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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 2010

FINANCIAL SUMMARY

– Turnover was RMB1,854.769 million, up by 181.6% as compared to RMB658.720 million in 2009.

– Gross profit was RMB413.243 million (2009: Gross loss of RMB5.780 million).

– Net profit attributable to the equity shareholders of the Company was RMB214.121 million (2009: Net loss of RMB98.098 million).

– Basic earnings per share was RMB11.85 cents.

– The board of Directors of the Company recommends the payment of final dividend of RMB3.5 cents (HK4.1 cents) (2009: RMB Nil) per share for the year ended 31 December 2010.

ANNUAL RESULTS

The directors (the "Directors") of Solargiga Energy Holdings Limited (the "Company") are pleased to present the results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2010 and the comparative figures which have been prepared on the basis described below.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	**2010**	2009
		RMB'000	*RMB'000*
Turnover	*3*	**1,854,769**	658,720
Cost of sales		**(1,441,526)**	(664,500)
Gross profit/(loss)		**413,243**	(5,780)
Other revenue	*4*	**23,174**	14,898
Other net (loss)/income	*5*	**(2,274)**	2,890
Selling and distribution expenses		**(9,669)**	(5,311)
Administrative expenses		**(123,577)**	(105,521)
Profit/(loss) from operations		**300,897**	(98,824)
Finance costs	*6(a)*	**(18,006)**	(15,942)
Profit/(loss) before taxation	*6*	**282,891**	(114,766)
Income tax (expense)/credit	*7*	**(71,444)**	16,624
Profit/(loss) for the year		**211,447**	(98,142)
Attributable to:			
Equity shareholders of the Company		**214,121**	(98,098)
Non-controlling interests		**(2,674)**	(44)
Profit/(loss) for the year		**211,447**	(98,142)
Earnings/(loss) per share *(RMB cents)*			
– Basic and diluted	*9*	**11.85**	(5.75)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) for the year	**211,447**	(98,142)
Other comprehensive income for the year:		
Exchange differences on translation of financial statements of subsidiaries outside of the People's Republic of China ("PRC")	**186**	(7,906)
Total comprehensive income for the year	**211,633**	(106,048)
Attributable to:		
Equity shareholders of the Company	**214,307**	(106,004)
Non-controlling interests	**(2,674)**	(44)
Total comprehensive income for the year	**211,633**	(106,048)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment		**1,197,049**	536,849
Prepayments for acquisition of property, plant and equipment		**49,063**	63,264
Lease prepayments		**68,400**	63,948
Prepayments for raw materials		**146,915**	214,068
Interest in an associate		**37,000**	–
Deferred tax assets		**4,250**	42,925
		1,502,677	921,054
Current assets			
Inventories		**378,287**	441,288
Trade and other receivables	*11*	**628,412**	405,361
Pledged deposits		**74,113**	44,055
Cash at bank and in hand		**459,734**	236,191
		1,540,546	1,126,895
Current liabilities			
Trade and other payables	*12*	**463,322**	206,170
Short-term bank loans		**648,011**	289,274
Current tax payable		**2,243**	28
		1,113,576	495,472
Net current assets		**426,970**	631,423
Total assets less current liabilities		**1,929,647**	1,552,477
Non-current liabilities			
Municipal government loan		**3,095**	3,227
Long-term bank loan		**85,000**	70,000
Deferred tax liabilities		**21,547**	4,669
Deferred income		**172,905**	67,301
Other non-current liabilities		**1,385**	–
		283,932	145,197
Net assets		**1,645,715**	1,407,280
Capital and reserves			
Share capital		**162,458**	162,458
Reserves		**1,444,320**	1,225,261
Total equity attributable to equity shareholders of the Company		**1,606,778**	1,387,719
Non-controlling interests		**38,937**	19,561
Total equity		**1,645,715**	1,407,280

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 2010 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 two revised HKFRSs, a number of amendments to HKFRSs and two 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 3 (revised 2008), *Business Combinations*

- Amendments to HKAS 27, *Consolidated and Separate Financial Statements*

- Improvements to HKFRSs (2009)

- HK(Int) 5, *Presentation of financial statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The issuance of HK(Int) 5 has had no material impact on the Group's financial statements as the Interpretation's conclusions were consistent with the accounting policies already adopted by the Group. The other developments resulted in changes in accounting policies but none of these changes in policy has had a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 has not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) has had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

