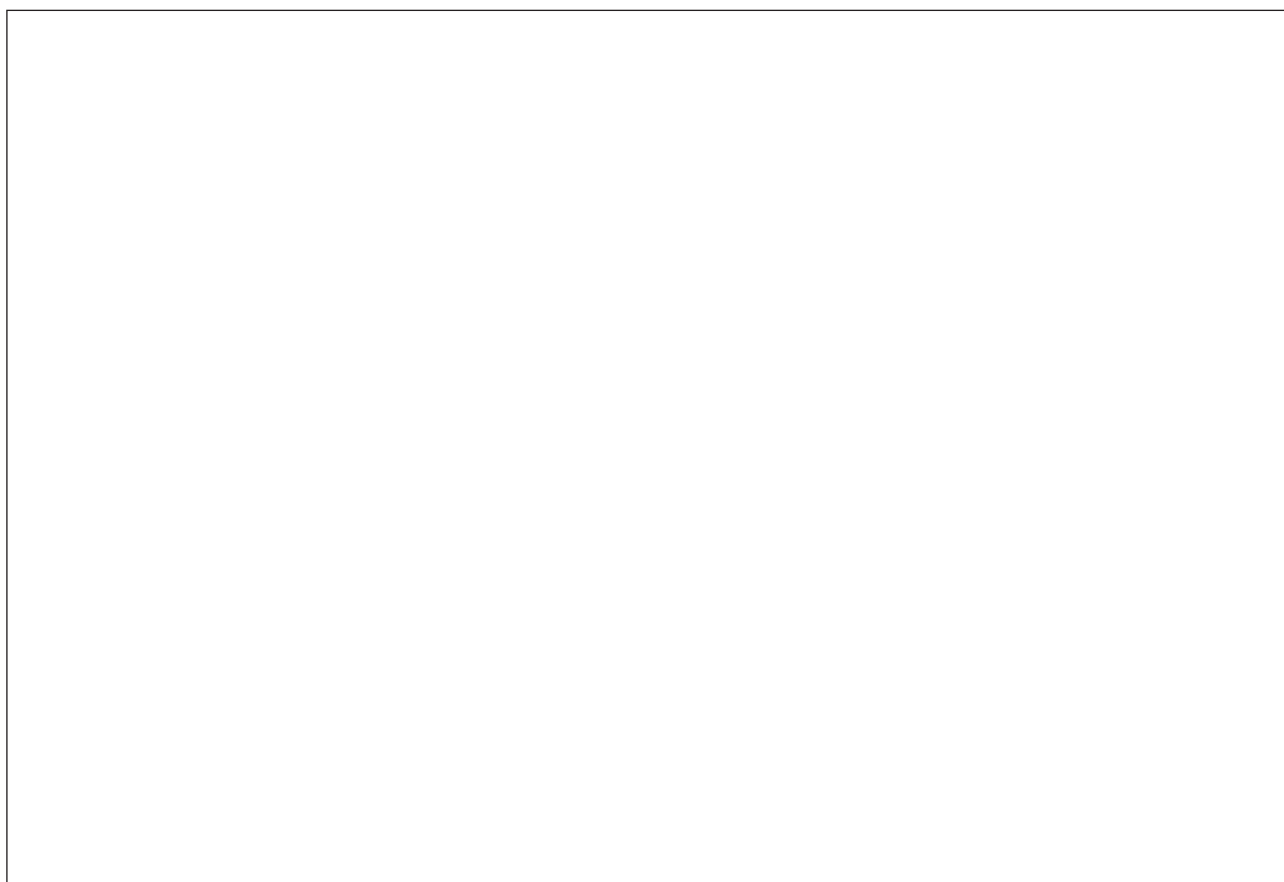


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Solargiga Energy



The directors (the "Directors") of Solargiga Energy Holdings Limited (the "Company") present here with the results of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2008 and the comparative figures which have been prepared on the basis described below.

