624)**	33,991

Notes:

(i) No provision for Hong Kong Profits Tax has been made as the subsidiaries of the Group either did not have any assessable profits subject to Hong Kong Profits Tax or sustained losses for taxation purposes.

(ii) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(iii) On 1 January 2008, the Corporate Income Tax ("CIT") Law of the PRC ("New CIT Law") became effective. The PRC CIT rate has been adjusted to a standard rate of 25%. 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 CIT Law.

Further, under the New CIT 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.

(iv) On 1 August 2008, the Group obtained approval from the Jinzhou Municipal Bureau of Foreign Trade and Economic Cooperation, the Administration for Industry and Commerce and other relevant government bodies to merge Jinzhou Huachang Silicon Materials Co., Ltd., Jinzhou Huari Silicon Materials Co., Ltd., Jinzhou Xinri Silicon Materials Co., Ltd., Jinzhou Youhua New Energy Co., Ltd. and Jinzhou Yangguang Energy Co., Ltd. ("Yangguang") ("the Merging companies") into Yangguang.

In view of the different CIT rates applicable to the Merging Companies, on 13 May 2008, Yangguang obtained the written acceptance from the Taihe District State Tax Bureau on the post-merger CIT treatment, that Yangguang should adopt an effective CIT rate after the merger of 13.77% for 2008 according to the principles stated in Guo Shui Fa [1997] No. 71 ("Notice 71"). Based on Notice 71, the percentage of cost and expenses method of the Merging Companies incurred during the financial year preceding the merger was applied to apportion each company's share of the post-merger taxable income of Yangguang. The apportioned post-merger taxable incomes are then taxed at the respective CIT rates of the Merging Companies.

In 2009, Yangguang was granted the status of a "High and New Technology Enterprise" that entitled it to a preferential CIT rate of 15% for the year ended 31 December 2009.

Based on the above mentioned written acceptance from Taihe District State Tax Bureau and the New CIT Law, the PRC subsidiaries of the Group were subject to the following PRC CIT rates for the years ended 31 December 2008 and 2009, respectively:

	2009	2008
Shanghai Jingji Electronic Materials Co., Ltd.	**25%**	25%
Jinzhou Rixin Silicon Materials Co., Ltd.	**25%**	25%
Jinzhou Youhua Silicon Materials Co., Ltd.	**25%**	25%
Yangguang	**15%**	13.77%
Jinzhou Jinmao Photovoltaic Technology Company Limited	**25%**	N/A

9. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2009	2008
	RMB'000	*RMB'000*
No final dividend proposed for the year ended 31 December 2009 (2008: RMB1.5 cents (HK1.7 cents) per share)	**–**	25,361

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: RMB1.5 cents (HK1.7 cents) per share).

The final dividend proposed was not recognised as a liability on the balance sheet at 31 December 2008.

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

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year		
– cash dividend	**10,584**	88,258
– scrip dividend	**14,777**	–
	25,361	88,258

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to the ordinary equity shareholders of the Company of RMB98,098,000 (2008: profit of RMB83,379,000) and the weighted average of 1,705,687,406 (2008: 1,627,540,199) ordinary shares of the Company in issue during the year as calculated as set out in note 10(b). The weighted average number of shares for the prior years has been adjusted for the capitalisation issue as if the capitalisation issue had been in existence throughout 2008.

(b) Weighted average number of ordinary shares

	Number of ordinary shares	
	2009	2008
Issued ordinary shares at 1 January	**1,690,766,500**	2,874,333
Effect of capitalisation issue	**–**	1,434,292,167
Effect of shares issued under the global offering	**–**	190,373,699
Effect of new shares issued and allotted to shareholders who opted to take scrip as an alternative to cash in respect of the 2008 final dividends	**2,447,276**	–
Effect of shares issued under the Taiwan Depositary Receipt programme	**5,753,425**	–
Effect of shares issued under the share option scheme	**6,720,205**	–
Weighted average number of ordinary shares	**1,705,687,406**	1,627,540,199

(c) Diluted (loss)/earnings per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2008 and 2009.

11. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade debtors and bills receivable *(note 11(a))*	**165,501**	111,003
Prepayments for raw materials	**93,540**	133,891
Deposits and other receivables	**146,320**	78,082
	405,361	322,976

(a) The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) based on invoice date is as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**86,336**	54,872
1 – 3 months	**66,746**	45,699
3 – 6 months	**9,717**	6,054
6 – 12 months	**2,385**	1,895
1 – 2 years	**317**	2,483
	165,501	111,003

Trade debtors are due within 30 to 90 days from the date of billing.

12. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables *(note 12(a))*	**78,603**	143,223
Bills payable	**63,417**	24,288
Other payables and accrued expenses	**64,150**	84,772
Amount due to a director	**–**	150
	206,170	252,433

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:

	2009	2008
	RMB'000	*RMB'000*
Within 1 month	**24,533**	58,526
1 – 3 months	**18,425**	67,218
3 – 6 months	**25,085**	11,171
6 – 12 months	**5,654**	3,884
1 – 2 years	**4,906**	2,424
	78,603	143,223

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The solar energy industry has been rapidly developing in recent years. One of the reasons for its rapid development is the increasing global demand for energy during the course of global economic development. While the traditional energy supply is becoming increasingly scarce, solar energy, being one of the major sources of renewable energy in the future, stands out with tremendous market potential. Environmental protection has become a popular topic in recent years worldwide. In December 2009, the world focused on the United Nations Climate Change Conference held in Copenhagen, the capital of Denmark, where for 13 days, meetings were attended by 193 country representatives to negotiate agreement on the global reduction of carbon emissions for 2012 to 2017.

The United Nations Climate Change Conference, culminated in the Copenhagen Accord which stated the increase in global temperatures should be capped by 2 degrees Celsius, and also specified that developed countries shall provide funding of US$30 billion to developing countries in the next three years for the mitigation of global warming with the amount to be extended to US$100 billion a year by 2020.

In the meantime, various nations have set down their own emission reduction targets. The US White House announced on 30 January 2010 an increase in the US government's targeted reduction of greenhouse gas emissions. The new target aims at a reduction of 28% in greenhouse gas emissions by the United States from the 2005 level by 2020, compared to its previous commitment of a 17% reduction under the same conditions. On the other hand, Japan has guaranteed a one-fourth reduction of emissions from that of 1990 by 2020. The European Union plans to achieve emissions reductions by enhancing energy utilisation rate, with one-fifth of its energy supply being renewable energy.

In recent years, the Central Government of the PRC has rolled out various policies strongly supporting the development of the solar energy industry. In April 2007, the National Development and Reform Commission announced the "Eleventh Five Year Plan on Energy Development", emphasising that during the Eleventh Five Year Plan period, focus will be placed on the development of renewable energy containing significant development potential and generally well-developed technologies, such as solar energy and wind energy.

With a series of government subsidies introduced during the year, 2009 was a period of rapid development for the solar energy industry in the PRC. In March, the Ministry of Finance and the Ministry of Housing and Urban-Rural Development of the PRC jointly announced the "Opinions on Accelerating the Construction of Solar Photovoltaic Applications (關於加快推進太陽能光電建築應用實施意見)". The plan gives clear support to the pilot projects of photovoltaic building applications. It also provided subsidies of RMB20 per watt for qualified photovoltaic building application pilot projects with an installed capacity of no less than 50KW.

In July, the Ministry of Finance, the Ministry of Science and Technology and the National Energy Administration issued the "Notice on the Successful Implementation of Photovoltaic Project of Golden Sun (關於做好金太陽示範工程實施工作的通知)", proposing the provision of 50% financial subsidies to grid-connected photovoltaic projects, while financial subsidies as high as 70% are provided to off-grid photovoltaic projects in regions with no grid power. In September, the "Development plan for emerging energy industries (新興能源產業發展規劃)", stipulates a target of 20GW solar energy generation by 2020.

