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陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

Annual Report 2011

- Turnover increased by 49.8% to RMB2,779.223 million (2010: RMB1,854.769 million).
- Gross profit was RMB253.848 million (2010: RMB413.243 million).
- Net profit attributable to the equity shareholders of the Company was RMB54.291 million (2010: RMB214.121 million).
- Basic earnings per share was RMB2.46 cents (2010: RMB11.85 cents).

A A T

The directors (the “Directors”) of Solargiga Energy Holdings Limited (the “Company”) present herewith the results of the Company and its subsidiaries (collectively, the “Group”) for the financial year ended 31 December 2011 and the comparative figures as follows.

A T T A T T
 For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	3	2,779,223	1,854,769
Cost of sales		<u>(2,525,375)</u>	<u>(1,441,526)</u>
Other revenue	4	253,848	413,243
Other net income/(loss)	5	150,582	23,174
Selling and distribution expenses		3,191	(2,274)
Administrative expenses		<u>(32,169)</u>	<u>(9,669)</u>
Share of losses of associates		106,137	300,897
Finance costs	6(a)	<u>(54)</u>	<u>–</u>
Income tax credit/(expense)	6 7	34,134 <u>10,021</u>	282,891 <u>(71,444)</u>
		<u>44,155</u>	<u>211,447</u>
Attributable to:			
Equity shareholders of the Company		54,291	214,121

A T T A T T
For the year ended 31 December 2011

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
<p> 2011年12月31日止年度 截至2011年12月31日止年度 </p>	44,155	211,447
<p> Exchange differences on translation of financial statements of companies outside of the People's Republic of China ("PRC") </p>	<u>(6,769)</u>	<u>186</u>
<p> 2011年12月31日止年度 截至2011年12月31日止年度 </p>	<u>37,386</u>	<u>211,633</u>
<p> Attributable to: Equity shareholders of the Company Non-controlling interests </p>	47,522 <u>(10,136)</u>	214,307 <u>(2,674)</u>
<p> 2011年12月31日止年度 截至2011年12月31日止年度 </p>	<u>37,386</u>	<u>211,633</u>

A T T A A T
At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Property, plant and equipment		2,137,010	1,197,049
Intangible assets		228,084	-
Goodwill	13	208,237	-
Prepayments for acquisition of property, plant and equipment		52,262	49,063
Lease prepayments		103,858	68,400
Prepayments for raw materials		396,972	146,915
Interest in associates		256,748	37,000
Deferred tax assets		17,907	4,250
		<u>3,401,078</u>	<u>1,502,677</u>
Inventories		414,583	378,287
Trade and other receivables	10	489,190	628,412
Current tax recoverable		8,409	-
Pledged bank deposits		151,682	74,113
Cash at bank and in hand		583,743	459,734
		<u>1,647,607</u>	<u>1,540,546</u>
Trade and other payables	11	640,654	463,322
Bank loans		705,077	648,011
Current tax payable		6,623	2,243
		<u>1,352,354</u>	<u>1,113,576</u>
		<u>295,253</u>	<u>426,970</u>
		<u>3,696,331</u>	<u>1,929,647</u>
Municipal government loan		2,947	3,095
Bank loans		845,035	85,000
Bonds	12	298,000	-
Deferred tax liabilities		48,215	21,547
Deferred income		221,903	172,905
Other non-current liabilities		7,335	1,385
		<u>1,423,435</u>	<u>283,932</u>
		<u>2,272,896</u>	<u>1,645,715</u>
Share capital		198,585	162,458
Reserves		2,023,460	1,444,320
		<u>2,222,045</u>	<u>1,606,778</u>
		<u>50,851</u>	<u>38,937</u>
		<u>2,272,896</u>	<u>1,645,715</u>

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 2011 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").

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the financial statements.

