



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

(a l a d t e d a b t)

(Stock Code: 757)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

RESULTS HIGHLIGHTS

- Revenue surged by 145.7% to RMB1,015.5 million
- Gross profit margin was 33.6% (excluding the one-off fair value adjustment of RMB18 million on inventories arisen from the acquisition of the Acquired Group)
- Profit attributable to equity shareholders rose by 166.5% to RMB292.2 million, exceeded the estimate set out in the listing Prospectus of the Company dated 17 March 2008 (the "Prospectus")
- Proposed final dividend per share of RMB5.2 cents (equivalent to approximately HK\$5.8 cents)

ANNUAL RESULTS

The board of directors (the "Board") of Solargiga Energy Holdings Limited ("Solargiga" or "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2007, together with the comparative figures for 2006, as follows:

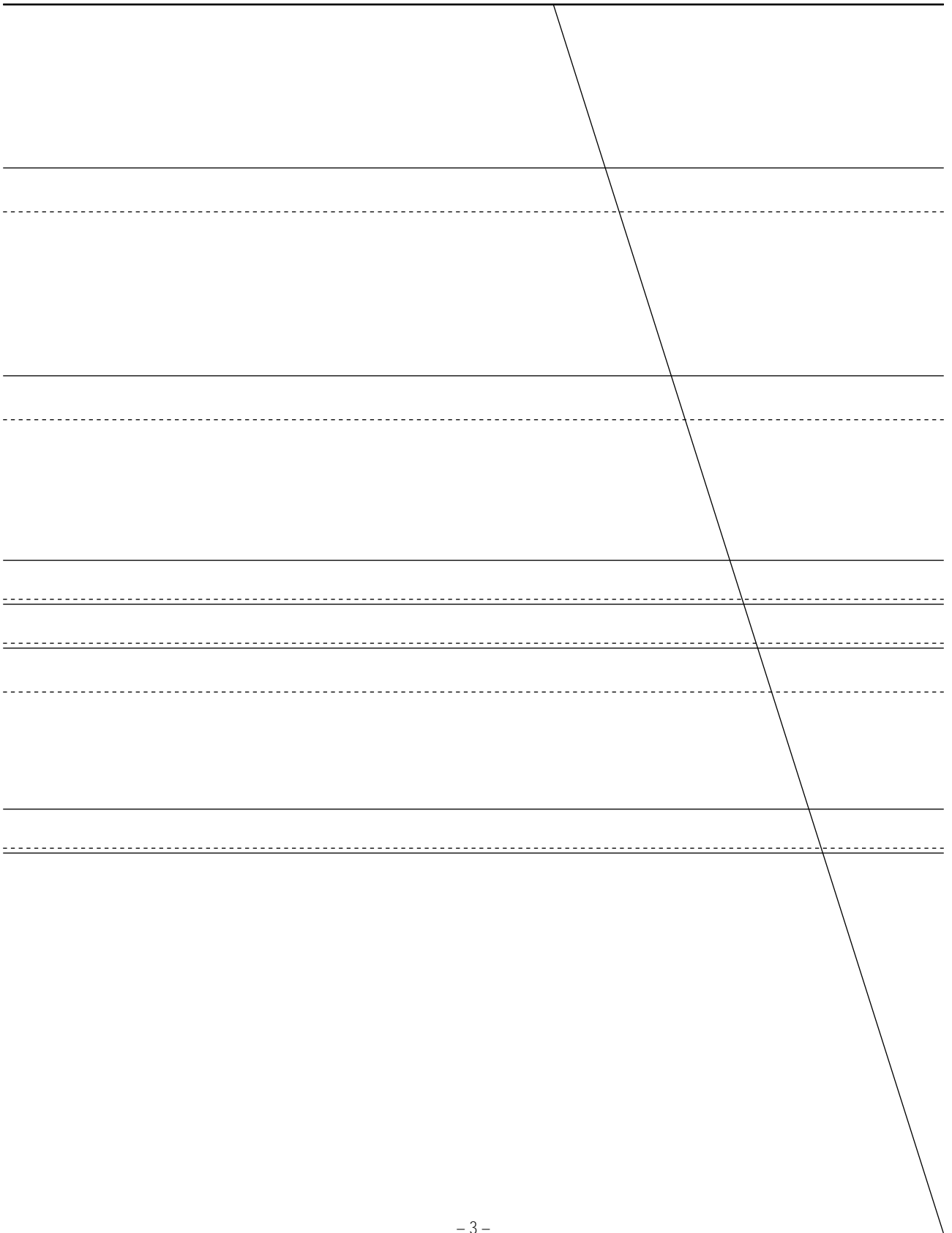
SELECTED CONSOLIDATED FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH THE HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