Despite various industries being hit by the financial turmoil over the past two years and having been strained by the substantial drop in inventory prices, the solar energy industry has also benefited from the industry consolidation brought about by the drop in inventory prices, which has also increased the speed whereby the cost of generating power via solar energy and that of traditional fossil fuels can reach grid parity at a rate faster than expected. Coupled with an economic recovery since the second half of 2009, demand for solar photovoltaic products has gradually stabilised, leading to a faster and healthier development of the solar energy industry.

Operation Review

Improvement in operating environment brought by economic recovery

During the first half of 2009, the solar energy industry was affected by the financial crisis. Industry development was slowed down due to falling market demand and some manufacturers of solar energy products experiencing capital shortage and a substantial fall in the price of polysilicon, the raw material, as market demand decreased. Nevertheless, the economy began to rebound in the second half of 2009. With demand for solar energy gradually picking up, leading to the healthier and faster growth of the solar energy industry, the operating performance of the Group also recorded significant improvement.

Since the third quarter of 2009, the average selling price for solar photovoltaic products of the Company gradually began to stabilise, with costs of inventory also returning to a steady level, contributing to an overall much healthier operation for the fourth quarter over the third quarter. In respect of the operations of its factories, the capacity utilisation rate of the Company has significantly increased with a substantial improvement in overall production output.

Expanding downstream business of solar energy

In 2009, the Group began to diversify its business and explore the downstream business and took its first step towards vertical integration to the downstream business of photovoltaic modules and the terminal systems application market.

In the beginning of 2009, the PRC government announced that subsidies would be provided to the products of Building Integrated Photovoltaic ("BIPV"). In line with the memorandum of understanding entered into between Jinzhou Municipal Government and the Group in relation to the development of the 10MW "China Solar Roof Plan" in Jinzhou, Liaoning Province, the Group announced on 27 April 2009 that it had committed to set up Jinzhou Jinmao Photovoltaic Technology Company Limited ("Jinzhou Jinmao") in Jinzhou, Liaoning Province with two independent third parties, including Kinmac Holdings Limited, which is wholly-owned by Kinmac Solar Corporation.

Jinzhou Jinmao is primarily engaged in the production and sales of photovoltaic modules as well as the design and installation of photovoltaic systems. The registered capital of Jinzhou Jinmao is RMB40,000,000, of which RMB20,400,000 has been contributed in cash from the internal resources of the Group. Jinzhou Jinmao was formally established on 17 July 2009 and the Group currently owns a 51% interest in Jinzhou Jinmao.

With a current designed annual capacity for modules of 50MW. Jinzhou Jinmao is committed to the research and development, production and sales of photovoltaic modules and application technologies with high performance values. The products currently provided by Jinzhou Jinmao include: standard photovoltaic components, integrated power systems and customised photovoltaic components (including building photovoltaic systems), which are sold not only domestically.

As the Group's first step to expand its business chain, the group undertook a foundational 300kW photovoltaic demonstration project in Binhai New District, Jinzhou. The project integrated various kinds of photovoltaic modules in one, including terrestrial photovoltaic power generation systems, BIPV systems, solar roof systems and solar road lighting. The aggregate investment of the project was approximately RMB11 million and has commenced power generation successfully before the end of 2009.

Exploring new financing platforms

On 11 December 2009, the Group successfully issued Taiwan Depositary Receipts ("TDR") on the Taiwan Stock Exchange Corporation (the "TDR Issue"), in order to broaden and diversify the existing shareholder base of the Company as well as to provide an additional fund-raising platform for future business development. The Group issued 100,000,000 units of TDR at a unit issue price of NT$9.45 (equivalent to approximately RMB2.01) in Taiwan to raise a gross amount of approximately NT$945,000,000 (RMB201,000,000). The net proceeds from the TDR issue has been used to purchase machinery and equipment so as to expand the production capacity of the Group. Taiwan Polaris Securities Corporation Limited was the principal underwriter of the TDR Issue.