2. New and Revised Standards and Interpretations

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

These developments reflected primarily the clarification of certain disclosure requirements applicable to the Group's financial statements. Except for adoption of HKAS 24 (revised 2009) which clarifies and simplifies the definition of a related party, the adoption of the above revised standard and amendments has had no material impact on the contents of the Group's financial statements.

HKAS 24 (revised 2009) revises the definition of a related party. As a result of the adoption of HKAS 24 (revised 2009), Jinzhou Youxin Electronic Materials Company Limited ("Jinzhou Youxin") and Jinzhou Aoke New Materials Co., Ltd ("Jinzhou Aoke") are no longer considered to be related parties. This standard is applied retrospectively in accordance with transitional provisions of HKAS 24 (revised 2009). Transactions concluded with Jinzhou Youxin and Jinzhou Aoke for the year ended 31 December 2010 and the balances with Jinzhou Youxin and Jinzhou Aoke as at 31 December 2010, are therefore, excluded from the disclosure of related party transactions in the Group's financial statements.

3.

In prior year, the Group had two operating segments, which were (i) the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers (“Segment A”); and (ii) the manufacturing of and trading of photovoltaic modules and installation of photovoltaic systems (“Segment B”). The composition of the operating segments was changed in the current year as a result of the newly acquired business in 2011. The change in the composition of the operating segments has resulted in a 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 resources allocation and performance assessment, the Group has identified three reportable segments: (i) the manufacturing of, trading of and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers (“Segment A”); (ii) the manufacturing of and trading of photovoltaic modules and installation of photovoltaic systems (“Segment B”); and (iii) the manufacturing and trading of monocrystalline silicon solar cells (“Segment C”). Segment C became a reportable segment in 2011 after the acquisition of Sino Light Investments Limited (“Sino Light”) and its subsidiaries (collectively referred to as the “Sino Light Group”). No operating segments have been aggregated to form these reportable segments.

(c) **Segment performance**

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 reportable segments are disclosed as follows:

The segment results for the year ended 31 December 2011 are as follows:

	31 December 2010		2011	
	Segment A RMB’000	Segment B RMB’000	RMB’000	RMB’000
Inter-segment revenue	1,156,439	693,733	929,051	2,779,223
	<u>693,559</u>	<u>89,787</u>	<u>322,943</u>	<u>1,106,289</u>
Interest income from bank deposits	5,186	250	516	5,952
Interest expenses	(56,295)	(2,544)	(13,110)	(71,949)
Depreciation and amortisation for the year	(112,602)	(2,825)	(50,657)	(166,084)
Share of losses of associates	(54)			(54)
Write-down of inventories	(155,649)	(4,995)	(1,057)	(161,701)
	<u>3,702,980</u>	<u>211,237</u>	<u>1,134,468</u>	<u>5,048,685</u>
(including interests in associates)	256,748			256,748
Additions to non-current segment assets during the year	1,161,690	19,686	843,607	2,024,983
	<u>2,442,048</u>	<u>155,815</u>	<u>177,926</u>	<u>2,775,789</u>

The segment results for the year ended 31 December 2010 are as follows:

	Year ended 31 December 2010			
	Segment A RMB'000	Segment B RMB'000	Segment C RMB'000	Total RMB'000
Inter-segment revenue	1,766,807	87,962	–	1,854,769
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>1,766,807</u>	<u>87,962</u>	<u>–</u>	<u>1,854,769</u>
Depreciation and amortisation for the year	216,371	(4,924)	–	211,447
Interest income from bank deposits	2,457	329	–	2,786
Interest expenses	(18,006)	–	–	(18,006)
Depreciation and amortisation for the year	(53,855)	(605)	–	(54,460)
	<u>2,959,990</u>	<u>83,233</u>	<u>–</u>	<u>3,043,223</u>
(including interest in an associate)	37,000	–	–	37,000
Additions to non-current segment assets during the year	827,067	29,260	–	856,327
	<u>1,349,326</u>	<u>48,182</u>	<u>–</u>	<u>1,397,508</u>