CONSOLIDATED INCOME STATEMENT

For the period ended 31 December 2007

(Expressed in RMB)

	Note	2007 RMB'000	2006 RMB'000
Turnover	3	1,015,538	413,303
Cost of sales		(692,412)	(244,240)
Gross profit		323,126	169,063
Other revenue	4	81,583	5,458
Other net loss		(8,442)	(1,185)
Selling and distribution expenses		(4,432)	(2,125)
Administrative expenses		(47,162)	(15,186)
Profit from operations		344,673	156,025
Finance costs		(7,578)	(3,875)
Profit before taxation	5	337,095	152,150
Income tax	6	(20,606)	(4,034)
Profit for the year		316,489	148,116
Attributable to:			
Equity shareholders of the Company		292,241	109,670
Minority interests		24,248	38,446
Profit for the year		316,489	148,116
Dividends:			
Final dividend proposed after the balance sheet date	7	87,920	113,658
Earnings per share (RMB cents)			
– Basic	8	58.23	21.85



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Group reorganisation

The Company was incorporated in the Cayman Islands on 7 March 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company and its subsidiaries are referred to as the "Group" in the consolidated financial statements. Pursuant to the reorganisation of the Group to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Reorganisation"), the Company became the holding company of the subsidiaries on 7 May 2007. The shares of the Company were listed on the Stock Exchange on 31 March 2008.

2. Basis of presentation

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

The consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement of the Group include the results of operations of the Company and its subsidiaries (except for the Acquired Group) for the years ended 31 December 2006 and 2007 or since their respective dates of incorporation, whichever is a shorter period, as if the current group structure had been in existence throughout the period and its subsidiaries had been in existence throughout the period.

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

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

Pursuant to the income tax rules and regulations of the PRC, the subsidiaries in the PRC are eligible for a 100% relief from PRC Enterprise Income Tax for two years from the first year they record assessable profits and, thereafter, they are subject to PRC Enterprise Income Tax at 50% of the applicable income tax rate for the following three years. The PRC subsidiaries of the Group are registered as production oriented enterprises in Shanghai and Jinzhou, Liaoning Province, both of which are coastal open areas of the PRC, and, therefore, enjoy a preferential PRC Enterprise Income Tax rate of 27% according to the income tax rules and regulations in the PRC.

7. Dividends

(a) Dividends attributable to the year

	2007 RMB'000	2006 RMB'000
Final dividend proposed after the balance sheet date of RMB5.2 cents (HK5.8 cents) per share by the Company	87,920	–
Final dividend proposed after the balance sheet date by certain subsidiaries of the Company	–	113,658
	87,920	113,658

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

The 2006 final dividend per share and the number of shares ranking for dividend are not presented above as such information is not meaningful having regard to the purpose of the consolidated financial statements.

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

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

	2007 RMB'000	2006 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	113,658	47,569

8. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB292,241,000 (2006: RMB109,670,000) and the 501,874,333 ordinary shares of the Company in issue and issuable, comprising 2,874,333 ordinary shares in issue at 31 December 2007 and 499,000,000 ordinary shares to be issued to the shareholder of this 2,874,333 ordinary shares as if the shares were outstanding throughout 2006 and 2007.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the year ended 31 December 2006 and 2007.