Enhancing capacity with additional facilities and boardering product portfolio

In respect of enhancing the Group's production capacity, during the year under review, the Group purchased four new multicrystalline casting furnaces, which all commenced commercial production in the fourth quarter of 2009, further diversifying the Group's product mix.

As at 31 December 2009, the Group was equipped with 197 monocrystalline ingot pullers, 40 wiresaws and four multicrystalline casting furnaces, with an aggregate annual capacity of 2,000 tonnes of monocrystalline silicon solar ingots, 200 tonnes of multicrystalline silicon solar ingots and approximately 75,000,000 pieces of solar wafers.

In addition, the Group operates polysilicon reclaiming and upgrading facilities in Shanghai and Jinzhou. These reclaiming facilities enable the Company to gain production cost advantages on solar products. As at 31 December 2009, the polysilicon reclaiming and upgrading facilities had an aggregate annual designed throughput of 4,200 tonnes. In early

2009, the Group calculated the reference value of the annual solar energy conversion capacity of its existing facilities to be 200MW. However, following technological advancements in various production processes, as well as a tremendous enhancement in production efficiency and capacity, the reference value of solar energy conversion capacity was revised to 350MW at the end of 2009, far surpassing the target set by the Group.

For the purpose of expanding production capacity of monocrystalline silicon solar ingots, the Group has also since last year started to expand its product ranges with various features and functions. In an effort to meet customers' demands it developed wafers which can be used in the production of higher conversion efficiency solar cells. Capitalising on its advanced technological know-how, the Group will further explore its multicrystalline silicon solar ingots and wafers manufacturing business with an aim of becoming one of the major manufacturers of multicrystalline silicon solar ingots and wafers worldwide.

Enhancing R&D to strengthen production efficiency

In addition, the Group highly values its cooperation with international enterprises for research and development on solar technology, and continues to increase its investment in research and development, to work closely with strategic business partners in different countries and regions for technology exchange and close cooperation. The R&D centre jointly set up by the Group and Dalian University of Technology was completed in the third quarter of 2009. It is equipped with internationally-leading technologies to help nurture research and development technicians and to develop new products and technologies.

The Company is fully-equipped with comprehensive pilot production equipment and testing devices and has continuously improved its R&D efforts. It has joined hands with Dalian University of Technology and Liaoning Institute of Technology respectively to commence collaboration on production, study and research, working together on the research and development of technologies and products related to solar cells. Through market research and feedback from the marketing department, more effort will be placed on developing new products required by the market, while the technology department will determine research targets and formulate written missions.

Exploring customers

The Group's products are now primarily sold to more than a dozen countries and regions, including the Mainland China, North America, Japan, Germany, Taiwan and Hong Kong, with a technological level reaching advanced international standards. During the year under review, the Group established a marketing centre in Shanghai and also appointed sales representatives stationed at overseas locations such as Japan and the United States, aimed at exploring the overseas market.

Future prospects and strategies

In light of the non-renewable characteristic of traditional energy, various nations are all accelerating their pace of new energy development, amongst which the development of the solar energy industry has no doubt become a global trend. Therefore, the Group believes the prospects of the solar energy industry to be promising.

Various countries and organisations in the world are proactively promoting the development of the solar energy industry, among which, the European Union plans to significantly reduce the emission of greenhouse gases by 2020 and to increase the proportion of renewable energy. It plans to achieve emission reduction by enhancing energy utilisation rate, with one-fifth of its energy supply being renewable energy. The United States government has also formulated a set of energy strategies which emphasise the cutting down on environmental pollution and will shift Federal spending on energy from petroleum production to local clean energy.

In Asia, the Japanese government has set down plans to reduce the emission of greenhouse gases to between 60% and 80% of that in 1990 by 2050. The PRC government also has spared no effort to promote renewable energy. The National Development and Reform Commission indicated that the PRC will invest RMB200 billion in the renewable energy market before 2020, exemplifying the tremendous potential of solar energy.