(c) Substantially all of the Group's property, plant and equipment, lease prepayments, goodwill, intangible assets and interests in associates are located or operated in the PRC. The following table sets out information about the geographical location of the Group's revenue from external customers and non-current prepayments. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

(i) Revenue from external customers

	2011 RMB'000	2010 RMB'000
The PRC (place of domicile)	<u>1,199,344</u>	<u>1,121,531</u>
Export sales		
– Japan	743,886	212,154
– The United Kingdom	288,847	–
– The United States of America	265,334	457,157
– Germany	163,165	14,824
– Spain	70,117	–
– Taiwan	41,392	33,227
– Canada	7,138	13,875
– Other countries		2,001
Sub-total	<u>1,579,879</u>	<u>733,238</u>
Total	<u>2,779,223</u>	<u>1,854,769</u>

(ii) *Non-current prepayments*

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
The PRC (place of domicile)	51,905	46,651

6. 其他非流动资产

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

	2011 RMB'000	2010 RMB'000
() 利息支出		
Interest on bank loans wholly repayable within five years	80,271	21,586
Interest on bonds	5,475	-
Interest on municipal government loan	215	214
	<u>85,961</u>	<u>21,800</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	85,961	21,800
Less: interest expenses capitalised into construction in progress*	(14,012)	(3,794)
	<u>71,949</u>	<u>18,006</u>
* The borrowing costs have been capitalised at a rate of 4.42% to 8.97% (2010: 4.82% to 7.75%) per annum.		
() 职工薪酬		
Contributions to retirement schemes	15,170	7,224
Equity-settled share-based payment expenses	1,940	4,752
Salaries, wages and other benefits	102,537	56,086
	<u>119,647</u>	<u>68,062</u>
() 专业服务		
Audit services	1,861	1,684
Other services	767	199
	<u>2,628</u>	<u>1,883</u>
() 其他非流动资产减值		
Write-down of inventories	161,701	-
Depreciation	137,096	53,036
Research and development costs	127,979	48,328
Amortisation of intangible assets	26,785	-
Provision for warranty costs	6,465	870
Amortisation of lease prepayments	2,203	1,424
Operating lease charges – property	864	1,794
Impairment of trade debtors	-	449
	<u>434,988</u>	<u>106,870</u>

7. 收入稅

Income tax in the consolidated income statement represents:

	2011 RMB'000	2010 RMB'000
Provision for the year	30,573	15,891
Over-provision in respect of prior years	<u>(688)</u>	<u>–</u>
	<u>29,885</u>	<u>15,891</u>
Origination and reversal of temporary differences	<u>(39,906)</u>	<u>55,553</u>
Income tax (credit)/expense	<u>(10,021)</u>	<u>71,444</u>

8. 股息

(a) 2011年12月31日止年度

	2011 RMB'000	2010 RMB'000
No final dividend proposed for the year ended 31 December 2011 by the Company (2010: RMB3.5 cents (HK\$4.1 cents) per share)	<u>–</u>	<u>63,251</u>

The Directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2011 (2010: RMB3.5 cents (HK\$4.1 cents) per share).

(b) 2010年12月31日止年度

	2011 RMB'000	2010 RMB'000
Final dividend of RMB3.5 cents (HK\$4.1 cents per share (2010: Nil)) in respect of the previous financial year, approved and paid during the year	<u>78,476</u>	<u>–</u>

For the final dividend in respect of the previous financial year, the difference of RMB15,225,000 between the final dividend of RMB63,251,000 proposed in the 2010 and amount approved during the year of RMB78,476,000 represents dividends attributable to new shares issued upon the conversion of convertible bonds before the closing date of the register of members.

9. A

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The calculation of basic earnings per share is based on the profit attributable to the ordinary equity shareholders of the Company of RMB54,291,000 (2010: RMB214,121,000) and the weighted average of 2,211,184,124 ordinary shares (2010: 1,807,170,425) ordinary shares of the Company in issue during the year as calculated in note 9(b).