For the year ended 31 December 2008

		B'000	2007 B'000
Turnover	3	2 000	1,015,538
Cost of sales		<u>(2 000)</u>	<u>(692,412)</u>
Other revenue	4		323,126
Other net loss	5	()	81,583
Selling and distribution expenses		(2 000)	(8,442)
Administrative expenses		()	(4,432)
Finance costs		<u>000</u>	<u>344,673</u>
Income tax	6 7	000 <u>000</u>	337,095 <u>(20,606)</u>
		<u>000</u>	<u>316,489</u>
Equity shareholders of the Company		000	292,241
Minority interests		<u>000</u>	<u>24,248</u>
		<u>000</u>	<u>316,489</u>
Final dividend proposed after the balance sheet date	8	<u>000</u>	<u>87,920</u>
Basic	9	<u>000</u>	<u>20.33</u>

As at December 31, 2008

		B'000	2007 B'000
Property, plant and equipment		2 000	175,379
Lease prepayments		2	48,486
Prepayments for acquisition of property, plant and equipment		2	53,092
Deferred tax assets		0	922
		<u>2</u>	<u>277,879</u>
Inventories		0 000	137,832
Trade and other receivables	10	2 000	187,066
Tax receivable			120
Pledged deposits			348,978
Cash and cash equivalents		2	673,996
		<u>0 000</u>	<u>673,996</u>
Short-term bank loans		2	127,000
Trade and other payables	11	2 000	144,068
Current tax payable		2 000	18,453
		<u>2 000</u>	<u>289,521</u>
		<u>2</u>	<u>384,475</u>
		<u>0 2</u>	<u>662,354</u>
Municipal government loan		0 000	2,890
Deferred tax liabilities		0	26,747
Deferred income		0 000	29,637
		<u>2 000</u>	<u>632,717</u>
		<u>0 2</u>	<u>632,717</u>
Paid-in/issued capital			279
Reserves		0	632,438
		<u>0 2</u>	<u>632,717</u>

Profit before taxation is arrived at after charging:

	B'000	2007 B'000
Interest on bank loans wholly repayable within five years	(8)	9,009
Interest on municipal government loan		207
	<hr/>	<hr/>
Total interest expense on financial liabilities not at fair value through profit or loss	(8)	9,216
Less: interest expenses capitalised into construction in progress*	8	(1,638)
	<hr/>	<hr/>
	8	7,578
	<hr/>	<hr/>
Contributions to retirement schemes	2	1,758
Equity-settled share-based payment expenses	22	10,054
Salaries, wages and other benefits	2 (28,430
	<hr/>	<hr/>
	(
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(a) Income tax in the consolidated income statement represents:

	<i>B'000</i>	2007 <i>B'000</i>
Provision for the year	()	24,128
Over-provision in respect of prior years		(8)
Tax refund on domestic equipment purchases	—	—
	<u>2</u>	<u>24,120</u>
Origination and reversal of temporary differences	<u>(2)</u>	<u>(3,514)</u>
	<u>(2)</u>	<u>20,606</u>

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

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

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

The first year that 錦州新日硅材料有限公司 (Jinzhou Xinri Silicon Materials Co., Ltd.) (Xinri) recorded assessable profits was 2001 and, therefore, Xinri was subject to a 50% tax exemption starting from 2003. As Xinri is engaged in an advanced technology business in the PRC, it has been granted an extension of the 50% tax exemption for a further three years. Accordingly, Xinri was subjected to a preferential tax rate of 13.5% for the year ended 31 December 2007. The extension of the 50% tax exemption was repealed when the new tax law became effective on 1 January 2008.

The first year that 錦州華昌硅材料有限公司 (Jinzhou Huachang Silicon Materials Co., Ltd.) (Huachang), 錦州華日硅材料有限公司 (Jinzhou Huari Silicon Materials Co., Ltd.) (Huari) and 錦州佑華新能源有限公司 (Jinzhou Youhua New Energy Co., Ltd.) (Youhua) recorded assessable profits was 2003, 2005 and 2005, respectively. Accordingly, Huachang, Huari and Youhua were subjected to a preferential tax rate of 13.5% for the year ended 31 December 2007.

