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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

- Revenue for the period under review increased by 32.0% to RMB1,723.799 million (corresponding period in 2015: RMB1,306.291 million).
- Gross profit for the period under review increased by 19.5% to RMB196.535 million (corresponding period in 2015: RMB164.524 million).
- Net loss attributable to the equity shareholders of the Company for the period under review amounted to RMB49.557 million (corresponding period in 2015: Net profit of RMB10.189 million).
- During the period under review, apart from day-to-day business operations, the Group is also actively improving the financial statement position. In order to improve production efficiency, certain obsolete equipment was disposed of, which led to a loss of RMB26.277 million; in order to reduce idle inventory and to replenish working capital, certain amount of polysilicon purchased at high prices have been sold, which led to a loss of RMB23.610 million; Further, according to accounting standards, provision on long-term purchase contract denominated in a foreign currency has to be revalued at period end according to the change in year-end exchange rate, an exchange gain/loss hence arises. As the Renminbi depreciated during the period under review, it led to an exchange loss of RMB10.826 million. In summary, excluding the above extraordinary items, the adjusted net profit was RMB14.071 million.
- Basic loss per share amounted to RMB1.54 cents (corresponding period in 2015: RMB0.32 cents earnings per share).
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the period under review was RMB135.882 million (corresponding period in 2015: RMB170.978 million).
- The board of directors of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2016 (corresponding period in 2015: RMBNil).

INTERIM RESULTS

The directors (the “Directors”) of Solargiga Energy Holdings Limited (the “Company”) present herewith the unaudited consolidated interim financial results (the “Interim Results”) of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015. The Interim Results are unaudited but have been reviewed by the Company’s audit committee and the Company’s auditor, Ernst & Young.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2016 – unaudited

		Six months ended 30 June	
		2016	2015
	Note	RMB'000	RMB'000
Revenue	3	1,723,799	1,306,291
Cost of sales		<u>(1,527,264)</u>	<u>(1,141,767)</u>
Gross profit		196,535	164,524
Other income and gains, net	4	(44,468)	7,441
Selling and distribution expenses		(14,977)	(7,313)
Administrative expenses		<u>(106,807)</u>	<u>(93,014)</u>
Operating profit		<u>30,283</u>	<u>71,638</u>
Share of losses of associates		(3,315)	(6,211)
Finance costs		<u>(60,144)</u>	<u>(58,347)</u>
(Loss)/profit before tax	5	<u>(33,176)</u>	<u>7,080</u>
Income tax expense	6	<u>(13,416)</u>	<u>(89)</u>
(Loss)/profit for the period		<u>(46,592)</u>	<u>6,991</u>
Attributable to:			
Equity holders of the Company		(49,557)	10,189
Non-controlling interests		<u>2,965</u>	<u>(3,198)</u>
(Loss)/profit for the period		<u>(46,592)</u>	<u>6,991</u>
BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (RMB cents)	7	<u>(1.54)</u>	<u>0.32</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME**

for the six months ended 30 June 2016 – unaudited

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
(Loss)/profit for the period	(46,592)	6,991
Other comprehensive income/(loss) for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Changes in fair value of available-for-sale investments	(4,443)	1,301
– Currency translation differences	(5,218)	(13,347)
Total comprehensive loss for the period, after tax	(56,253)	(5,055)
Attributable to:		
Equity holders of the Company	(59,218)	(1,857)
Non-controlling interests	2,965	(3,198)
Total comprehensive loss for the period	(56,253)	(5,055)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2016 – unaudited

		At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	1,776,227	1,796,131
Prepayments for acquisition of property, plant and equipment		28,356	46,767
Lease prepayments		117,828	120,200
Prepayments for raw materials	9	75,686	83,184
Investments in associates		56,406	59,721
Deferred tax assets		22,940	23,515
Other non-current assets		25,538	28,710
		<u>2,102,981</u>	<u>2,158,228</u>
Current assets			
Inventories		519,723	613,170
Trade and bills receivables	10	766,214	578,936
Prepayments, deposits and other receivables	11	514,618	584,134
Current tax recoverable		3,335	1,233
Available-for-sale investments		–	123,942
Pledged deposits		294,486	459,171
Cash at bank and in hand		290,478	193,953
		<u>2,388,854</u>	<u>2,554,539</u>
Current liabilities			
Interest-bearing borrowings	12	1,872,969	1,931,849
Trade and bills payables	13	722,029	799,248
Other payables and accruals	14	150,652	166,346
Current tax payable		1,940	6,160
Provision for inventory purchase commitments		47,230	46,250
Finance lease payables		2,985	–
		<u>2,797,805</u>	<u>2,949,853</u>
Net current liabilities		<u>(408,951)</u>	<u>(395,314)</u>
Total assets less current liabilities		<u>1,694,030</u>	<u>1,762,914</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2016 – unaudited (continued)