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	2011	2010
Issued ordinary shares at 1 January	1,807,170,425	1,807,170,425
Effect of convertible bonds	<u>404,013,699</u>	<u>—</u>
Weighted average number of ordinary shares	<u>2,211,184,124</u>	<u>1,807,170,425</u>

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There were no dilutive potential ordinary shares in issue during the years ended 31 December 2011 and 2010.

10. T A A T AB

	2011 RMB'000	2010 RMB'000
Trade debtors and bills receivable	181,591	167,255
Prepayments for raw materials	53,101	151,288
Deposits and other receivables	<u>254,498</u>	<u>309,869</u>
	<u>489,190</u>	<u>628,412</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of individual customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

11. Trade and other payables

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Trade payables	103,636	175,919
Bills payable	252,701	124,200
Other payables and accrued expenses	284,317	163,203
	<u>640,654</u>	<u>463,322</u>

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

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

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Within 1 month	307,386	196,188
1 to 3 months	20,554	23,708
3 to 6 months	9,999	69,220
6 to 12 months	1,415	1,787
1 to 2 years	16,983	9,216
	<u>356,337</u>	<u>300,119</u>

12. Bonds

On 24 August 2011, the Company issued RMB300,000,000 bonds with a maturity of three years due on 24 August 2014 (the "Bonds"). The related issuing costs amounted to RMB3,600,000. The Bonds were issued at 100% of the aggregate principal amount and are denominated in RMB bearing interest at 4.75% per annum payable semi-annually in arrears.

13. Business combinations

On 26 January 2011, the Group acquired 100% equity interest in Sino Light Group. Sino Light Group is engaged in the manufacturing and trading of monocrystalline silicon solar cells. The acquisition of the Sino Light Group allows the Group to expand into the downstream of the solar industry. The intangible assets arising from the business combination comprised customer relationships, patents and sales contracts. The goodwill is attributable mainly to the benefit of skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the entities into the Group's existing businesses.

A A T A A A

Silicon Ingot Business

During the year under review, the Group proactively expanded the production capacity of silicon ingots to further explore its technological advantage. As at 31 December 2011, the Group was equipped with 493 monocrystalline ingot pullers and 4 multicrystalline casting furnaces, of which 397 monocrystalline ingot pullers were located in Jinzhou production base while the remaining 96 monocrystalline ingot pullers were installed in the plant of Solargiga Energy (Qinghai) Company Limited (“Qinghai Yangguang”), which is 51% owned by the Group, in Xining, Qinghai Province, and the annual production capacity of silicon ingots formally reached 1GW in December 2011.

During the year under review, by its “inverted pyramid” vertical integration supply chain model, the Group is able to fully utilise its upstream products for the production of its downstream products, and the upstream products including ingots, wafers and cells are also for sales externally. Of which, the external shipment volumes of self-manufactured and processed silicon solar ingots of the Group were 85.86MW and 55.38MW respectively, representing a growth of 11.5% and 113.5% compared with 76.99MW and 25.94MW last year. Solargiga has gained a leading position in the monocrystalline silicon solar ingot manufacture aspect in terms of technology, product quality and quantity. The products of the Group are the only monocrystalline silicon solar ingot maker in the PRC for which national products exemption from quality surveillance inspection has been granted. Major products are silicon ingot of 5.5 inches to 8.7 inches on diameter. The photovoltaic conversion efficiency of its monocrystalline silicon products is also higher than the industry average. Apart from the traditional P-type products, the Group also provides N-type high-efficiency products with a photovoltaic conversion efficiency of 22–23%. During the year under review, the external shipment volume of N-type silicon ingots was 55.39MW, in which the self-manufactured and processing volume of N-type products were 46.41MW and 8.98MW respectively, representing an aggregate amount of approximately 39.2% of the external shipment volume of silicon ingots. N-type products are mainly targeted at Japanese customers.