The first year that 錦州陽光能源有限公司 (Jinzhou Yangguang Energy Co., Ltd.) (Yangguang) recorded assessable profits was 2006. It was fully exempted from PRC EIT for the year ended 31 December 2007.

上海晶技電子材料有限公司 (Shanghai Jingji Electronic Material Co., Ltd.) (Jingji) was subjected to a preferential tax rate of 27% for the year ended 31 December 2007.

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 (FIEs) 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% (as applicable) (as the case may be) on the gross amount of the income.

Reconciliation between taxable expense and accounting profit at the applicable tax rates:

	<i>B'000</i>	2007 <i>B'000</i>
Profit before taxation	<u>337,095</u>	<u>337,095</u>
Notional taxation profit before taxation calculated at 25% (2007: 27%)	91,016	91,016
Effect of non-deductible expenses	4,815	4,815
Effect of non-taxable income	(20,188)	(20,188)
Effect of tax concessions obtained	(57,340)	(57,340)
Effect of unused tax loss not recognised	2	
Tax refund on domestic equipments purchases		
Effect of different taxation rate used in other jurisdiction	2,311	2,311
Effect of withholding tax	(8)	(8)
Over-provision in respect of prior years	<u>20,606</u>	<u>20,606</u>
Actual tax expense	<u>20,606</u>	<u>20,606</u>

	<i>B'000</i>	2007 <i>B'000</i>
Final dividend proposed after the balance sheet date of RMB1.5 cents (HK\$1.7 cents) (2007: RMB5.2 cents (HK\$5.8 cents)) per share	<u>87,920</u>	<u>87,920</u>

The Board has recommended the payment of final dividend of RMB1.5 cents (HK\$1.7 cents) per share (2007: RMB5.2 cents (HK\$5.8 cents)) and propose to give shareholders the option of receiving part or all of the final dividend in form of new shares (Scrip Dividend) in lieu of cash dividend. The Scrip Dividend proposal (the Proposal) will be conditional on (i) the approval of the recommended final dividend at the forthcoming annual general meeting of the Company and (ii) the Stock Exchange granting a listing of and permission to deal in the shares to be issued pursuant to the Proposal. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the recommended final dividend will be paid to shareholders whose names appear on the register of members of the Company on 12 June 2009. The payment date of the final dividend will be announced in due course.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

	<i>B'000</i>	2007 <i>B'000</i>
Final dividend in respect of the previous financial year, approved and paid during the year	<u>113,658</u>	<u>113,658</u>

In respect of the final dividend approved and paid for the year ended 31 December 2007, the difference of RMB338,000 between the final dividend proposed in the 2007 annual report and amount approved and paid during the year represents exchange difference.

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB83,379,000 (2007: RMB292,241,000) and the weighted average of 1,627,540,199 (2007: 1,437,166,500) ordinary shares of the Company in issue during the year as calculated as set out in Note 9(b). The weighted average number of shares for the current and prior years has been adjusted for the capitalisation issue as if the capitalisation issue had been in existence throughout 2007 and 2008.

		2007
Issued ordinary shares at 1 January 2008	2,874,333	2,874,333
Effect of capitalisation issue	(1,434,292,167)	1,434,292,167
Effect of shares issued under the global offering	(1,437,166,500)	1,437,166,500
Weighted average number of ordinary shares	<u>1,437,166,500</u>	<u>1,437,166,500</u>

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2007 and 2008.

	<i>B'000</i>	2007 <i>B'000</i>
Trade receivables (net of allowance)	77,118	77,118
Other receivables, prepayments and deposits (net of allowance)	109,233	109,233
Amount due from a related party	715	715
	<u>187,066</u>	<u>187,066</u>

The prepayments expected to be recovered or recognised as expenses after more than one year totalled RMB170,809,000 (2007: RMBNil).

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

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

	<i>B'000</i>	2007 <i>B'000</i>
Trade payables (2007: 116)	2 8 8	38,367
Bills payable (2007: 11)	2	
Other payables and accrued expenses (2007: 11)	2	105,701
Amount due to a director (2007: 11)		
	<u>2 8 8</u>	<u>144,068</u>

All of the trade and other payables (including amount due to a director) are expected to be settled within one year.