- As a result of the amendments to HKAS 17, *Leases*, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

3. 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:

	2010	2009
	RMB'000	*RMB'000*
Sales of polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers	**1,695,959**	623,036
Revenue from trading of photovoltaic modules and installation of photovoltaic systems	**87,962**	835
Processing service fees	**70,848**	34,849
	1,854,769	658,720

4. OTHER REVENUE

	2010	2009
	RMB'000	*RMB'000*
Government grants	**9,756**	10,023
Income from sale of scrap materials	**6,821**	566
Interest income from bank deposits	**2,786**	1,953
Rental income from operating leases	**1,800**	1,932
Others	**2,011**	424
	23,174	14,898

5. OTHER NET (LOSS)/INCOME

	2010	2009
	RMB'000	*RMB'000*
Net foreign exchange (loss)/gain	**(2,274)**	3,791
Loss on disposal of property, plant and equipment	**–**	(901)
	(2,274)	2,890

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging/(crediting):

		2010	2009
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest on bank loans wholly repayable within five years	**21,586**	17,028
	Interest on municipal government loan	**214**	224
	Total interest expense on financial liabilities not at fair value through profit or loss	**21,800**	17,252
	Less: interest expenses capitalised into construction in progress*	**(3,794)**	(1,310)
		18,006	15,942

* *The borrowing costs have been capitalised at a rate of 4.82% to 7.75% (2009: 5.31% to 6.66%) per annum.*

		2010	2009
		RMB'000	*RMB'000*
(b)	**Staff costs**		
	Contributions to retirement schemes	**7,224**	4,997
	Equity-settled share-based payment expenses	**4,752**	25,046
	Salaries, wages and other benefits	**56,086**	36,274
		68,062	66,317
(c)	**Auditors' remuneration**		
	Audit services	**1,684**	1,498
	Tax services	**26**	37
	Other services	**173**	–
		1,883	1,535
(d)	**Other items**		
	Amortisation of lease prepayments	**1,424**	1,063
	Depreciation	**53,036**	31,675
	Operating lease charges – property	**1,794**	2,065
	Research and development costs	**48,328**	17,654
	Impairment of trade debtors	**449**	4,752
	Write-down of inventories	**–**	172,648

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Income tax in the consolidated income statement represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the year	**15,891**	28
Over-provision in respect of prior years	**–**	(2,745)
	15,891	(2,717)
Deferred tax		
Origination and reversal of temporary differences	**55,553**	(11,642)
Effect on deferred tax balances at 1 January resulting from an increase in tax rate	**–**	(2,265)
	55,553	(13,907)
Income tax expense/(credit)	**71,444**	(16,624)

For the year ended 31 December 2009, no provision for Hong Kong Profits Tax was made as subsidiaries of the Group either did not have any assessable profits subject to Hong Kong Profits Tax or had accumulated tax losses brought forward from previous years to offset the estimated assessable profits for the year.

For the year ended 31 December 2010, no provision for Hong Kong Profits Tax has been made as subsidiaries of the Group did not have any assessable profits subject to Hong Kong Profits tax or sustained losses for Hong Kong taxation purposes.

Pursuant to the applicable laws of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

The PRC subsidiaries of the Group were subject to the following PRC Corporate Income Tax ("CIT") rates for both years ended 31 December 2009 and 2010:

	2010	2009
	RMB'000	*RMB'000*
Shanghai Jingji Electronic Materials Co., Ltd.	**25%**	25%
Jinzhou Jingji Solar Technology Co., Ltd.	**25%**	25%
Jinzhou Rixin Silicon Materials Co., Ltd.	**25%**	25%
Jinzhou Youhua Silicon Materials Co., Ltd.	**25%**	25%
Jinzhou Yangguang Energy Co., Ltd ("Yangguang") *(note)*	**15%**	15%
Jinzhou Jinmao Photovoltaic Technology Company Limited	**25%**	25%
Solargiga Energy (Qinghai) Co., Ltd.	**25%**	N/A

Note: 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 three years commencing from the year ended 31 December 2009.

Under the CIT Law of the PRC and its relevant regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10% or 5% for earnings accumulated beginning on 1 January 2008. Accordingly, a provision for withholding tax in respect of the undistributed profits from the PRC subsidiaries has been made for both years ended 31 December 2010 and 2009.