Wafer Business

During the year under review, in order to cater for the expansion of production capacity of upstream monocrystalline silicon ingots, the Group correspondingly increased the wiresaw equipment. As at 31 December 2011, the Group possessed 121 wiresaws, two of which were newly added diamond wiresaws. The annual production capacity of wafers has already increased from 600MW in the beginning of 2011 to 900MW at the end of 2011.

The external shipment volumes of self-manufactured and processed silicon solar wafers of the Group were 173.46MW and 8.65MW respectively during the year under review, representing a decrease of 21.4% in total compared with 225.27MW and 6.46MW last year. The decrease was mainly attributable to more wafers have been internally sold to downstream business after the completion of acquisition of solar cells manufacturing business, and for external sales only after they are manufactured into solar cells and modules.

Cell Business

During the year under review, the Group successfully acquired Sino Light Investment Limited (“Sino Light”) on 26 January 2011. Sino Light and its subsidiaries are primarily engaged in the manufacture of solar cells, with a current production capacity of 300MW. From the period between 26 January 2011, the acquisition date, and 31 December 2011, the external shipment volume of solar cells of Sino Light was approximately 138.90MW. It contributed a segment turnover of approximately RMB929.051 million, accounting for 33.4% of the Group’s turnover. Through the acquisition of Sino Light, the Group was able to connect the upstream and downstream businesses for a better synergy effect.

Module Business

The Group has expanded its solar downstream photovoltaic modules business through holding 51% interest in Jinzhou Jinmao Photovoltaic Technology Company Limited (“Jinzhou Jinmao”). The modules production base is currently located in Jinzhou with a production capacity expanded to 150MW as at the end of the year from 50MW as at the beginning of 2011.

During the year under review, apart from the required modules supplied by Jinzhou Jinmao for the Group’s downstream system installation business, the Group also secured the orders from sizeable customers such as 25MW sales order from China Power Investment Corporation (中國電力投資集團), by virtue of its prominent product quality and competitive product price. As at 31 December 2011, the external shipment volume of solar modules of Jinzhou Jinmao was approximately 91.09MW, accounting for a significant increase of over 10 times compared with external shipment volume of 7.84MW last year. The utilisation rate of production capacity has increased during the year under review, while the module business is gradually in shape.

System Installation Business

The end market in the PRC is in the process of rapid growth stage. Statistics reveal that the solar energy system installation capacity in the PRC has exceeded 2GW in 2011. As such, the Group has proactively developed terminal market business fully capitalising on its advantage of vertical integration to pull the product demand from the bottom to the top.

During the year under review, the Group completed the 13.5MW “Golden Sun Programme” Project (金太陽工程) in Jinzhou, Liaoning Province. Such programme comprised three projects, of which the largest one was the 10MW solar power system located at the hill of Nanshan Tunnel (南山隧道), Jinzhou. After the grid connection, approximately 14 million kWh of electricity can be provided annually for Jinzhou; the remaining two projects were the largest project in the photovoltaic industrial park of Jinzhou Economic & Technology Development Zone (錦州經濟技術開發區光伏產業園區) and the 500kW power generation rooftop project in the small residential area of Jinzhou.

On the other hand, the Group also secured the 20MW large-scaled photovoltaic power plant project in Golmud, Qinghai Province. The Group has invested 49% interest of the project through Qinghai Yangguang and its construction and trial-run was successfully completed at the end of 2011. It is expected that approximately 33 million kWh can be generated per year. The project will enjoy the photovoltaic power generation feed-in tariff policy of RMB1.15 per kWh as set out by the National Development and Reform Commission. Moreover, apart from the successful experience of the construction of power plant within the PRC, the Group has started working on the development and construction of the overseas power station markets. During the year, a small amount of 215 kW power plant was successfully launched by grid integration in Germany solar energy rooftop market. In the future, the Group will continue to develop the global photovoltaic application market.