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

	<i>B'000</i>	2007 <i>B'000</i>
Within 1 month	(24,627
1 - 3 months	(9,584
3 - 6 months		1,858
6 - 12 months	8 2	1,164
1 - 2 years	2 2	1,134
	<u>2 8 8</u>	<u>38,367</u>

Included in trade payables are aggregate amounts due to related parties of RMB63,448,000 (2007: RMB26,762,000) as at 31 December 2008.

- (b) The bills payable of RMB24,288,000 as at 31 December 2008 are secured by the bank deposits of RMB20,000,000. Included in bills payable are bills payable to related parties of RMB15,000,000 (2007: RMBNil) as at 31 December 2008.
- (c) Included in the other payables and accrued expenses are receipts in advance from a related party of RMB20,000,000 (2007: RMBNil) as at 31 December 2008.
- (d) The amount due to a director is unsecured, interest-free and repayable on demand.

The Company successfully listed on the Main Board of the Stock Exchange on 31 March 2008. The proceeds raised from the listing have accelerated the expansion of production capacity and level of technology, providing a strong support for its development in the long run. It also laid a solid foundation for the Group to expand across the globe. Moreover, the Group

In respect of the global photovoltaic (PV) markets, countries including Japan, Germany, Spain and Italy are currently the major end-markets. These countries are promoting solar generation by implementing proactive policies, such as providing government grants, leading to the fast development of the PV manufacturing industry. The PRC and the United States, being the largest energy consuming countries in the world, together with Greece, France, Australia and the Middle East are promising solar energy markets with substantial potential in the future.

At present, the suppliers of polysilicon, a major raw material for the Group, are mainly from countries including Europe, the United States and Japan. In recent years, the rapid growth of the solar energy industry has resulted in a serious shortage of polysilicon supply due to insufficient output. With inadequate supply, the price of polysilicon has been increasing. With effect from the fourth quarter of 2008, as the financial tsunami triggered the economic slowdown, some manufacturers of solar energy products have experienced capital shortages, which resulted in a drop in demand for polysilicon and prices continued to fall substantially. In the long run, it is expected that the supply of the raw material, polysilicon, will only become stable upon the completion of the expansion plans of existing polysilicon manufacturers and the introduction of new manufacturers in Japan, Korea and the PRC. Beyond then, the solar energy industry is expected to grow steadily and healthily.

Environmental Protection

In recent years, with the increasing awareness of environmental protection, global warming has become a worldwide issue. Owing to the fact that fossil fuels will be exhausted one day, there is a huge market potential for renewable energy due to its unlimited and infinite nature. According to the Research Report on the Development of the Photovoltaic Industry in China (2006-2007) issued by China Renewable Energy Development Project Management Office in March 2008, the structure of global energy in the first half of the 21st century will undergo drastic changes. Renewable energy will gradually overtake fossil energy, at a replacement rate of approximately 5% in 2000 to approximately 10% in 2010, and will further increase to 40% in 2040. Among the many renewable energy sources, the prospect of the solar energy industry is the most promising.

To meet the high market demand for PV products, during the third quarter of 2008, the Group

without the government subsidies in order to become an alternative energy source with economic benefits, and play a part in the energy market. Facing such dual competition, the Group, as a pioneer in the industry, strongly believes that increasing investment in R&D and strengthening of production efficiency are the keys to success. In view of this, the Group has committed to enhancing its R&D capability, working closely with strategic investors in the PRC, Japan and Taiwan for technological exchange and cooperation; and enhancing production efficiency through technological innovation to improve product quality, so as to maintain its market position and to strengthen its overall competitiveness.