9. Trade and other receivables

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade receivables	77,118	68,339
Other receivables, prepayments and deposits	109,233	16,813
Amount due from a related party	715	–
Amounts due from subsidiaries	–	–
	187,066	85,152

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Within 1 month	41,861	55,811
1 – 3 months	18,977	11,159
3 – 6 months	13,753	333
6 – 12 months	826	987
1 – 2 years	1,701	49
	77,118	68,339

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

10. Trade and other payables

	The Group	
	2007	2006
	RMB'000	RMB'000
Trade payables	38,367	58,381
Other payables and accrued expenses	105,701	9,752
Amount due to a subsidiary	–	–
Amounts due to related parties	–	20,000
Amount due to a director	–	50
	144,068	88,183

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Within 1 month	24,627	44,216
1 – 3 months	9,584	9,411
3 – 6 months	1,858	1,306
6 – 12 months	1,164	3,230
1 – 2 years	1,134	218
	38,367	58,381

11. Post balance sheet events

On 31 March 2008, the Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited following the completion of the public offer and placing of 253,600,000 shares as described in the Prospectus of the Company dated 17 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 7 March 2007. Pursuant to the corporate reorganisation (the "Reorganisation") in preparation for the public listing of the Company's shares (the "Shares") on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the Group. On 26 June 2007, the Company acquired the entire issued share capital of Solar Technology Investment (Cayman) Corp. (together with its subsidiaries, the "Acquired Group") at an aggregate consideration of HK\$167,895,494.4. Details of the Reorganisation and acquisition of the Acquired Group are set out in the Appendix VII of the Prospectus. The Shares were listed on the Stock Exchange on 31 March 2008.

As the acquisition of the Acquired Group was completed on 26 June 2007, the consolidated income statement data of the Group only includes the contribution of the Acquired Group for the period after the acquisition on 26 June 2007. On the other hand, the consolidated balance sheets items of the Group as at 31 December 2007 were consolidated with those of the Acquired Group.

Having benefited from the rapid growth of the global solar energy industry, the Group captured market opportunities by broadening its scope of business, expanding productivity, enhancing operations efficiency and strengthening its financial position over the period.

Germany, Japan and Spain are currently the major markets in the solar photovoltaic ("PV") industry. Going forward, with the implementation of California's Million Solar Roofs initiative and the increasing efforts in developing the solar PV industry in other parts of the country, the US is expected to increase the installation capacity to 7,000MW by 2020. As one of the largest energy consumers in the world, China continues to possess immense market opportunities while Korea and Australia are forecasted to be the emerging countries in the solar industry.

Furthermore, the Chinese government has strongly supported the development of renewable energy by promulgating the Renewable Energy Law of PRC in January 2006. This has accelerated the promotion of cleaner energy technologies effectively. The Chinese government has also encouraged the use of solar energy as a clean energy by implementing subsidy programmes and incentive schemes. According to a white paper entitled China's Energy Conditions and Policies issued by the State Council of China on 26 December 2007, China will actively develop renewable energy and increase the utilization of renewable energy with the target to reach 10% and 15% of overall energy consumption in 2010 and 2020 respectively.

As for the Japan market, the Group cooperated with another strategic shareholder Sumitomo, a leading player in the solar energy industry, to expand its business network. With Sumitomo being its distribution agent in Japan, the Group holds a positive outlook towards its future business growth in this market.

Major suppliers of polysilicon, a major raw material of the Group, are located in Europe, the US and Japan. Owing to the rapid growth of the solar energy industry, there is a serious shortage of polysilicon supply due to insufficient output, leading to escalating prices of this type of raw materials. Going forward, as the current polysilicon producing countries increases polysilicon output, along with new producers in China, Japan and Korea entering the market, the shortage is expected to be alleviated. The Group has already secured the supply of polysilicon in 2008. To ensure stable raw material supply in 2009 and further in the mid- to long-run, the Group plans to make investment in the upstream polysilicon sector. The strategic investor Space Energy Corp. in Japan offers the Group stable raw material supply for processing. Another strategic investor of the Group, Wafer Works, being the world's 7th largest silicon semiconductor manufacturer, has entered into long-term cooperation agreement with two international acclaimed polysilicon suppliers to support the Group's rapid growth.