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Turnover

For the year ended 31 December 2011, the Group's turnover increased to RMB2,779.223 million from RMB1,854.769 million for the corresponding period in 2010, representing a year-on-year increase of 49.8%. During the year under review, the Group has not only completed an upstream and downstream vertical integration in the industry, but has also enhanced the production scale, despite of the continuous decline in the price of solar energy products.

Cost of sales

For the year ended 31 December 2011, cost of sales increased by 75.2% to RMB2,525.375 million from RMB1,441.526 million for the corresponding period of 2010. As a percentage of total turnover, cost of sales increased from approximately 77.7% to 90.9%. As the price of polysilicon, a major raw material, continued to decrease during the second half of 2011, the Group was required to make an one-off write down for the inventories of RMB161.701 million (2010: nil). Thus, the ratio of the cost of sales increased during the period under review.

Gross profit and gross profit margin

For the year ended 31 December 2011, the Group recorded a gross profit of RMB253.848 million and a gross profit margin of 9.1%. Excluding the one-off write down for the inventories of RMB161.701 million, the gross profit would have been RMB415.549 million and the gross profit margin of 15.0% for 2011. The gross profit and the gross profit margin was RMB413.243 million and 22.3%, respectively, for the corresponding period in 2010. As the decrease was relatively larger for the selling prices across each product segment in the photovoltaic market during the second half of 2011, the gross profit margin decreased throughout 2011.

Other revenue

The other income mainly comprised government grants, the interest income on bank deposits, income from sales of scrap materials and rental income under operating leases.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges, insurance expenses and overseas selling expenses and commission. Selling and distribution expenses increased by 232.7%, from RMB9.669 million for the year ended 31 December 2010 to RMB32.169 million for the year ended 31 December 2011, accounting for 1.2% (2010: 0.5%) of the Group's total turnover. The increase in expenses was due to more expenses incurred from the development of domestic and overseas markets. Apart from this, after the Group completed a vertical integration of one-stop supply chain, more development expenses has been spent in downstream product markets accordingly. Moreover, the growth in sales volume has also resulted in the rise of packaging expenses and freight charges accordingly.

Administrative expenses

Administrative expenses mainly comprised staff costs, research and development expenses and the amortisation of intangible assets. The administrative expenses for 2011 amounted to RMB269.315 million, representing a year-on-year increase of 117.9% from RMB123.577 million for the corresponding period last year, or accounting for 9.7% (2010: 6.7%) of the Group's turnover. The increase in administrative expenses was mainly attributable to the significant increase of research and development costs to RMB127.979 million in 2011 from RMB48.328 million in 2010, and the Group's expansion in vertical and horizontal production scale also resulted in an increase of administrative expenses. Moreover, the amount of RMB26.785 million (2010: Nil) was amortised in 2011 in respect of the intangible assets arising from by the acquisition of solar cells business in 2011.

Finance costs

The Group's finance costs increased from RMB18.006 million for the year ended 31 December 2010 to RMB71.949 million for the year ended 31 December 2011. Finance costs represented mainly interest on bank loans, syndicated bank loan, Renminbi-denominated bonds and the municipal government loan. The increase in finance costs was due to increase of bank borrowings during the year to cope with the business expansion and development.

Income tax

For the year ended 31 December 2011, a net tax credit of RMB10.021 million was recorded due to the utilisation of tax losses not recognised in prior years as well as tax concessions obtained during the year, compared to the income tax expense of RMB71.444 million for the corresponding period in 2010.

Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company of RMB54.291 million was recorded during the year ended 31 December 2011, representing a decrease of 74.6% from RMB214.121 million in 2010. The decrease was mainly due to a decline in gross profit followed by an one-off write down of inventories of RMB161.701 million.

Inventory turnover days

The inventories of the Group comprised mainly raw materials namely polysilicon, crucibles and other auxiliary raw materials and finished goods. The inventory turnover days for 2011 were 57 days (2010: 104 days), representing a decrease of 47 days compared to the corresponding period last year.