The above measures clearly demonstrate the commitments of different countries around the globe and the PRC government towards the promotion of the solar energy industry. Being a leader in the solar energy photovoltaic industry in the PRC, the Group expects that the various policies to subsidise the solar energy industry initiated by various nations will have a positive impact on the long-term development of the Group. The Group will continue to focus on enhancing its competitive strengths and operational efficiency, expanding its market share and strengthening its market position, so as to be well-positioned to capture market opportunities. The Group will stride forward to its goal of becoming the largest manufacturer of monocrystalline silicon solar ingots and wafers in the world and one of the major manufacturers of multicrystalline silicon solar ingots and wafers, as well as promoting the usage of solar energy and achieving a sustainable living environment by proactively developing its downstream business, entering the photovoltaic modules and terminal system market through the following major development strategies:

Enhancing production capacity and increasing product range

To cope with the need for expanding capacity, the Group will gradually complete the construction of a new production plant which can accommodate 200 monocrystalline ingot pullers, 40 wiresaws and components with a capacity of 100MW. The Group targets to increase the number of its facilities to 397 monocrystalline ingot pullers and 80 wiresaws in the year 2010, by then the annual production capacity will be increased to 4,000 tonnes of monocrystalline silicon solar ingots and approximately 150,000,000 pieces of silicon solar wafers, while annual production capacity of multicrystalline silicon solar ingots will be expanded to 500 tonnes. The Group aims to double the reference value of its existing annual solar energy conversion capacity, from 350MW to 700MW. Also, the Group will allocate resources to the manufacturing of multicrystalline silicon ingots and wafers, to enhance its technological standards, so as to achieve the target of becoming a major manufacturer of multicrystalline silicon solar ingots and wafers.

During the year under review, the Group focused on the development of solar cell modules and the installation of solar power generation systems, and set up a 51%-owned joint venture company, Jinzhou Jinmao, as scheduled to engage in these businesses. The designed annual production capacity of the modules installed at the plants at Jinzhou Jinmao is targeted at 100MW for 2010, a twofold increase from the existing designed annual production capacity of 50MW.

Enhancing the R&D investment to strengthen its competitiveness

The Group's ability to command a leading position in the industry of manufacturing monocrystalline silicon solar ingots is attributable to its high research and development capability which is one of the keys to the Group's success. Accordingly, the Group will put more effort in this aspect to continue to optimise its ability to improve ingot crystallisation, wafer slicing and reclaiming and upgrading of polysilicon. The Group will also enhance production efficiency and reduce operating costs through an exchange of technologies and the introduction of the latest technologies.

The Group will continue to upgrade its production technologies and is expected to introduce monocrystalline ingot pullers model no. 970 in early June 2010 to produce monocrystalline silicon solar ingots of 8 inches and 8.7 inches as well as small angled and right-angled monocrystalline silicon solar wafers of 156mm x 156mm. This type of silicon wafer will have a larger surface area, therefore increasing the wattage output after they are processed into solar cells. The conversion efficiency will also be higher than 125mm x 125mm monocrystalline silicon solar wafers. Following further optimisation of the Group's slicing technology, the Group will be able to produce monocrystalline silicon solar wafers of 150μm to 180μm of thickness. In the meantime, the Group will also fulfil specific customer requirements by developing wafers which can be used for the production of solar cells with higher conversion efficiency, which in turn can be used for the production of modules of higher wattage output.

The Group will continue to enhance production efficiency through technology innovations, and will strive to improve on product quality so as to satisfy the needs of the market, as well as continue to vertically-integrate its production, and to leverage on its exclusive state-of-the-art production technology to upgrade its products. The Group will continue to via its vertically integrated business model to further promote production efficiency and reduce operating costs.