Leveraging on the Group's extensive sales network and solid foundation for production as well as sound reputation within the industry, the Group would benefit from the rapid growth of the global PV industry, aiming at becoming the world's leading player in the solar energy industry.

Capacity expansion to meet rising demand

To meet rising market demand, the Group expanded its production capacity during the year under review. The annual production capacity of the Group's Jinzhou plants increased from 800 tons of ingots and 9 million pieces of wafer in 2006 to 1,000 tons of ingots and 17 million pieces of wafers with light energy conversion capability of approximately 100MW, representing an increase of 25.0%, and 89.0% respectively over the previous year.

The Group's Jinzhou plants are equipped with integrated production facilities with upgrading facilities for raw materials, monocrystalline silicon ingot pullers and wiresaws. The Jinzhou plants mainly engage in the manufacturing of monocrystalline silicon ingots and wafers. Occasionally, at the request of customers, the Jinzhou plants also provide processing services in respect of polysilicon materials.

Advanced proprietary technical know-how on solar energy integrating expertise from China, Taiwan and Japan

Owing to its strong R&D capability, the Group has successfully secured orders from a number of major international customers in China, Japan and Europe. With the support of technical know-how from Shanghai Jingji Electron Material Co., Ltd. ("Shanghai Jingji"), which is a well-known expert in upgrading, recycling and processing of polysilicon the Group's materials, our silicon reclaiming ability has been strengthened. As such, cost of production has been reduced without sacrificing the high quality of products. Furthermore, strengthened reclaiming ability has secured sufficient supply of reclaimed polysilicon in order to support the Group's anticipated strong growth in the production of solar ingots and wafers.

Sales of Products

The Group generates its revenue from three broad categories:

- (a) The trading and manufacturing of monocrystalline silicon ingots and wafers;
- (b) The processing of solar ingots and wafers;
- (c) The upgrading and trading of polysilicon.

During the year under review, revenue of the Group was primarily generated from trading and manufacturing of monocrystalline silicon ingots and wafers, accounting for 21.7% and 63.4% respectively of total revenue of the Group. Revenue from processing of solar ingots and wafers accounted for 8.3% and 1.0% respectively of total revenue of the Group. Revenue from upgrading and trading of polysilicon accounted for 1.5% and 4.1% respectively.

Research and development

Enhancement of R&D technology has been another key focus of the Group. During the year under review, the Group's research and development activities were principally directed towards the development and implementation of more advanced process technologies to reduce cost and achieve higher production efficiency. In particular, the Group reduced the amount of polysilicon required in its production of ingots and wafers while maintaining and improving the electricity conversion capability of its outputs.

~~342,156 grams of monocrystalline silicon ingots to produce this over 330,000 wafers of 156 x 156 mm. The production of ingots, which can in turn be used to produce 156 x 156 mm wafers. 156 x 156 mm wafers were previously produced by using 18-inch hot zone in a limited scale. Compared with 18 inch hot zone, 20 inch hot zone has a higher production capacity of 156 x 156 mm wafers. 156 x 156 mm wafers have been put into commercial production in 2007. In 2006, only 41,702 pieces of 156 x 156 mm wafers were sold. For year ended 31 December 2007, the Group sold over 330,000 pieces of 156 x 156 mm wafers, which are produced mainly with 20 inch hot zone.~~

Maintain technical know-how advantage to reduce manufacturing cost and improve quality

To maintain its competitiveness, the Group will continue to enhance its technical know-how advantage in ingot crystallization and wafer slicing and to keep the Group abreast of the latest technological advancement in the industry. In view of the shortage of high purity polysilicon, the Group has resorted to the use of scrap silicon as a source of raw material. As quality of scrap silicon varies, the key to quality production is the relevant technical know-how and the Group's silicon reclaiming and upgrading ability.