		At 30 June 2016	At 31 December 2015
	<i>Notes</i>	RMB'000	RMB'000
Non-current liabilities			
Interest-bearing borrowings	12	307,644	348,144
Deferred tax liabilities		2,819	2,855
Deferred income		187,560	187,165
Finance lease payables		13,855	–
Other non-current liabilities		75,542	61,887
		<hr/> 587,420	<hr/> 600,051
NET ASSETS		<hr/> 1,106,610	<hr/> 1,162,863
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	276,727	276,727
Reserves		734,795	794,013
		<hr/> 1,011,522	<hr/> 1,070,740
Non-controlling interests		<hr/> 95,088	<hr/> 92,123
TOTAL EQUITY		<hr/> 1,106,610	<hr/> 1,162,863

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

These interim condensed consolidated financial information for the six months ended 30 June 2016 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies and the basis of preparation adopted in the preparation of these interim condensed consolidated financial information are in conjunction with those accounting policies adopted in the annual financial statements for the year ended 31 December 2015, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

As at 30 June 2016, the Group’s current liabilities exceeded its current assets by RMB408,951,000. As at 30 June 2016, the Group had cash and cash equivalents of RMB290,478,000 and short-term bank loans, including current portion of long-term bank loans of RMB1,872,969,000. The liquidity of the Group is primarily depending on its ability to maintain adequate cash flows from operations, to renew its short-term bank loans and to obtain adequate external financing to support its working capital and meet its obligations and commitments when they become due.

The Group has carried out a review of its cash flow forecast for the twelve months ending 30 June 2017. Based on such forecast, the directors believe that adequate sources of liquidity exist to fund the Group’s working capital and capital expenditure requirements, and to meet its short-term debt obligations and other liabilities and commitments as they become due in the twelve months ending 30 June 2017. In preparing the cash flow forecast, management has considered historical cash requirements of the Group, as well as other key factors, including anticipated sales in the twelve months ending 30 June 2017 and unconditional unutilized banking facility as at 30 June 2016 from the Group’s major banks with an amount of RMB460,961,000 which will be expired on 31 December 2017 and an amount of RMB158,000,000 which will be expired on 30 November 2018.

Based on the above factors, the directors are confident that the Group will have sufficient funding to enable the Group to operate as a going concern and meet its financial obligations as and when they fall due for at least 12 months from the reporting date. Accordingly, the interim consolidated financial information have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The adoption of new accounting standards and interpretations (which include all new and revised Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, collectively the “HKFRSs”) that are relevant and effective for the first time for the current accounting period of the Group, are summarised below:

Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Amendments to HKAS 1	Disclosure Initiative
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of the above amendments to HKFRSs does not have any significant effect on the interim condensed consolidated financial statements of the Group.

The Group has not early adopted any other accounting standard, interpretation or amendment that has been issued but is not yet effective.

3. SEGMENT REPORTING

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 four 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 and trading of photovoltaic modules ("Segment B"); (iii) the manufacturing and trading of monocrystalline silicon solar cells ("Segment C") and (iv) the construction and operating of photovoltaic power plants ("Segment D"). No operating segments have been aggregated to form these reportable segments. Revenue, costs and expenses are allocated to the reportable segments with reference to sales generated by those segments and the costs and expenses incurred by those segments.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the bases as they are presented in the Group's financial statements. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the period is set out below:

	Six months ended 30 June 2016				
	Segment A	Segment B	Segment C	Segment D	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	296,612	1,365,511	35,826	25,850	1,723,799
Inter-segment revenue	201,794	226,198	622,558	729	1,051,279
Reportable segment revenue	<u>498,406</u>	<u>1,591,709</u>	<u>658,384</u>	<u>26,579</u>	<u>2,775,078</u>
Reportable segment (loss)/profit	<u>(54,860)</u>	<u>9,549</u>	<u>5,055</u>	<u>(6,336)</u>	<u>(46,592)</u>
	At 30 June 2016				
	Segment A	Segment B	Segment C	Segment D	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment assets	<u>2,697,184</u>	<u>731,269</u>	<u>674,918</u>	<u>388,464</u>	<u>4,491,835</u>
Reportable segment liabilities	<u>1,969,219</u>	<u>832,357</u>	<u>327,705</u>	<u>255,944</u>	<u>3,385,225</u>

	Six months ended 30 June 2015				Total <i>RMB'000</i> (Unaudited)
	Segment A <i>RMB'000</i> (Unaudited)	Segment B <i>RMB'000</i> (Unaudited)	Segment C <i>RMB'000</i> (Unaudited)	Segment D <i>RMB'000</i> (Unaudited)	
Revenue from external customers	255,849	879,300	156,129	15,013	1,306,291
Inter-segment revenue	<u>572,261</u>	<u>1,347,592</u>	<u>466,086</u>	<u>3,323</u>	<u>2,389,262</u>
Reportable segment revenue	<u>828,110</u>	<u>2,226,892</u>	<u>622,215</u>	<u>18,336</u>	<u>3,695,553</u>
Reportable segment (loss)/profit	<u>(9,893)</u>	<u>9,307</u>	<u>9,486</u>	<u>(1,909)</u>	<u>6,991</u>
	At 31 December 2015				
	Segment A <i>RMB'000</i> (Audited)	Segment B <i>RMB'000</i> (Audited)	Segment C <i>RMB'000</i> (Audited)	Segment D <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Reportable segment assets	<u>2,765,716</u>	<u>875,852</u>	<u>651,655</u>	<u>419,544</u>	<u>4,712,767</u>
Reportable segment liabilities	<u>1,927,495</u>	<u>997,789</u>	<u>340,066</u>	<u>284,554</u>	<u>3,549,904</u>