8. DIVIDENDS

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

	2010	2009
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of RMB3.5 cents (HK4.1 cents) per share (2009: RMB Nil)	**63,251**	–

The Directors of the Company has recommended the payment of final dividend of RMB3.5 cents (HK4.1 cents) per share for the year ended 31 December 2010 (2009: RMB Nil per share).

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010	2009
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year		
– cash dividend	**–**	10,584
– scrip dividend	**–**	14,777
	–	25,361

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB214,121,000 (2009: loss of RMB98,098,000) and the weighted average of 1,807,170,425 (2009: 1,705,687,406) ordinary shares of the Company in issue during the year as calculated as set out in note 9(b).

(b) Weighted average number of ordinary shares

	Number of ordinary shares	
	2010	2009
Issued ordinary shares at 1 January	**1,807,170,425**	1,690,766,500
Effect of shares issued in lieu of cash dividend	**–**	2,447,276
Effect of shares issued under the listing of Taiwan Depositary Receipts	**–**	5,753,425
Effect of shares issued under the share option scheme	**–**	6,720,205
Weighted average number of ordinary shares	**1,807,170,425**	1,705,687,406

(c) Diluted earnings/(loss) per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2009 and 2010.

10. SEGMENT REPORTING

In prior periods, the Group managed the operations of the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers/modules as a whole. The composition of the operating segments was changed in the current year as a result of the significant growth of the manufacturing of and trading of photovoltaic modules and installation of photovoltaic systems business. The change in the composition of the operating segments has resulted in the change in the internal reporting information reviewed by the Group's most senior executive management.

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, the Group has identified two reportable segments in 2010: (i) the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/waters ("Segment A"); and (ii) the manufacturing of and trading of photovoltaic modules and installation of photovoltaic systems ("Segment B"). No operating segments have been aggregated to form these reportable segments. Comparative figures have been restated to reflect such change.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to the reportable segments which are presented in the same way in the Group's financial statements. Information regarding the Group's reportable segments are disclosed as follows:

	Segment A		**Segment B**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,766,807**	657,885	**87,962**	835	**1,854,769**	658,720
Inter-segment revenue	**–**	–	**–**	4,540	**–**	4,540
Reportable segment revenue	**1,766,807**	657,885	**87,962**	5,375	**1,854,769**	663,260
Reportable segment profit/(loss)	**216,371**	(97,642)	**(4,924)**	(90)	**211,447**	(97,732)
Elimination of inter-segment profit	**–**	–	**–**	(410)	**–**	(410)
Profit/(loss) for the year	**216,371**	(97,642)	**(4,924)**	(500)	**211,447**	(98,142)
Interest income from bank deposits	**2,457**	1,843	**329**	110	**2,786**	1,953
Interest expense	**18,006**	15,942	**–**	–	**18,006**	15,942
Depreciation and amortisation for the year	**53,855**	32,643	**605**	95	**54,460**	32,738
Reportable segment assets (including investment in an associate)	**2,959,990**	2,006,018	**83,233**	41,931	**3,043,223**	2,047,949
Additions to non-current segment assets during the year	**827,067**	237,570	**29,260**	2,515	**856,327**	240,085
Reportable segment liabilities	**1,349,326**	638,713	**48,182**	1,956	**1,397,508**	640,669

(b) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The Group's property, plant and equipment, lease prepayments and interest in an associate are physically located or operated in the PRC.

	2010	2009
	RMB'000	*RMB'000*
The PRC (place of domicile)	**1,121,531**	515,387
Export sales		
– The United States of America	**457,157**	73,785
– Japan	**212,154**	39,247
– Taiwan	**33,227**	21,585
– Germany	**14,824**	5,316
– Canada	**13,875**	–
– Korea	**219**	781
– Other countries	**1,782**	2,619
Sub-total	**733,238**	143,333
Total	**1,854,769**	658,720

11. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**167,255**	165,501
Prepayments for raw materials	**151,288**	93,540
Deposits and other receivables	**309,869**	146,320
	628,412	405,361

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

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**144,740**	86,336
1 to 3 months	**15,660**	66,746
3 to 6 months	**–**	9,717
6 to 12 months	**6,855**	2,385
1 to 2 years	**–**	317
	167,255	165,501