Trade receivable turnover days

In 2011, the trade receivable turnover days of the Group decreased to 23 days (2010: 33 days). Such turnover days continued to remain at a low level. Owing to the relatively fluctuating market, the Group is now selling more on cash on delivery to monitor the risks. A credit period of 30 to 90 days is generally granted only to its long-term customers.

Trade payable turnover days

The ratio of the Group's purchasing raw materials from the suppliers by prepayment increased from last year, and together with unfavorable business environment of solar market, the purchase volume of raw materials as at the end of the year decreased. Accordingly, the trade payable turnover days further decreased to 20 days (2010: 32 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 the proceeds from bank and other borrowings. On 27 May 2011, Solargiga entered into a syndicated loan with banks including Industrial Bank of Taiwan, BNP Paribas and other lenders with a facility amount of US\$75,000,000 (RMB470,927,000) for a term of three years. Subsequently, on 24 August 2011, Solargiga, with SinoPac Securities (Asia) Limited as its manager successfully completed the issue of the bonds of RMB300,000,000 with a term of three years.

As at 31 December 2011, the Group's current ratio (current assets divided by current liabilities) was 1.22 (31 December 2010: 1.38). The Group had net borrowings of RMB1,115.634 million as at 31 December 2011 (31 December 2010: RMB202.259 million), which comprised cash in bank and on hand of RMB583.743 million (31 December 2010: RMB459.734 million), pledged bank deposits of RMB151.682 million (31 December 2010: RMB74.113 million), bank and other loans due within 1 year of RMB705.077 million (31 December 2010: RMB648.011 million), non-current bonds, bank and other loans of RMB1,143.035 million (31 December 2010: RMB85.000 million) and long-term municipal government loan of RMB2.947 million (31 December 2010: RMB3.095 million). Net debt to equity ratio (net borrowing divided by total equity) was 49.1% (31 December 2010: 12.3%). Such ratios show that the Group's financial position remains healthy.

Contingent liabilities

As at 31 December 2011, the Group had no material contingent liabilities.

Currency risk

The Group is exposed to currency risk primarily through sales and purchases, bank loans and cash and bank deposits that are denominated in a foreign currency, i.e. a currency other than the functional currency, Renminbi, of the operations to which the transactions relate. The currencies giving rise to this risk are primarily the United States 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 collected from customers to settle the amount due to suppliers. In addition, the Directors ensure that the net exposure is kept to an acceptable level by buying or selling the United States Dollar, Euro and Hong Kong Dollar at spot rates where necessary to address short-term imbalances.

Human resources

As at 31 December 2011, the Group had 3,655 (2010: 2,081) employees. The significant increase of employees was mainly due to the production capacity expansion in Jinzhou, Liaoning and Xining, Qinghai.

A

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 2011.

†

No interim dividend was paid in 2011 (2010: RMB Nil). The Directors do not recommend the payment of a final dividend per share for 2011 (2010: RMB3.5 cents (HK\$4.1 cents) per share).

B

The register of members of the Company will be closed from 25 June 2012 to 28 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 June 2012.

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

T T A A T B T

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 confirmed that they have complied with the requirements set out under the Model Code throughout the year ended 31 December 2011.

A T A A T

Throughout the year ended 31 December 2011, 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 2011.

B A T A A A T

The 2011 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.

A A A T

It is proposed that the annual general meeting of the Company be held on 28 June 2012. Notice of the annual general meeting will be published and issued to shareholders in due course.

By Order of the Board


Executive Director

Hong Kong, 29 March 2012

As at the date of this announcement, Mr. Tan Wenhua (Chairman), Mr. Hsu You Yuan, Ms. Zhang Liming and Mr. Tan Xin are executive Directors of the Company, Mr. Chiao Ping Hai is a non-executive Director 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.