- (b) For the six months ended 30 June 2016, revenue from the major customers, each of whom contributed to 10% or more of the Group's total revenue, is set out below:

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Customer A		
– From segment A	5,352	–
– From segment B	558,705	252,622
– From segment C	3	15
Customer B		
– From segment B	320,667	*
Customer C		
– From segment A	38,642	*
– From segment B	166,277	*

* The revenue from this customer was less than 10% of the total revenue.

(c) **Geographic information**

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of a customer is based on the location to which the goods were delivered or the services were provided.

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
The People's Republic of China ("PRC") (place of domicile)	<u>935,882</u>	<u>291,598</u>
Export sales		
– Japan	681,877	966,759
– Korea	17,651	19,299
– Thailand	13,963	10,118
– Malaysia	–	9,766
– United States of America	12,834	4,159
– Mexico	–	2,747
– Taiwan	54,431	1,405
– Singapore	–	440
– Germany	6,119	–
– India	<u>1,042</u>	<u>–</u>
Sub-total	<u>787,917</u>	<u>1,014,693</u>
Total	<u>1,723,799</u>	<u>1,306,291</u>

4. **OTHER INCOME AND GAINS, NET**

	Six months ended 30 June	
	2016 <i>RMB'000</i> (Unaudited)	2015 <i>RMB'000</i> (Unaudited)
Other income		
Government grants	8,905	10,790
Interest income from bank deposits	1,875	8,543
Investment income from available-for-sale investments	<u>6,205</u>	<u>–</u>
	<u>16,985</u>	<u>19,333</u>
Other (losses)/gains, net		
Net foreign exchange (loss)/gain	(10,826)	1,840
Net loss on disposal of property, plant and equipment	(26,227)	(31)
Loss from sales of other materials	(23,610)	(14,122)
Others	<u>(790)</u>	<u>421</u>
	<u>(61,453)</u>	<u>(11,892)</u>

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	80,007	76,669
Amortisation of lease prepayments	2,372	2,334
Depreciation	106,542	103,217
Research and development costs	38,179	27,211
Provision for warranty costs	13,655	9,235
Net loss on disposal of property, plant and equipment	26,227	31
Costs of inventories sold*	1,393,210	1,123,474
Cost of services rendered*	134,054	18,293

* Cost of inventories sold and cost of services rendered include, in aggregate, RMB193,026,000 and RMB182,853,000 for the six months ended 30 June 2016 and 2015, respectively, relating to salaries, wages and other benefits, depreciation and provision for warranty costs which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – the PRC		
Provision for the period	13,025	1,179
Provision adjustment in respect of prior years	(148)	205
	<u>12,877</u>	<u>1,384</u>
Deferred tax	<u>539</u>	<u>(1,295)</u>
Income tax expense for the period	<u>13,416</u>	<u>89</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits of the Company's subsidiaries incorporated in Hong Kong for the six months ended 30 June 2016 and 2015. No provision for Hong Kong profits tax has been made as the subsidiaries 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 profits for the period.

The Company and its subsidiaries incorporated in the British Virgin Islands and the Cayman Islands are not subject to any income tax pursuant to the local rules and regulations.

The statutory tax rate applicable to the Company's subsidiary incorporated in Germany was 15% for the six months ended 30 June 2016 and 2015. No provision for the Germany income tax has been made as the subsidiary did not have any taxable profits for the period.

The statutory tax rate applicable to the Company's subsidiary incorporated in Ghana was 35% for the six months ended 30 June 2016 and 2015. No provision for the Ghana income tax has been made as the subsidiary did not have any taxable profits for the period.

The income tax rate of the Company's PRC subsidiaries was 25% except for the subsidiaries mentioned below:

Jinzhou Yangguang Energy Co., Ltd. ("Jinzhou Yangguang") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2012 for a term of three years, and has been registered with the local tax authority to be eligible to a reduced income tax rate of 15%. Jinzhou Yangguang has renewed the "High and New Technology" certificate in 2015 effective for the three years from 2015 to 2017. Accordingly, Jinzhou Yangguang was subject to the 15% income tax rate for the six months ended 30 June 2016 and 2015.

Jinzhou Huachang Photovoltaic Technology Ltd ("Jinzhou Huachang") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2014 for a term of three years, and has been registered with the local tax authority to be eligible to a reduced income tax rate of 15%. Accordingly, Jinzhou Huachang was subject to the 15% income tax rate for the six months ended 30 June 2016 and 2015.

Golmud Solargiga Energy Electric Power Co., Ltd. ("Golmud") was entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% reduction income tax rate commencing from 1 January 2011. Accordingly, Golmud was subject to the 7.5% income tax rate for the six months ended 30 June 2016 and 2015.

7. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity holders of the Company of RMB49,557,000 (six months ended 30 June 2015: profit of RMB10,189,000) and the weighted average of 3,211,780,566 ordinary shares of the Company in issue during the period (six months ended 30 June 2015: 3,211,780,566).

(b) Diluted (loss)/earnings per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2016 and 2015.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired property, plant and equipment at a total cost of RMB119,797,000 (six months ended 30 June 2015: RMB23,679,000). Assets with a net book value of RMB33,159,000 were disposed of by the Group during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB1,137,000), resulting in a net loss on disposal of items of property, plant and equipment of RMB26,227,000 (six months ended 30 June 2015: RMB31,000). For the six months ended 30 June 2016, based on the estimated future cash flows of the CGUs concerned, no further impairment losses were provided for as at 30 June 2016 (for the six months ended 30 June 2015 impairment loss: Nil).

9. PREPAYMENTS FOR RAW MATERIALS

In order to secure a stable supply of polysilicon materials, the Group entered into short-term and long-term contracts with certain raw material suppliers and made advance payments to these suppliers which are to be offset against future purchases. Prepayments for raw materials where the Group expects to receive the raw materials more than twelve months after the end of the reporting period are classified as non-current assets and to receive within one year are classified as current assets. There is no prepayment for raw materials made to a related party as at 30 June 2016 (31 December 2015: Nil).

As at 31 December 2014, management reassessed the prepayments for potential impairment and identified one of the suppliers, from which the Group failed to purchase the agreed quantities of polysilicon under the long-term supply contract, and therefore made a provision of RMB70,369,000.

Based on the assessment updated by management for the six months ended 30 June 2016, no further impairment was provided as at 30 June 2016. The movement in the impairment provision during the period merely represented exchange adjustments.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Trade receivables	538,477	566,277
Bills receivables	255,589	38,472
Less: allowance for doubtful debts	<u>(27,852)</u>	<u>(25,813)</u>
	<u>766,214</u>	<u>578,936</u>

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

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Within 1 month	294,666	244,847
1 to 3 months	185,351	209,479
4 to 6 months	194,461	51,004
7 to 12 months	22,836	15,387
Over 1 year	<u>68,900</u>	<u>58,219</u>
	<u>766,214</u>	<u>578,936</u>

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

The ageing analysis of trade and bills receivables that are neither individually or collectively considered to be impaired is as follows:

	As at 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Not past due	<u>499,874</u>	<u>445,250</u>
Less than 1 month past due	44,351	37,749
1 to 3 months past due	118,620	18,807
4 to 6 months past due	14,134	23,869
7 to 12 months past due	26,082	12,271
Over 1 year past due	<u>63,153</u>	<u>40,990</u>
	<u>766,214</u>	<u>578,936</u>

As at 30 June 2016, bills receivables had been pledged as security to banks for issuing bills payable to suppliers and acquiring interest-bearing bank borrowings amounting to RMB58,324,000 (31 December 2015: RMB24,500,000) and RMB125,800,000 (31 December 2015: Nil), respectively.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2016 RMB'000 (Unaudited)	At 31 December 2015 RMB'000 (Audited)
Prepayments for raw materials	271,281	272,616
Deductible value-added tax	196,044	259,985
Other receivables	<u>47,293</u>	<u>51,533</u>
	<u>514,618</u>	<u>584,134</u>

12. INTEREST-BEARING BORROWINGS

Group	Notes	30 June 2016			31 December 2015		
		Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current:							
Bank loans – secured	(a)	3.75-7.2	2016-2017	700,131	1.31-5.6	2016	764,376
Bank loans – guaranteed	(b)	2.276-8	2016-2017	1,110,974	2.276-9	2016	1,110,109
Current portion of long-term borrowings							
Bank loans – secured	(a)	5.39	2016-2017	13,500	6.15	2016	12,000
Bank loans – guaranteed	(b)	5.225	2016-2017	48,000	5.5-6.05	2016	45,000
Third parties – guaranteed	(b)	3.3	2016	364	3.3	2016	364
Total				<u>1,872,969</u>			<u>1,931,849</u>
Non-current:							
Bank loans – secured	(a)	5.39	2017-2027	186,500	6.15	2017-2027	194,000
Bank loans – guaranteed	(b)	–	–	–	5.5-7.748	2017	33,000
Third parties – guaranteed	(b)	3.3-6.15	2017-2020	121,144	3.3-6.15	2017-2020	121,144
Total				<u>307,644</u>			<u>348,144</u>

(a) The bank borrowings are secured by certain of the Group's property, plant and equipment and land lease prepayment with the net book value of RMB589,553,000.

(b) Certain subsidiaries' borrowings are guaranteed by other subsidiaries of the Group.