Increasing overseas business sales

The Group's products are now primarily sold to more than a dozen countries and regions, including the PRC, Japan, Germany, North America, Taiwan and Hong Kong, with a technological level reaching advanced international standards. During the year under review, the Group established a marketing centre in Shanghai and also appointed sales representatives stationed at overseas locations such as Japan and the United States, aimed at exploring the overseas market. The Group plans to increase the proportion of its overseas businesses, and hopes to gradually increase the proportion of turnover from overseas businesses to account for 50% of the total turnover of the Group.

Developing downstream business to create synergies

In April 2009, the Group established Jinzhou Jinmao which is engaged in the production and sales of photovoltaic modules and fully demonstrates our determination to develop downstream businesses. The Group will further develop the downstream business in the future by quickly exploring the downstream business market of photovoltaic industries in the PRC and abroad, and provide our customers with quality module products with higher stability and efficiency.

The 300KW photovoltaic power station undertaken by the Group has been successfully connected to the power grid during the year, signifying a major step in the Group's efforts in expanding into the downstream business, as well as setting down a solid foundation for its downstream business development. The Group will strive to capture opportunities and focus on the development of the downstream business. The Group's target for the downstream business for 2010 is to increase the annual capacity of its monocrystalline and multicrystalline silicon photovoltaic modules from 50MW of 2009 to 100MW.

The management is of the view that in light of increasing global concerns on clean energy, the development of renewable energy will gradually accelerate. Looking forward, the Group will make use of its existing business structure to further expand its product varieties in the supply chain of the photovoltaic industry. In addition, the Group will continue to adopt a prudent development strategy, which will be adjusted in response to market changes. Leveraging on its solid foundation of business operations and financial position, the Group is capable of improving its competitive strength and operating efficiency and expanding its market share while continuously seeking opportunities for business development, striving to bring the best return to its shareholders, and undoubtedly contributing to protecting our Earth for the promotion of a sustainable living environment.

Financial Review

Turnover

The Group's turnover decreased year-on-year by 55.9%, from RMB1,492.9 million in 2008 to RMB658.7 million in 2009. The significant downturn in the global financial markets in 2009 weakened the market demand for energy products which in turn destabilised the price of solar ingots and wafers.

1. Sales of monocrystalline and multicrystalline silicon ingots/wafers/modules decreased by 51.6% from RMB1,229.0 million to RMB595.4 million as the average selling prices of solar products continue to decrease during the year. During the year, 43,091 kg (2008: 150,124 kg) of monocrystalline silicon solar ingots and 34.8 million pieces (2008: 21.9 million pieces) of silicon solar wafers were sold. Sales of upgraded polysilicon decreased by 81.6% from RMB150.6 million to RMB27.7 million.

2. Revenue from processing service fees decreased by 69.3% from RMB113.3 million to RMB34.8 million. The volume of ingots processed decreased from 225,886 kg in 2008 to 65,244 kg in 2009 and the volume of wafers processed decreased from 1,326,888 pieces in 2008 to 706,440 pieces in 2009.

3. Revenue from the installation of photovoltaic systems was RMB0.8 million (2008: RMB Nil).

In terms of geographical contribution, revenue was mainly generated from our PRC customers which accounted for 78.3% (2008: 74.8%) of the Group's turnover. During the year, the Group has successfully developed new customers from the United States, and the contribution from this region have significantly increased to 11.2% (2008: 0.8%) of the Group's turnover. The remaining sales were generated from Japan (6.0%), Taiwan (3.3%), Europe (1.0%), and others (0.2%).

Cost of sales

Cost of sales decreased by 47.6% from RMB1,267.4 million to RMB664.5 million. As a percentage of the Group's turnover, cost of sales increased from approximately 84.9% to 100.9%. The polysilicon price declined rapidly during the first half of 2009 and, therefore, led to the write-down of inventories of RMB172.6 million (2008: RMB220.2 million) in 2009 which in turn increased the proportionate cost for the year under review.