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

12. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**175,919**	78,603
Bills payable	**124,200**	63,417
Other payables and accrued expenses	**163,203**	64,150
	463,322	206,170

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

(a) The ageing analysis of trade and bills payables as of the end of reporting period is as follows:

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**196,188**	87,950
1 to 3 months	**23,708**	18,425
3 to 6 months	**69,220**	25,085
6 to 12 months	**1,787**	5,654
1 to 2 years	**9,216**	4,906
	300,119	142,020

13. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

(a) On 26 January 2011, the Group acquired a 100% equity interest in Sino Light Investment Limited ("Sino Light") at a consideration of HK$835,200,000, which was settled in full by the issue of convertible bonds of the Company. The convertible bonds, which are zero-coupon bonds can be converted into 435,000,000 ordinary shares of the Company. The conversion period commences on 28 March 2011 and ends on 25 January 2013.

Sino Light and its subsidiaries (the "Sino Light Group") are engaged in the manufacturing and trading of monocrystalline silicon solar cells. The Group has now engaged an independent professional qualified valuer to identify and measure the assets acquired and the liabilities assumed and such exercise has not been completed. Accordingly, the fair value of interest in the Sino Light Group, the amount of goodwill and intangible assets, if any, arising from this business combination are not yet available. Based on the information obtained so far, the Sino Light Group had the following classes of assets acquired and liabilities assumed at the acquisition date; cash and bank deposits, trade and other receivables, bank borrowings, trade and other payables with an estimated value of RMB33,669,000, RMB91,311,000, RMB190,000,000 and RMB153,658,000, respectively.

(b) On 24 March 2011, the Group has entered into a long-term contract with a supplier for the purchase of polysilicon. Pursuant to the contract, the Group is required to make a cash deposit to the supplier totalling approximately US$34,500,000 (equivalent to approximately RMB228,107,000) as a prepayment for future product deliveries and the deposit must be paid in full on or before 11 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

As countries around the world gradually overcome the economic shocks brought by the financial crisis, the global solar energy industry gradually recovered, while market demand has also rebounded. In 2010, saving energy and emissions reduction as well as the development of clean energy have become crucial topics among governments of different countries. As various countries continue to encourage the development of the solar energy industry through different ways such as providing subsidies and loan guarantees, it is expected that the production cost of solar energy industry will keep reducing, and the application of solar energy will gradually become more popular, thus facilitating the sustainable development of the industry.

The US is currently one of the countries actively promoting the development of renewable energy. According to the statistics of Solar Energy Industries Association, as at the end of 2010, the US's overall solar energy power generating capacity has reached 2.6GW. It is expected that the US solar energy industry can reach 10GW by 2015. In 2010, the US government launched a series of measures including tax credits pursuant to the "Green Economic Recovery Plan" to promote clean energy in order to create more jobs and revive its economy. On 21 July 2010, the US Senate Committee on Energy & Natural Resources passed the Ten Million Solar Roofs Plan, which will significantly foster the development of the US photovoltaic market throughout the next decade. The US government will invest US$250 million in this act in 2012, and will invest US$500 million in solar roof plans each year from 2013 to 2021.

In Europe, 11 countries including Spain and Germany, as well as various international organisations attended the "Mediterranean Solar Plan" Conference held in Spain during May 2010 to co-operate in developing the solar energy industry. According to this plan, 43 countries, including European Union members in the Mediterranean Basin and countries from North Africa and the Middle East, intend to inject between EUR38 billion and EUR46 billion over the next 20 years to address the issue of power shortages in the rural areas of the southern Mediterranean. In addition, in order to enhance the overall competitiveness of the European solar energy market, the European Photovoltaic Industry Association has been striving to gain research and technological development support for solar energy from the European Union. The European photovoltaic industry is also raising EUR1.235 billion for relevant research and development projects. Those funds will be used to finance the development of different projects in the next three years, including optimising photovoltaic production processes, reducing the costs and improving the connection between the grid and photovoltaic systems. Sixteen European Union members have undertaken to provide full support for the development of the solar energy industry. With the financial support mentioned above, it is expected that the photovoltaic sector will contribute 12% of power supplied to the European Union in 2020.