13. TRADE AND BILLS PAYABLES

	As at 30 June 2016 RMB'000 (Unaudited)	As at 31 December 2015 RMB'000 (Audited)
Trade payables	479,094	558,200
Bills payables	<u>242,935</u>	<u>241,048</u>
	<u>722,029</u>	<u>799,248</u>

- (a) The ageing analysis of trade and bills payables at the end of the reporting period based on invoice date is as follows:

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
Within 1 month	237,376	404,101
1 to 3 months	127,676	40,532
4 to 6 months	307,101	274,617
7 to 12 months	23,135	27,626
Over 1 year	26,741	52,372
	<u>722,029</u>	<u>799,248</u>

- (b) As at 30 June 2016, the Group's bills payables of RMB58,324,000 (31 December 2015: RMB24,500,000) was secured by Group's bills receivables of RMB58,324,000 (31 December 2015: RMB24,500,000) (note 10).

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2016 <i>RMB'000</i> (Unaudited)	As at 31 December 2015 <i>RMB'000</i> (Audited)
Other payables and accrued expenses	116,055	141,722
Other tax payables	14,362	10,176
Receipts in advance	20,090	14,306
Dividends payable	145	142
	<u>150,652</u>	<u>166,346</u>

15. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

(b) Share capital

The Company's ordinary shares are set out below:

	As at 30 June 2016		As at 31 December 2015	
	No. of shares	Amount <i>RMB'000</i> (Unaudited)	No. of shares	Amount <i>RMB'000</i> (Audited)
At 30 June/31 December	<u>3,211,780,566</u>	<u>276,727</u>	<u>3,211,780,566</u>	<u>276,727</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the period, demand for solar modules has grown rapidly and it led to an overall increase in solar module sales. Based on the data released by the National Energy Administration of China, for the first quarter of 2016, the newly-added volume of photovoltaic power generation to grid connection was 7.14GW in China and its cumulative grid connection installation capacity of photovoltaic power generation has reached 50.31GW (first quarter of 2015: 33.12GW), growing by 52% compared to the corresponding period of 2015, of which photovoltaic power plants accounted for 43.28W and distributed power plants accounted for 7.03GW. The volume of annual photovoltaic power generation grew by more than 47% year-on-year to approximately 11.8 billion kWh.

On the other hand, although the average selling price of photovoltaic products has been declining gradually, production has become more efficient as a result of technological improvement in the production process. This has enabled the industry to maintain a stable gross profit margin. With the continued recovery in the global solar market, expected market demand will continue to rally by improving the conversion efficiency and decrease in price of raw materials and earnings will remain stable in the industry. According to the preliminary estimate, the newly-added volume of photovoltaic power generation to grid connection in China would reach 20GW in the first half of 2016, which out-performed forecasts at the beginning of the year. It is expected that the full year newly-added volume of photovoltaic power generation to grid connection could reach 30GW, maintaining its leading position in the world.

Regarding the market in Japan, its market demand slows down in 2016. GTM Research predicted that the annual installation of Japan in 2016 will slightly decrease to 10.2GW. The market is expected to shift to rooftops PV systems. From the Bloomberg New Energy Finance (“BNEF”) report, between 2016 and 2040, Japan will add 94GW of new solar, including 65GW of rooftop PV. Despite the slight decline in demand, the 2020 PV installation target has been revised to 65.7GW according to the modified version of “PV Outlook 2030” published by The Japan Photovoltaic Energy Association (“JPEA”).

For the USA market, PV installations in the first quarter of 2016 amounted to 1.67GW, representing a 24% growth compared to the corresponding period of 2015. The cumulative US solar PV installations reached 27.5GW of operating solar PV capacity across the country based on the report by GTM Research and Solar Energy Industries Association (“SEIA”). GTM Research forecasted that it will be another record year for the U.S. PV market in 2016, with installations reaching 14.5 GW, a 94% increase over 2015. The residential and non-residential PV markets are both expected to grow year-over-year.

For emerging markets, it is expected that they will play a big part in 2016. GTM Research forecasted a 127% growth in the Indian market over this year and it is poised to become the fourth largest solar market in 2016. It is even forecasted to install as much solar in 2020 as all of Europe, representing 13% of the global market. Meanwhile, Latin American capacity is

expected to double in size this year, with Mexico and Brazil as the two most promising regions in Latin America. GTM Research predicted, by 2020, Latin America will add a total of 21GW PV installations. The Middle East and Turkey will add also 16GW from Algeria, Turkey, Jordan, Egypt and the U.A.E. Furthermore, Asian countries of Thailand, The Philippines, South Korea, Taiwan and Indonesia will add 15GW in total.

Operations Review

The Group is one of the leading manufacturers of monocrystalline silicon solar products in the PRC. Due to the advantages in its vertical integration, the Group focuses on the manufacture and sale of mono-crystalline silicon solar wafers and photovoltaic modules; and design and installation of photovoltaic systems. The Group sell photovoltaic products directly to end-user customers. Demand for and sales of our downstream products helped drive demand for upstream and midstream products. This thoroughly adheres to our vertical integration strategy and covers the whole industry chain of photovoltaic industry.

During the period, demand for solar modules has grown rapidly and it led to an increase in solar module sales. The commissioning of the additional module manufacturing capacity during the first half of 2016 enabled the Group to capture this growth in demand.

