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**Solargiga Energy**

**Solargiga Energy Holdings Limited**

**陽光能源控股有限公司**

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**INTERIM CONDENSED CONSOLIDATED STATEMENT  
OF COMPREHENSIVE INCOME**  
*for the six months ended 30 June 2016 – unaudited*

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>(Loss)/profit for the period</b>	<b>(46,592)</b>	<b>6,991</b>
<b>Other comprehensive income/(loss) for the period (after tax):</b>		
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)
<b>Total comprehensive loss for the period, after tax</b>	<b>(56,253)</b>	<b>(5,055)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(59,218)	(1,857)
Non-controlling interests	2,965	(3,198)
<b>Total comprehensive loss for the period</b>	<b>(56,253)</b>	<b>(5,055)</b>

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

		At 30 June 2016	At 31 December 2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>			
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	

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

	<i>Notes</i>	At 30 June 2016 <i>RMB'000</i>	At 31 December 2015 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Interest-bearing borrowings	<i>12</i>	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
		<u>587,420</u>	<u>600,051</u>
<b>NET ASSETS</b>		<u><b>1,106,610</b></u>	<u><b>1,162,863</b></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	<i>15</i>	276,727	276,727
Reserves		734,795	794,013
		<u>1,011,522</u>	<u>1,070,740</u>
<b>Non-controlling interests</b>		<u><b>95,088</b></u>	<u><b>92,123</b></u>
<b>TOTAL EQUITY</b>		<u><b>1,106,610</b></u>	<u><b>1,162,863</b></u>

# 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



	Six months ended 30 June 2015				Total RMB'000 (Unaudited)
	Segment A RMB'000 (Unaudited)	Segment B RMB'000 (Unaudited)	Segment C RMB'000 (Unaudited)	Segment D RMB'000 (Unaudited)	
Revenue from external customers	255,849	879,300	156,129	15,013	1,306,291
Inter-segment revenue	572,261	1,347,592	466,086	3,323	2,389,262
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 RMB'000 (Audited)	Segment B RMB'000 (Audited)	Segment C RMB'000 (Audited)	Segment D RMB'000 (Audited)	Total RMB'000 (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 RMB'000 (Unaudited)	2015 RMB'000 (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 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
The People's Republic of China ("PRC") (place of domicile)	935,882	291,598
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	1,042	–
Sub-total	787,917	1,014,693
Total	1,723,799	1,306,291

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
<b>Other income</b>		
Government grants	8,905	10,790
Interest income from bank deposits	1,875	8,543
Investment income from available-for-sale investments	6,205	–
	16,985	19,333
<b>Other (losses)/gains, net</b>		
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	(790)	421
	(61,453)	(11,892)

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)
<b>Current tax – the PRC</b>		
Provision for the period	13,025	1,179
Provision adjustment in respect of prior years	(148)	205
	12,877	1,384
<b>Deferred tax</b>	539	(1,295)
<b>Income tax expense for the period</b>	13,416	89

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	(27,852)	(25,813)
	<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	68,900	58,219
	<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 <i>RMB'000</i> (Unaudited)	At 31 December 2015 <i>RMB'000</i> (Audited)
Not past due	499,874	445,250
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	63,153	40,990
	<b>766,214</b>	<b>578,936</b>

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

## 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

## 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

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



*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

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### *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

## C O R P O R A T E G O V E R N A N C E A N D O T H E R I N F O R M A T I O N

### **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.

## P U B L I C A T I O N O F F I N A N C I A L I N F O R M A T I O N

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.*