Gross profit and gross profit margin

The Group recorded a gross loss of RMB5.8 million (2008: gross profit of RMB225.5 million) in 2009, which was mainly attributable to the write-down of inventories of RMB172.6 million (2008: RMB220.2 million) due to the continuous fall in raw material prices and product selling prices caused by the weakened demand for energy products in 2009. Excluding the effect of the write-down of inventories, the gross profit of the Group in 2009 would have been RMB166.8 million (2008: RMB445.7 million), decreased by 62.6% as compared to 2008, and the gross profit margin of the Group in 2009 would have been 25.3% (2008: 29.9%), a decrease of 4.6 percentage points as compared to 2008.

Other revenue

Other revenue during the year under review mainly comprised government grants, interest income from bank deposits, rental income from operating leases and income from sale of scrap materials.

Other net income/(loss)

Other net income mainly comprised net foreign exchange gains amounting to RMB3.8 million (2008: loss of RMB7.6 million).

Selling and distribution expenses

Selling and distribution expenses comprised mainly packaging expenses, freight charges and insurance expenses. There was a decrease of 22.1%, from RMB6.8 million for 2008 to RMB5.3 million for 2009. Selling and distributing expenses accounted for 0.8% of the Group's total turnover. Such a decrease was in line with the decrease in turnover.

Administrative expenses

Administrative expenses comprised equity-settled share-based payment expenses of RMB25.0 million (2008: RMB24.4 million) as well as salaries, wages and bonuses.

Finance costs

The Group's finance costs increased by RMB12.6 million, or 384.6%, from RMB3.3 million for 2008 to RMB15.9 million for 2009. Finance costs represented mainly interest on bank loans and other borrowings wholly repayable within five years and interest on a municipal government loan. The reason for the increase in finance costs was due to the additional bank borrowings drawn during the year to meet working capital requirements.

Income tax

Due to the recognition of deferred tax assets, a net income tax benefit amounting to RMB16.6 million was recorded during the year. Income tax expenses were RMB34.0 million in 2008.

Net loss attributable to the equity shareholders

The Group recorded a loss attributable to the equity shareholders of the Company of RMB98.1 million for the year ended 31 December 2009, which was mainly due to a decrease in gross profit triggered by the write-down of inventories by RMB172.6 million during the year. Profit attributable to the equity shareholders was RMB83.4 million in 2008.

Inventory turnover days

The inventories of the Group comprised mainly raw materials (namely polysilicon, crucibles and other auxiliary raw materials) and finished goods. The inventory turnover days as at 31 December 2009 was 230 days (2008: 77 days) and such increase was mainly due to the increase in the inventory balance in order to prepare for the Group's production capacity ramp up process starting from the second half of 2009.

Trade receivable turnover days

The trade receivable turnover days as at 31 December 2009 was 77 days (2008: 23 days).

The market led by supply swiftly changed to a market led by demand since the financial crisis in 2008. Taking into account the actual condition as well as the long-term business relationship with customers, we increased the number of customers who can enjoy a longer credit period upon delivery in 2009. As a result, trade receivable turnover days have increased. Currently, the Group normally grants a credit period of 30 to 90 days to its customers.

Trade payable turnover days

The trade payable turnover days as at 31 December 2009 was 61 days (2008: 26 days). Our good long-term relationship with suppliers enabled the Group to obtain reasonable payment terms throughout the year.

Liquidity and financial resources

On 4 December 2009, the Company entered into an underwriting agreement (the "Underwriting Agreement") with Taiwan Polaris Securities Corporation Limited (for itself and on behalf of the other underwriters) in connection with the TDR Issue. Pursuant to the Underwriting Agreement, the underwriters agreed to subscribe for, and agreed to procure, on a fully underwritten basis, subscribers for, an aggregate of 100 million units of TDR representing in aggregate 100 million newly issued shares of the Company at the price of NT$9.45 (equivalent to approximately RMB2.01) per TDR, and the Company agreed to issue and allot 100 million new shares as underlying security for the TDR programme. The issuance of 100 million units of TDR and the 100 million new shares as underlying security for the TDR programme pursuant to the underwriting agreement was completed on 10 December 2009 and net proceeds of approximately RMB196.8 million were received. Details of the TDR issue were disclosed in the Company's announcements dated 4 December 2009 and 10 December 2009.