On the other hand, although the average selling price of photovoltaic products has been declining gradually, production has become more efficient as a result of technological improvement in the production process. The Group has been able to maintain a stable level of gross profit margin. With the continued recovery in the global solar market, expected market demand will continue to rally, and the Group expects that earnings will remain stable.

The Group recorded a turnover of RMB1,723.799 million, compared with RMB1,306.291 million for the corresponding period last year. External shipment volume amounted to 749.7MW during the period, as compared to 487MW for the corresponding period last year. Gross profit increased by RMB32.011 million to RMB196.535 million as compared to RMB164.524 million for the corresponding period last year. Gross profit margin remained stable at around 12%.

During the period under review, apart from day-to-day business operations, the Group is also actively improving the financial statement position. In order to improve production efficiency, certain obsolete equipment was disposed of, which led to a loss of RMB26.277 million; in order to reduce idle inventory and to replenish working capital, certain amount of polysilicon purchased at high prices have been sold, which led to a loss of RMB23.610 million; Further, according to accounting standards, provision on long-term purchase contract denominated in a foreign currency has to be revalued at period end according to the change in year-end exchange rate, an exchange gain/loss hence arises. As the Renminbi depreciated during the period under review, it led to an exchange loss of RMB10.826 million. In summary, excluding the above extraordinary items, the adjusted net profit would be RMB14.071 million.

In the first half of 2016, the Group continued its great cooperation with clients along the whole photovoltaic industry chain, consolidated its own leading edges of upstream and midstream business, and actively explored the downstream business and the respective development to go with its strategy on vertical integration. The operation of various business remained impressive during the period and is expected to continue its improvement and record stronger results in the short future.

Silicon Ingot and Wafer Business

The Group's all-rounded photovoltaic industry chain with its vertically integrated business model covering both upstream and downstream businesses allows external sales of its upstream products such as silicon ingots, wafers and cells which are produced and processed in-house, apart from being used in its downstream business. During the period under review, the Group maintained stable capacity for silicon ingot and wafer production to address the demand of customers and its downstream businesses.

As at 30 June 2016, the Group maintained a combined annual production capacity of 1.2GW for monocrystalline silicon ingots in the Jinzhou production base in Liaoning and the Xining base in Qinghai, and an annual wafer production capacity of 900MW.

During the period under review, the market is still dominated by multi-crystalline silicon products, which resulted in the less-than-expected demand for monocrystalline silicon products in the market. However, with the continued realisation of advantages in better improvement in conversion efficiency, lower and stabler decay rate in its photovoltaic systems, continued reduction in unit costs, etc, it is expected that the market share of monocrystalline silicon products will increase significantly. Further, over the years, the external shipment of solar energy silicon ingots and wafers shifted gradually from P-type to N-type. This was mainly driven by a shift in demand for N-type products which have a higher conversion efficiency, thereby leading to the sales growth of N-type products.

We have secured a leading position in the monocrystalline silicon solar ingot manufacturing industry in terms of technology, product quality and quantity. Major products are silicon ingots of 8 inches to 8.7 inches in diameter. The photovoltaic conversion efficiency of our monocrystalline silicon products is also higher than the industry average. Apart from the traditional P-type products, the Group mainly provides N-type high performance products with a photovoltaic conversion efficiency of 22%–23%. During the period under review, approximately 99% of the total external shipment volume of silicon ingots are N-type silicon ingots, targeting primarily the Japanese market where the requirements on quality standard is stringent. Combined with internal utilisation of monocrystalline silicon wafers in the Group's production into monocrystalline solar modules, sales of monocrystalline silicon ingots and wafers is expected to increase in the next couple of years.

In addition, since the disposal of land last year, the Group have also disposed of certain obsolete equipment during the period under review, and expedited the overall installation of diamond saw in its wafer slicing capacity, in order to improve production efficiency and to match its expansion of downstream module manufacturing capacity.

Cell Business

The Group production lines of solar cells are located at the manufacturing base of the Group in Jinzhou, Liaoning. During the period under review, the annual production capacity of solar cells was 330MW. Such solar cells are on the one hand sold internally to provide high-quality raw materials supply for the downstream module business of the Group, and also sold to the customers in China and Japan. Focusing on the implementation of the vertical integration strategy, a large portion of solar cells are utilised internally for the production of modules.

The Group is hence able to capture a higher level of gross profit through the production of all segments from raw material to end product. During the period under review, the internally-utilised volume of solar cells was 95% of the total shipment volume of solar cells. Comparing to 66% for the corresponding period in 2015, the ratio has increased significantly. The main reason was the commissioning of the additional module manufacturing capacity during the first half of 2016 and most of the solar cells have been reserved for internal utilisation.

Module Business

During the period, demand for solar modules has grown rapidly and it led to an increase in solar module sales. With the continued recovery in the global solar market, expected market demand will continue to rally, the Group expects that earnings will remain stable. During the period under review, external shipment of the Group reached 349MW, compared to 231.1MW in the corresponding period last year. This represented an increase of 51%. The increase in external shipment was mainly made possible with the commissioning of the additional module manufacturing capacity during the first half of 2016 in order to satisfy more of the orders.