In the People's Republic of China ("PRC"), renewable energy continues its rapid development. In 2010, investment in non-fossil energy construction accounted for 63.5% of the total investment in power construction, representing an increase of 4.8 percentage points compared to 2009. As of the end of 2010, the proportion of installed capacity of non-fossil energy accounted for 26.5% in total, representing an increase of 1.1 percentage points compared to 2009, with accumulated power generation of 786.2 billion kWh. Additional installed capacity of solar energy power generation in 2010 reached 400MW, making the aggregate installed capacity to 700MW. In order to facilitate the PRC government's decision to further develop renewable energy industry, the National Energy Administration has organised large-scale open tender for 13 solar energy power generation stations located in the Northwest China and Inner Mongolia in August 2010 with provision of subsidies. The total installed capacity of these projects amounts to 280MW. The National Development and Reform Commission has also approved two solar energy photovoltaic power generation projects located in Ningxia and Wuhan respectively in December 2010 as Clean Development Mechanism projects. In addition, at the beginning of this year, the Ministry of Finance of the PRC has apportioned RMB50 billion to fund energy conservation and greenhouse gas emissions reduction to support and encourage the development of the solar energy industry. According to China Renewable Energy Society Solar PV Committee (中國可再生能源學會光伏專業委員會), the solar energy power generation of the PRC is expected to have increased by at least 500MW in 2010. With subsidies provided by various local governments, it is expected that the demand for solar energy in Mainland China would continue to increase throughout 2010. Furthermore, market expects the PRC government will use the same method as promoting wind power generation industry in the past, and will initiate more similar large-scale projects for tender, laying a solid foundation for nationwide price-setting for solar energy power generation in the future.

Operation Review

Market rebounds and production capacity continues to expand

During the year under review, the PRC's economy witnessed a positive growth momentum, raw material prices tended to be stable and the operating environment continued to improve, all of which are favorable to the long-term development of the solar energy industry. As the market recovered, there has been excess demand in various solar energy products. Faced with the ever-expanding demand, the Group has actively expanded its production capacity during the year. By making use of its advantages, the Group further expanded its production scale to accommodate the huge amount of product shipments. As at 31 December 2010, the Group was equipped with 397 monocrystalline ingot pullers, 83 wiresaws and 4 multicrystalline casting furnaces, while our production capacity of ingots, wafers and solar energy photovoltaic module components have increased significantly, reaching 800MW, 600MW and 50MW respectively.

With thriving market demand for solar energy products, the number of orders for our products increased accordingly. During the year under review, the Group has grasped the opportunities and endeavoured to maintain the relationship with its long-term customers, whilst successively entering into long-term sales contracts with a number of customers, including renowned enterprises from Japan and the US. As such, the Group's market share in the industry has been further consolidated, thereby establishing its leading position. The shipment volumes for our self-manufactured silicon solar ingots and wafers kept growing during the year under review, reaching approximately 76.99MW (2009: 7.00MW) and 225.27MW (2009: 93.91MW) respectively. The volume of processing silicon solar ingots and wafers was approximately 25.94MW (2009: 10.60MW) and 6.46MW (2009: 2.09MW) respectively.

Successfully expanded laterally while vertical integration taking shape

The Group strives to become the leading enterprise in the global solar energy industry. Therefore, the Group has undergone various acquisitions and investments during the year under review, so as to actively expand its business in accordance with its target of balanced lateral expansion and vertical integration.

For lateral expansion, in July 2010 the Group acquired a 51% equity interest in Qinghai Chenguang New Energy Co., Ltd. (青海辰光新能源有限公司), of which upon acquisition the name has been changed to Solargiga Energy (Qinghai) Co., Ltd. (陽光能源(青海)有限公司), to jointly invest in constructing a factory with 192 monocrystalline solar ingot pullers. Upon the completion of construction, the annual production capacity of monocrystalline silicon ingots of the Group will increase to 1.2GW as our target is to become the leading monocrystalline silicon solar ingots manufacturer in the world. In the meantime, the Group actively pursued increased the diversity of its products, and successfully expanded into the business of multicrystalline silicon solar ingots and wafers during the year under review. The Group established a joint venture with Liaoning Oxiranchem, Inc. (遼寧奧克化學股份有限公司) in September 2010 to jointly invest in a 500MW multicrystalline silicon solar ingots and wafers project with the planned installation of 65 multicrystalline casting furnaces, 75 wiresaws and other auxiliary facilities. The above-mentioned development projects will not only benefit the Group to further expand its production capacity of monocrystalline products, but also help us to successfully expand its business to the multicrystalline field, speeding up its lateral expansion plan, and thus satisfy the strong demand of customers.