During the year under review, with its vertically integrated production model, the Group upgraded scrap polycrystalline silicon which could not be used directly in the production process by utilising various unique and proprietary techniques, and appropriately implemented the mixed use of such reclaimed polycrystalline silicon and high purity polycrystalline silicon in its production in order to further enhance production efficiency and lower costs. Furthermore, the Group strives to

In the of the rapid economic growth in the PRC, the number of industrial and infrastructure projects keeps increasing, driving the demands for energy. In addition, as the environmental protection policies in the PRC aim at aligning with the international ones, it has created tremendous opportunities for the solar energy industry. The PRC government has earlier approved three pilot projects of solar energy power stations, namely the Chongming Island (崇明島)

from consolidating its existing customers from both the PRC and abroad, the Group is actively expanding its sales network to further increase its market share of the solar energy industry.

Engineering & Development

The Group's ability to take a leading position in the industry of manufacturing monocrystalline solar ingots is attributable to its high level of R&D capability. In the future, the Group will continue to optimise its ability of reclaiming and improving ingot crystallisation, after slicing

The Group's turnover increased year-on-year by 47.0%, from RMB1,015.5 million in 2007 to RMB1,492.9 million in 2008. The increase was mainly driven by the new production capacity which commenced operation in 2008 as well as the continuing increase trend in the market prices of high solar products in the first nine months of 2008.

1. Sales of monocrystalline silicon ingots and wafers increased by 42.1% from RMB864.7 million to RMB1,229.0 million. This is attributable to both increases in sales volume and average selling prices in the first nine months of 2008. The volume of ingots sold decreased from 150,837 kg in 2007 to 105,124 kg in 2008, while the volume of wafers sold increased from 14.6 million pieces to 21.9 million pieces.

prices and product selling prices caused by the global economic slowdown. Excluding this industry's significant impact, the gross profit of the Group in 2008 would have been RMB445.7 million, increased by RMB122.6 million or 37.9% as compared to 2007.

The gross profit margin declined by 16.7 percentage points from 31.8% in 2007 to 15.1% for 2008. Excluding the impact from the decline of inventories, the gross profit margin of the Group in 2008 would have been 29.9%, a decline of 1.9 percentage points as compared to 2007.

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

Other net loss mainly comprised net foreign exchange loss amounting to RMB7.6 million (2007: RMB8.4 million). The loss mainly arose from the appreciation of RMB, the reporting currency, during the period between the transaction date and the settlement date.

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. There was an increase of 54.4%, from RMB4,432,000 for 2007 to RMB6,843,000 for 2008, accounting for less than 0.5% of the Group's total turnover. It was in line with the increase in turnover.

Administrative expenses comprised one-off listing expenses of RMB11.6 million (2007: Nil), equity-settled share-based payment expenses of RMB24.4 million (2007: RMB10.1 million) as well as salaries, wages and bonuses. In line with the business expansion, they increased by 115.0% from RMB47.2 million for 2007 to RMB101.5 million for 2008 and accounted for 6.8% (2007: 4.6%) of the Group's turnover.

The Group's finance costs decreased by RMB4.3 million, or 56.6%, from RMB7.6 million for 2007 to RMB3.3 million for 2008. Finance costs represented mainly interest on bank loans and other borrowings repayable within five years and interest on the municipal government loan. The reason for the decrease in finance costs was due to repayment of bank borrowings with part of the proceeds from the initial public offering during the year.

Income tax increased by RMB13.4 million or 65.0% from RMB20.6 million for 2007 to RMB34.0 million in 2008. This is mainly due to the increase in the effective tax rate of a major PRC subsidiary of the Group from 0% in 2007 to 13.77% in 2008 in accordance with the tax holiday policy granted thereto.

The Group recorded a net profit attributable to the equity shareholders of the Company of RMB83.4 million for the year ended 31 December 2008, a decrease of 71.5% as compared to RMB292.2 million in 2007. The calculation took into account one-off non-operating items of listing expenses of RMB11.6 million incurred in 2008 and gain on acquisition of the Acquired Group of RMB74.8 million generated in 2007. If the calculation excluded the aforesaid one-off non-operating items, the Group's net profit attributable to the equity shareholders of the Company would have been RMB95.0 million for the year ended 31 December 2008, a decrease of 56.3% as compared to RMB217.4 million in 2007.