Further, apart from continuing strong co-operations with its key customers, including Chinese state-owned enterprise and Japanese conglomerate, the Group has developed new customer relationships during the period under review. As mentioned above, through the expansion of module production capacity in the first half of 2016, it enabled the Group to cope with more orders from the Chinese state-owned enterprises (“SOE”), hence improving the geographical shipment proportion. The proportion has improved from 78% overseas versus 22% local sales in the first half of 2015 to 46% overseas versus 54% local sales. This is approaching a more sustainable balance set out by the management.

Construction and Operating of Photovoltaic Systems Business

To consolidate its advantages of the business model of vertical integration, the Group actively expanded the business of end-user market apart from its efforts in stabilizing its upstream and midstream business development, thereby driving demand for products from downstream to upstream.

As at 30 June 2016, the Group held 70% equity interest in Golmud Solargiga Energy Electric Power Co., Ltd. (“Golmud”). On 27 July 2016, the Group entered into agreements with the vendors, pursuant to which the Group has agreed to acquire from the vendors an aggregate of 30% equity interest in Golmud for an aggregate consideration of RMB32.250 million. After completion of the acquisition, the Group is expected to own 100% interest in Golmud.

Golmud is principally engaged in the operation of a 20MW large scaled photovoltaic power plant in Golmud, Qinghai province. Construction of the project was completed at the end of 2011, it primarily adopted the modules produced by the Group's vertical integration, and it is currently generating approximately 33 million kWh per year. The power plant is enjoying the photovoltaic power generation feed-in tariff policy of RMB1.15 per kWh as set out by the National Development and Reform Commission.

Further, during the period under review, income arising from operating of photovoltaic system business has increased to RMB26.579 million, compared to RMB18.336 million in the corresponding period in 2015.

Revenue

For the six months ended 30 June 2016, the revenue of the Group was RMB1,723.799 million, representing an increase of 32.0% compared with the corresponding period in 2015. The commissioning of the additional module manufacturing capacity during the first half of 2016 enabled the Group to capture this growth in demand. With the continued recovery in the global solar market, expected market demand will continue to rally, the Group expects that earnings will remain stable.

Cost of sales

For the six months ended 30 June 2016, cost of sales increased by 33.8% to RMB1,527.264 million from RMB1,141.767 million for the corresponding period ended 30 June 2015. Cost of sales represented 88.6% of total turnover, an increase of 1.2 percentage points compared to corresponding period in 2015. The increase in ratio was a result of gradual decline in the industry average selling price of photovoltaic products offset by the success in the improved technological improvement in the production process during the period under review.

Gross profit and gross profit margin

For the six months ended 30 June 2016, revenue increased and gross profit margin remained stable, the Group recorded a gross profit of RMB196.535 million and a gross profit margin of 11.4%, as compared to gross profit of RMB164.524 million and gross profit margin of 12.6% for the corresponding period in 2015.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased by 105% to RMB14.977 million for the six months ended 30 June 2016 from RMB7.313 million for the corresponding period in 2015. The increase in selling and distribution expense was mainly due to the increase in volume of external shipment during the six months ended 30 June 2016.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for the first half of 2016 amounted to RMB106.807 million, increased by 14.8% as compared to RMB93.014 million for the corresponding period in 2015. It was mainly due to the follow-up administrative costs incurred in 2016 after the relocation of certain manufacturing plant during the second half of 2015. Further, the Group focuses on the implementation of cost control measures, in order to improve its administrative expenses to turnover ratio.

Finance costs

Finance costs represented mainly bank loans interest. The finance costs of the Group increased from RMB58.347 million for the six months ended 30 June 2015 to RMB60.144 million for the six months ended 30 June 2016.

The increase was mainly due to the growth in amount of sales and purchases during the period. However, it was noted that the finance cost to turnover ratio has decreased from 4.47% in the corresponding period of 2015 to 3.49% in the six months ended 30 June 2016. The decrease in finance cost to turnover ratio was mainly due to better financial control on the use of funds during the period.

Income tax

Income tax expense were RMB13.416 million for the six months ended 30 June 2016, while the income tax expense amounted to RMB0.09 million for the corresponding period in 2015. The increase was mainly due to the rise in solar cell and module businesses during the six months ended 30 June 2016, which led to all the tax loss brought forward being fully utilised. Income tax expense recorded for the six months ended 30 June 2016 was attributable to the taxable profits generated by the solar module business in China.

Profit attributable to the equity holders

For the six months ended 30 June 2016, the Group recorded a loss attributable to the equity shareholders of RMB49.557 million, as compared to a profit attributable to the equity shareholders of RMB10.189 million for the corresponding period in 2015.

Inventory turnover days

The inventories of the Group comprised mainly raw materials, namely polysilicon, crucibles and other auxiliary raw materials, and finished goods. During the period under review, the inventory turnover days of the Group were 67 days (the corresponding period in 2015: 124 days). The Group is putting in enormous effort toward maintaining a level of lower inventory turnover days. During the period under review, in order to reduce idle inventory and to replenish working capital, certain amount of polysilicon purchased at high prices have been sold. Together with the commission of the additional module manufacturing capacity during the first half of 2016, the proportion of modules and their auxiliary raw materials in stock has increased and the inventory turnover days have improved as a result.