The Group will continue its efforts towards the development of commercial and cost-effective manufacturing process so as to reduce its manufacturing cost.

Maintain cost effective operations through the use of the upgraded and recycled polysilicon provided by the Group's own facility, diversify source of raw materials and secure additional long-term polysilicon raw material suppliers

With the acquisition of Shanghai Jingji to further enhance the Group's polysilicon upgrading and recycling technologies and facilities and raw material supply network, the Group expects to secure more supply of higher quality processed polysilicon raw materials, which can be used to increase the production of monocrystalline silicon ingots and wafers at existing manufacturing capacity.

During the course of 2007, the research and development team successfully introduced 20 inch hot zone for the production of ingots, which can in turn be used to produce 156 x 156 mm wafers. 156 x 156 mm wafers were previously produced by using 18-inch hot

The increase in raw material costs was mainly due to shortage of polysilicon, which led to (i) an increase in price of the silicon raw material, as well as (ii) more intensive upgrading steps taken in order to make use of lower quality silicon in the ingot production process. Another reason for the increase was that there was RMB18.0 million fair value adjustments on the inventories of the Acquired Group upon the acquisition so the cost of sales of the Group increased by RMB18.0 million upon sales of those inventories.

As a result of the acquisition of production facilities from the Acquired Group in June 2007, and as additional monocrystalline silicon ingot and wafer production facilities began production since 2006, there was an increase in depreciation expenses. Staff cost also increased with the expansion of the Original Group's production, but remained stable as a percentage of total cost of sales.

Gross profit and gross profit margin

The gross profit of the Group increased by RMB154.0 million, or 91.1%, from RMB169.1 million for 2006 to RMB323.1 million for 2007 because of the substantial increase in the revenue as a result of the increased sale of monocrystalline silicon ingots and wafers. Gross profit margin declined from approximately 40.9% in 2006 to 31.8% for the year ended 31 December 2007. This was mainly because of the increase in raw material costs in 2007 and the increase in inventories by approximately RMB18.0 million, resulting from the fair value adjustment on the acquisition of the Acquired Group. Excluding this individually significant non-recurring impact, the gross profit margin for the year ended 31 December 2007 would be 33.6%.

Income tax

Income tax increased by RMB16.6 million or 410.8% from RMB4.0 million for 2006 to RMB20.6 million for 2007 as the profit before taxation of the Original Group increased from RMB152.2 million in 2006 to RMB337.1 million in 2007. The effective income tax rate increased from 2.7% for 2006 to 6.1% for 2007, mainly because Shanghai Jingji's income tax rate of 27% is higher than those of the companies comprising the Jinzhou Plants, which have income tax rates ranging from zero to 13.5%. Such effect was partially offset by the non-taxable gain on acquisition of the Acquired Group.

Profit before taxation and profit for the year

The Group's profit from operations increased by RMB188.6 million, or 120.9%, from RMB156.0 million for 2006 to RMB344.7 million for 2007 as a result of the increase in gross profit, the relatively stable and low operating expenses and gain on acquisition of the Acquired Group. Profits from operations represented 37.8% and 33.9% of the total turnover of the Group for 2006 and 2007, respectively.

Profit before taxation increased from RMB152.2 million 2006 to RMB337.1 million for 2007, representing an increase of 121.6%. A substantial portion of such increase was attributable to the gain on acquisition of the Acquired Group and the increase in profit of Jinzhou Yangguang. Profit before taxation as a percentage of total turnover decreased from 36.8% for 2006 to 33.2% for 2007.