The inventories of the Group mainly comprised of raw materials (namely polysilicon, crucibles and other auxiliary raw materials) and finished goods. The increase in inventories was mainly due to the expansion in the production capacity of the Group. Included in the balance of the inventories as at 31 December 2008 was a write down of inventories of RMB220,235,000 (2007: Nil). This is mainly due to the continuous fall in raw material prices and product selling prices caused by the global economic slowdown. The inventory turnover days as at 31 December 2008 totalled 77 days (2007: 77 days). The Directors consider the Group's optimal inventory level should be around three months for polysilicon and one month for other auxiliary raw materials to meet the Group's production requirements.

The trade receivable turnover days as at 31 December 2008 totalled 23 days (2007: 31 days).

The Directors considered such turnover days as at low level and as within the credit periods the Group grants to its customers. The Group normally allows a credit period of 30 to 90 days to its customers.

The trade payable turnover days as at 31 December 2008 was 26 days (2007: 24 days).

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings and the proceeds from the initial public offering. As at 31 December 2008, the Group's current ratio (current assets divided by current liabilities) was 2.52 (2007: 2.33) and it was in a net cash position. The Group's financial position remains healthy and it is well-positioned to overcome the possible adverse impacts from the global economic slowdown as well as to facilitate future development.

As at 31 December 2008, the Group was in a net cash position of RMB52,819,000 (2007: RMB219,088,000) which represented cash and cash equivalents of RMB270,402,000 (2007: RMB348,978,000), short-term bank loans of RMB214,580,000 (2007: RMB127,000,000) and a long-term municipal government loan of RMB3,003,000 (2007: RMB2,890,000). The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 34.6% as at 31 December 2007 to 4.2% as at 31 December 2008, the minus signs represented the net cash position at the respective year end dates.

C. Contingent Liabilities

As at 31 December 2008, there was no material contingent liability.

F. 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 the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars. The Directors do not expect an significant impact from movements in exchange rates since the Group uses the foreign currencies collected 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 United States Dollars at spot rates where necessary to address short-term imbalances.

H. Human Resources

As at 31 December 2008, the Group had 1,186 (2007: 783) employees. Employee benefit expenses increased to RMB69,911,000 in 2008 from RMB40,242,000 in 2007, which represented an increase of 73.7%. The remuneration of the existing employees is basic salaries, discretionary bonuses, share-based payments and social security contributions. Payments of the employees are commensurate with their responsibilities, performance and contribution.

The Company's Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's consolidated financial statements for the year ended 31 December 2008.

The Board has recommended the payment of final dividend of RMB1.5 cents (HK\$1.7 cents) per share (2007: RMB5.2 cents (HK\$5.8 cents)) and propose to give shareholders the option of receiving part or all of the final dividend in form of new shares ('Scrip Dividend') in lieu of cash dividend. The Scrip Dividend proposal (the 'Proposal') will be conditional on (i) the approval of the recommended final dividend at the forthcoming annual general meeting of the Company and (ii) the Stock Exchange granting a listing of and permission to deal in the shares to be issued pursuant to the Proposal. Subject to shareholders' approval at the forthcoming annual general meeting of the Company, the recommended final dividend will be paid to shareholders whose names appear on the register of members of the Company on 12 June 2009. The payment date of the final dividend will be announced in due course.

The register of members of the Company will be closed from 6 June 2009 to 12 June 2009, 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 no later than 4:30 p.m. on 5 June 2009.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

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 conducts regarding Directors’ securities transactions. Having made specific enquiries to all Directors, all Directors confirmed that they have complied with the requirements set out under the Model Code throughout the year ended 31 December 2008.

Throughout the year ended 31 December 2008, 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 2008.

Despite the removal of the requirement for a qualified accountant in the Listing Rules which came into effect on 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.

The 2008 annual report containing more 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.

It is proposed that the annual general meeting of the Company will be held on 12 June 2009. Notice of the annual general meeting will be published and issued to shareholders in due course.

B Order of the Board

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Hong Kong, 20 March 2009

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