The Group's principal sources of working capital in the current year included cash flow from operating activities, bank and other borrowing and the proceeds from the issue of TDR. As at 31 December 2009, the Group's current ratio (current assets divided by current liabilities) was 2.3 (2008: 2.2) and net debt-to-equity ratio (net debt divided by shareholders' equity) was 5.9% (2008: net cash). The Group's financial position remains healthy which enabled us to overcome the adverse impacts from the global economic slowdown as well as to facilitate future development.

As at 31 December 2009, the Group had net borrowings of RMB82.2 million (2008: net cash of RMB77.8 million) which represented cash at bank and in hand of RMB236.2 million (2008: RMB270.4 million), pledged deposits of RMB44.1 million (2008: RMB25.0 million), short-term bank loans of RMB289.3 million (2008: RMB214.6 million), long-term bank loan of RMB70 million (2008: RMBNil) and long-term municipal government loan of RMB3.2 million (2008: RMB3.0 million). The Group's net debt-to-equity ratio (net debt divided by shareholders' equity) increased from -6.2% as at 31 December 2008 to 5.9% as at 31 December 2009. The negative sign shown for the year end of 2008 represents a net cash position at that time.

Contingent liabilities

As at 31 December 2009, there were no material contingent liabilities.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than Renminbi, the functional currency of the operations of the Group. The currencies giving rise to this risk to the Group are primarily US dollars and Japanese Yen. 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 amounts in foreign currencies due to suppliers. In addition, the Directors ensure that the net exposure is kept to an acceptable level by buying or selling US dollars and Japanese Yen at spot rates where necessary to address short-term imbalances.

Human resources

As at 31 December 2009, the Group had 1,182 (2008: 1,186) employees. Employee benefit expenses decreased to RMB66,317,000 in 2009 from RMB69,911,000 in 2008, which represented a decrease of 5.1%. The remuneration for existing employees comprises basic salary, discretionary bonus, share-based payments and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's annual results for the year ended 31 December 2009.

FINAL DIVIDEND

No interim dividend was paid in 2009 (2008: RMBNil). The Directors do not recommend the payment of a final dividend for 2009 (2008: RMB1.5 cents (HK1.7 cents) per share).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 7 June 2010 to 10 June 2010, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 4 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, save for the offering of TDR for sale to the public in Taiwan pursuant to the TDR Issue, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the requirements set out under the Model Code throughout the year ended 31 December 2009.

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2009, the Company fully complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, and where appropriate, adopted the recommended best practices. Detailed corporate governance practices will be stated in the Company's annual report for the year ended 31 December 2009.

Despite the removal of the requirement for a qualified accountant in the Listing Rules effective 1 January 2009, the Group continues to maintain the post of a qualified accountant to oversee its financial reporting and other accounting-related issues in accordance with the relevant laws, rules and regulations.

PUBLICATION OF FINANCIAL INFORMATION

The 2009 annual report containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.solargiga.com) in due course.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company be held on 10 June 2010. Notice of the annual general meeting will be published and issued to shareholders in due course.

By Order of the Board
Solargiga Energy Holdings Limited
Hsu You Yuan
Executive Director

Hong Kong, 17 March 2010

As at the date of this announcement, Mr. Tan Wenhua, Mr. Hsu You Yuan and Ms. Zhang Liming are executive Directors of the Company, Mr. Chiao Ping Hai and Mr. Chong Kin Ngai are non-executive Directors of the Company and Mr. Wong Wing Kuen, Albert, Ms. Fu Shuangye, Dr. Lin Wen and Mr. Zhang Chun are independent non-executive Directors of the Company.