Trade receivable turnover days

For the first half of 2016, the trade receivable turnover days of the Group increased to 70 days (the corresponding period in 2015: 44 days). Generally, the Group allows a credit period of 30 to 90 days for its customers and module sales has a longer credit period than other products. The increase in trade receivable turnover days was mainly due to an increase in the proportion of module sales near the end of the period under review.

Trade payable turnover days

As a result of stable business development in an upward market, the proportion of module to overall sales has increased, which led to an increase in solar cell purchases. As solar cell purchases usually has a shorter payment term, it led to a decrease in trade payable turnover days during the period under review to 89 days (the corresponding period in 2015: 123 days).

Liquidity and financial resources

During the period under review, module sales has shown substantial growth, the need for working capital increased. The banks see a steady turnover of trade receivables, and showed their support through increases in facilities.

The principal sources of working capital of the Group during the period under review were cash flows from bank borrowings. As at 30 June 2016, the current ratio (current assets divided by current liabilities) of the Group was 0.85 (31 December 2015: 0.87). The Group had net borrowings of RMB1,595.649 million as at 30 June 2016 (31 December 2015: RMB1,626.869 million), including cash in bank and on hand of RMB290.478 million (31 December 2015: RMB193.953 million), pledged deposits of RMB294.486 million (31 December 2015: RMB459.171 million), bank loans due within one year of RMB1,872.969 million (31 December 2015: RMB1,931.849 million) and non-current bank and other loans of RMB307.644 million (31 December 2015: RMB348.144 million). The net debt to equity ratio (net debt divided by total equity) was 144.19% (31 December 2015: 129.2%).

Earnings before interest, taxes, depreciation and amortization (“EBITDA”)

Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the period under review was RMB135.882 million (corresponding period in 2015: RMB170.978 million).

Financial guarantees issued

As at 30 June 2016, the Group has undertaken to guarantee a bank loan to an associate to the extent of RMB31,820,000 (31 December 2015: RMB37,000,000). As most of loan balances are secured by the fixed assets of the associate, the directors consider fair value of the above financial guarantee is insignificant.

At the end of the reporting period, the Directors do not consider it probable that a claim will be made against the Group under the above guarantee. The maximum liability of the Group at the end of the reporting period under the above guarantee issued is the outstanding amount of the loan advanced by the bank to the associate of RMB31,820,000.

Foreign currency risk

The Group is exposed to foreign currency risk primarily arising from sales and purchases and cash and bank deposits 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 are primarily the US Dollar, Euro, Japanese Yen and Hong Kong Dollar. The Directors do not expect any significant impact from the change 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 at an acceptable level by purchasing or selling the US Dollar, Euro, Japanese Yen and Hong Kong Dollar at spot rates where necessary to address short-term imbalances.

Human resources

As at 30 June 2016, the Group had 3,765 (30 June 2015: 3,574) employees.

Future prospects and strategies

Since 2015, solar market has grown strongly and demand for solar modules has increased significantly. With the continued recovery in the global solar market, expected market demand will continue to rally, the Group expects that earnings will remain stable.

In future, the delivery volume of the Group's module products is expected to increase remarkably and contribute to promising profits of the Group. In future, the Group will adhere to its development strategy of vertical integration. By fully leveraging its technological advantage in monocrystalline products and focusing on the development of monocrystalline products, make good use of its upstream capacity through growth in module demand, to raise the gross profit of the Group's module products and to drive profit growth of the Group.

As mentioned above, through the expansion of module production capacity in the first half of 2016, it enabled the Group to cope with more orders from the Chinese state-owned enterprises ("SOE"), hence improving the geographical overseas versus local shipment proportion and is approaching a more sustainable balance set out by the management.

By continually uplifting product quality and refining the structure of its full-industry chain businesses, the Group will, as always, provide the best product application development and one-stop services to the customers along its fully integrated photovoltaic industry chain, and aim at becoming a globally leading supplier of one-stop services in solar power generation.

DIVIDEND

The Directors do not recommend the distribution of interim dividend in respect of the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with the requirements set out in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2016.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have complied with the Model Code for the six months ended 30 June 2016.

Purchase, Sale and Redemption of the Company’s Listed Securities

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities during the six months ended 30 June 2016.

Audit Committee

The audit committee of the Company, comprising three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group and such matters as internal controls and financial reporting with the management of the Company, including the review of the interim results for the six months ended 30 June 2016.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2016 containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.solargiga.com>) in due course.

By Order of the Board
Solargiga Energy Holdings Limited
Wang Chunwei
Executive Director

Hong Kong, 26 August 2016

As at the date of this announcement, Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Chunwei are executive directors of the Company, Mr Hsu You Yuan is non-executive director, and Dr. Wong Wing Kuen, Albert, Ms. Fu Shuangye and Mr. Zhang Chun are independent non-executive directors of the Company.