Profit for the year increased by RMB168.4 million, or 113.7%, from RMB148.1 million for 2006 to RMB316.5 million for 2007. Profit for the year represented 35.8% and 31.2% of the total turnover for 2006 and 2007, respectively. This increase in profit for the year was mainly due to the increase in profit before taxation and the tax concession effect of Jinzhou Yangguang as well as the gain on acquisition of the Acquired Group.

Liquidity and financial resources

As at 31 December 2007, the Group showed a current ratio of 2.33 and a net cash position. It represented a healthy financial position for future development.

Improving current ratio

The current ratio being current assets over current liabilities, increased from 2.05 as at 31 December 2006 to 2.33 as at 31 December 2007.

Net cash position

The Group was at a net cash position at 31 December 2007 with cash and cash equivalents of RMB349.0 million and outstanding borrowings of RMB129.9 million. Both cash and cash equivalents as well as borrowings were denominated in RMB.

Borrowings and bank facilities

The outstanding borrowings comprised short-term bank loans of RMB127.0 million and a long-term municipal government loan of RMB2.9 million with effective interest rates of 6.71% and 7.44% respectively. As at 31 December 2007, the Group had total banking facilities of RMB752.0 million and utilised banking facilities amounted to RMB127.0 million. Deposits of RMB120,000 were pledged as security for issuance of letters of credit.

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 to which they relate. The currencies giving rise to this risk to the Group are primarily US dollars and JPY and those to the Acquired Group are primarily US dollars and Euro. 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 amount in foreign currencies due to suppliers.

The audit committee has reviewed the accounting principles adopted by the Group and the consolidated financial statements of the Group for the year ended 31 December 2007, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

Purchase, sale or redemption of the Company's Listed securities

Share of the Company were listed on 31 March 2008 and the Group and its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the year under review.

Publication of Results Announcement

This annual results announcement is available for viewing on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and the Company's website at www.solargiga.com

Definitions

"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Acquired Group after completion of the acquisition of Solartech on 26 June 2007
"Jinzhou Huachang"	錦州華昌硅材料有限公司 (Jinzhou Huachang Silicon Materials Co., Ltd.*), a wholly foreign owned enterprise established in the PRC with limited liability on 11 June 2002 and an indirect wholly-owned subsidiary of the Company, is mainly engaged in the manufacturing and sales of silicon related products
"Jinzhou Huari"	錦州華日硅材料有限公司 (Jinzhou Huari Silicon Materials Co., Ltd.*), a wholly foreign owned enterprise established in the PRC with limited liability on 1 March 2004 and an indirect wholly-owned subsidiary of the Company, is engaged in the manufacturing and sales of silicon related products
"Jinzhou Jingji"	錦州晶技太陽能科技有限公司 (Jinzhou Jingji Solar Energy Technology Co., Ltd.*), a subsidiary of Shanghai Jingji established in the PRC on 19 December 2007
"Jinzhou Plants"	Jinzhou Xinri, Jinzhou Huachang, Jinzhou Huari, Jingzhou Yangguang and Jinzhou Youhua
"Jinzhou Rixin"	錦州日鑫硅材料有限公司 (Jinzhou Rixin Silicon Material Co., Ltd.*), a wholly-owned domestic company established in the PRC with limited liability by Jinzhou Huachang on 9 May 2007 and an indirect wholly-owned subsidiary of the Company, is mainly engaged in the manufacturing and sales of silicon related products
"Jinzhou Xinri"	錦州新日硅材料有限公司 (Jinzhou Xinri Silicon Materials Co., Ltd.*), a wholly foreign owned enterprise established in the PRC with limited liability on 18 September 2000 and an indirect wholly-owned subsidiary of the Company, is mainly engaged in the manufacturing and sales of silicon related products
"Jinzhou Yangguang"	錦州陽光能源有限公司 (Jinzhou Yangguang Energy Co., Ltd.*), a wholly foreign owned enterprise established in the PRC with limited liability on 15 December 2004 and an indirect wholly-owned subsidiary of the Company, is mainly engaged in the manufacturing and sales of silicon related products and wafers