Furthermore, in order to gradually implement its vertical integration business model, the Group has also expanded its business to the downstream of installing solar energy photovoltaic modules and systems through its 51% controlling interest in Jinzhou Jinmao Photovoltaic Technology Company Limited. At present, the production capacity of solar energy photovoltaic modules is about 50MW. During the year under review, the Group was in the process of acquiring Jinzhou Huachang Guangfu Photovoltaic Technology Company Limited which is principally engaged in the manufacturing of solar cells. This acquisition is expected to boost the development of downstream business by the Group and secure a reliable supply source of solar cells to support the development of the module business and improve its operating efficiency. Meanwhile, by understanding the needs of downstream customers, the Group can also promptly develop new silicon solar ingots and wafers products needed by the customers, thus bringing synergy effect to the existing business of manufacturing ingots and wafers.

Increasing the proportion of overseas market and exploring potential customers of higher quality

As the global solar energy market recovered, together with the various favorable measures to stimulate market demand implemented by various governments, expansion into the overseas market became a growth point which should not be taken lightly. In order to maintain a sustainable business, the Group has been actively identifying new potential customers overseas during the year under review and strived to increase the proportion of overseas market in our total turnover. For the year ended 31 December 2010, the proportion of turnover from overseas customers to the Group's overall turnover has increased from approximately 21.8% for 2009 to 39.5% for the year under review. Among them, the Group's major overseas markets are the US and Japan, which accounted for 24.7% and 11.4% of the total turnover respectively. Indeed, the Group still devotes itself to develop domestic market so as to maintain its leading position. During the year under review, the PRC was still the key market of the Group, and the sales from the PRC accounted for approximately 60.5% of the total sales.

Financial review

Turnover

For the year ended 31 December 2010, the Group's turnover increased to RMB1,854.769 million from RMB658.720 million for the corresponding period in 2009, representing a year-on-year increase of 181.6%. The increase was mainly due to an increase in market demand, resulting in a significant increase in our sales volume, and the increase of production scale of the Company.

Cost of sales

For the year ended 31 December 2010, cost of sales increased by 116.9% to RMB1,441.526 million from RMB664.500 million for the corresponding period of 2009. As a percentage of total turnover, cost of sales decreased from approximately 100.9% to 77.7%. The decrease was mainly due to no write down of inventories being made by the Group with cost ratios returning to a normal level.

Gross profit and gross profit margin

For the year ended 31 December 2010, the Group recorded a gross profit of RMB413.243 million and a gross profit margin of 22.3%, as compared with a gross loss of RMB5.780 million for the corresponding period in 2009.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased by 82.1%, from RMB5.311 million for the year ended 31 December 2009 to RMB9.669 million for the year ended 31 December 2010, accounting for 0.5% (2009: 0.8%) of the Group's total turnover. The increase in expenses was due to the growth in sales volume for the year.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for 2010 amounted to RMB123.577 million, a year-on-year increase of 17.1% from RMB105.521 million for the corresponding period last year, accounting for 6.7% of the Group's turnover. Another major item of administrative expenses was share-based payments in relation to shares granted to employees during the initial public offering amounted to RMB4.752 million (for the year ended 31 December 2009: RMB8.997 million). The administrative expenses in 2009 also included the expenses in relation to the grant of share options to employees in 2008 amounted to RMB16.049 million. Excluding the above non-recurring expenses, the administrative expenses for the year ended 31 December

2010 amounted to RMB118.825 million, representing an increase of 47.7% from RMB80.475 million for the corresponding period last year. The increase in administrative expenses was mainly due to the increase in research and development cost from RMB17.654 million in 2009 to RMB48.328 million in 2010 so as to cope with the expansion of production of the Company.

Finance costs

The Group's finance costs increased from RMB15.942 million for the year ended 31 December 2009 to RMB18.006 million for the year ended 31 December 2010. Finance costs represented mainly interest on bank loans and the municipal government loan. The increase in finance costs was due to the additional bank borrowings during the year to meet working capital requirements.

Income tax

Income tax expenses were RMB71.444 million for the year ended 31 December 2010, while a net tax credit amounting to RMB16.624 million was recorded for the corresponding period in 2009 due to the recognition of deferred tax assets in 2009.

Profit attributable to the equity shareholders

For the year ended 31 December 2010, the Group witnessed a turnaround as compared with the corresponding period in 2009 and recorded profit attributable to the equity shareholders of RMB214.121 million, accounting for 11.5% of our total turnover. A loss attributable to the equity shareholders of RMB98.098 million was recorded in 2009.

Inventory turnover days

The inventories of the Group comprised mainly raw materials namely polysilicon, crucibles and other auxiliary raw materials and finished goods. Owing to the expansion in production capacity as well as the good relationship with its suppliers, the Group was able to increase its inventory of raw materials when the market was in short supply. The inventory turnover days for 2010 were 104 days (2009: 230 days), representing a decrease of 126 days compared to the corresponding period last year. The Group's optimal inventory levels should be sufficient for three months' consumption in the case of polysilicon and one month's consumption for other auxiliary raw materials.

Trade receivable turnover days

In 2010, the trade receivable turnover days of the Group decreased to 33 days (2009: 77 days). Such turnover days were at a low level and were within the credit period that the Group grants to its customers. The Group normally grants a credit period of 30 to 90 days to its customers.

Trade payable turnover days

As global supply of polysilicon raw materials is limited and the volume of polysilicon used by the Group increased, the Group's prepayments to suppliers for purchasing raw materials increased. Therefore, the trade payable turnover days decreased to 32 days (2009: 61 days).

Liquidity and financial resources

The Group's principal sources of working capital during the year under review were cash flows from operating activities and bank borrowings. As at 31 December 2010, the Group's current ratio (current assets divided by current liabilities) was 1.38 (31 December 2009: 2.27). The Group had net borrowings of RMB202.259 million as at 31 December 2010 (31 December 2009: RMB82.255 million) with cash in bank and on hand of RMB459.734 million (31 December 2009: RMB236.191 million), pledged deposits of RMB74.113 million (31 December 2009: RMB44.055 million), short-term bank loans of RMB648.011 million (31 December 2009: RMB289.274 million), long-term bank loan of RMB85.000 million (31 December 2009: RMB70.000 million) and long-term municipal government loan of RMB3.095 million (31 December 2009: RMB3.227 million). Net debt to equity ratio (net debt divided by total equity) was 12.3% (31 December 2009: 5.9%). Such ratios show that the Group's financial position remains healthy.

Contingent liabilities

At 31 December 2010, the Group had no material contingent liabilities.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases and cash and bank deposits that are denominated in a currency other than RMB, the functional currency of the operations to which they relate. The currencies giving rise to this risk to the Group are primarily the US Dollar, Euro and Hong Kong Dollar. The Directors do not expect any significant impact from movements in exchange rates since the Group uses foreign currencies received from customers to settle the amounts due to suppliers. In addition, the Directors ensure that the net exposure is kept to an acceptable level by buying or selling the US Dollar and Euro at spot rates where necessary to address short-term imbalances.

Human resources

At 31 December 2010, the Group had 2,081 (31 December 2009: 1,182) employees. The increase in employees was mainly for preparing the expansion of production.

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 2010.

FINAL DIVIDEND

No interim dividend was paid in 2010 (2009: RMB Nil). The board of Directors has recommended the payment of final dividend of RMB3.5 cents (HK4.1 cents) per share for 2010 (2009: RMB Nil per share). Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the recommend final dividend will be paid to shareholders whose names appear on the register of members of the Company on 30 June 2011. The payment date of the final dividend will be announced in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 June 2011 to 30 June 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and 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 24 June 2011.

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

During the year, 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 2010 save and except that we are informed by Mr. Chong Kin Ngai, a non-executive director of the Company, of his spouse's dealings in the shares of the Company during the period between 17 July 2009 and 23 July 2010 without notification to the chairman of the Company in accordance with rule A.6 of the Model Code and such notifiable interests were subsequently disclosed by filing of disclosure of interest forms to the Stock Exchange and the Company on 29 November 2010 and 7 December 2010 pursuant to the requirements under Part XV of the Securities and Futures Ordinance (Chapter 571, Law of Hong Kong).

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2010, 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 2010.

PUBLICATION OF FINANCIAL INFORMATION

The 2010 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 30 June 2011. 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, 28 March 2011

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.