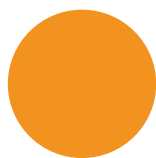


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Solargiga Energy

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

FINANCIAL HIGHLIGHTS

- Revenue for the period under review increased by 15.4% to RMB1,989.961 million (corresponding period in 2016: RMB1,723.799 million).
- Gross profit for the period under review increased by 55.3% to RMB305.235 million (corresponding period in 2016: RMB196.535 million). Gross profit margin increased from 11.4% in the first six months ended 30 June 2016 to 15.3% in the six months ended 30 June 2017.
- Net profit attributable to the equity shareholders of the Company for the period under review amounted to RMB95.299 million (corresponding period in 2016: Net loss of RMB49.557 million).
- Basic earnings per share amounted to RMB2.97 cents (corresponding period in 2016: RMB1.54

INTERIM RESULTS

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2017 — unaudited

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period	100,558	(46,592)
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)
– Currency translation differences	19,479	(5,218)
Total comprehensive income/(loss) for the period, after tax	<u>120,037</u>	<u>(56,253)</u>
Attributable to:		
Equity holders of the Company	114,778	(59,218)
Non-controlling interests	5,259	2,965
Total comprehensive income/(loss) for the period	<u>120,037</u>	<u>(56,253)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 — unaudited

		At 30 June 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	8	1,584,828	1,696,321
Prepayments for acquisition of property, plant and equipment		20,137	25,143
Land lease prepayments		122,898	120,050
Prepayments for raw materials	9	61,729	66,223
Investments in associates		5,603	41,148
Available-for-sale investments		1,000	—
Deferred tax assets		22,889	19,516
Other non-current assets		5,144	21,644
		<u>1,824,228</u>	<u>1,990,045</u>
Current assets			
Inventories		469,979	670,749
Trade and bills receivables	10	1,274,518	485,910
Prepayments, deposits and other receivables	11	336,224	436,296
Current tax recoverable		16,029	13,259
Pledged deposits		504,210	384,661
Cash and cash equivalents		228,205	293,628
		<u>2,829,165</u>	<u>2,284,503</u>
Current liabilities			
Interest-bearing borrowings	12	2,055,705	2,036,867
Trade and bills payables	13	1,096,612	728,247
Other payables and accruals	14	158,259	115,673
Current tax payable		1,317	2,038
Provision for inventory purchase commitments		48,250	49,408
Finance lease payables		8,000	5,000
		<u>3,368,143</u>	<u>2,937,233</u>
Net current liabilities		<u>(538,978)</u>	<u>(652,730)</u>
Total assets less current liabilities		<u>1,285,250</u>	<u>1,337,315</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 — unaudited (continued)

		At 30 June 2017 <i>RMB'000</i>	At 31 December 2016 <i>RMB'000</i>
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings	12	780	179,780
Deferred tax liabilities		2,807	2,851
Deferred income		171,911	180,963
Finance lease payables		6,840	10,840
Other non-current liabilities		99,187	84,193
		<u>281,525</u>	<u>458,627</u>
NET ASSETS		<u>1,003,725</u>	<u>878,688</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	276,727	276,727
Reserves		648,547	533,769
		<u>925,274</u>	<u>810,496</u>
Non-controlling interests		<u>78,451</u>	<u>68,192</u>
TOTAL EQUITY		<u>1,003,725</u>	<u>878,688</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2017 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 statements 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 2016, 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 statements are in conjunction with those accounting policies adopted in the annual financial statements for the year ended 31 December 2016, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

As at 30 June 2017, the Group’s current liabilities exceeded its current assets by RMB538,978,000. As at 30 June

Amendments to HKAS 12 Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements 2014–2016 Cycle

Amendments to a number of HKFRSs

The amendments clarify that the disclosure requirements in HKRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. However, the amendments have no effect on the Group's financial position and performance as the Group has no interest in a subsidiary, a joint venture or an associate that is classified as held for sale.

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

	At 31 December 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>
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Reportable segment assets	<u>2,250,710</u>	<u>832,396</u>	<u>790,248</u>	<u>401,194</u>	<u>4,274,548</u>
Reportable segment liabilities	<u>1,770,469</u>	<u>951,218</u>	<u>415,056</u>	<u>259,117</u>	<u>3,395,860</u>

- (b) For the six months ended 30 June 2017, revenue from the major customers, each of which amounted to 10% or more of the Group's total revenue, is set out below:

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Customer A		
– From segment A	11,544	5,352
– From segment B	540,605	558,705
– From segment C	–	3
Customer B		
– From segment A	58,152	38,642
– From segment B	170,892	166,277
– From segment C	66	–

(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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	<u>1,375,385</u>	<u>935,882</u>
Export sales		
– Japan	583,868	681,877
– Taiwan	28,700	54,431
– America	610	12,834
– Europe	–	6,119
– Others	1,398	32,656
Sub-total	<u>614,576</u>	<u>787,917</u>
Total	<u>1,989,961</u>	<u>1,723,799</u>

4. OTHER INCOME AND GAINS, NET

Six months ended 30 June
2017 2016
RMB'000 **RMB'000**
(Unaudited) **(Unaudited)**

Other income

Government grants	12,873	8,905
Interest income from bank deposits	2,701	1,875
Interest income from available-for-sale investments	—	6,205
Gain on disposal of a subsidiary (note 17)	32,520	—
Gain on previously held equity interest remeasured at acquisition-date fair value	8,819	—
Bargain purchase gain on acquisition of a subsidiary (note 16)	159	—

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – the PRC		
Provision for the period	6,979	13,025
Provision adjustment in respect of prior years	998	(148)
	7,977	12,877
Deferred tax	(3,417)	539
Income tax expense for the period	4,560	13,416

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 2017 and 2016. 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 2017 and 2016. 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 2017 and 2016. 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 entitled the 15% income tax rate for the six months ended 30 June 2017 and 2016.

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 entitled the 15% income tax rate for the six months ended 30 June 2017 and 7.5% income tax rate for the six months ended 30 June 2016.

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

Jinzhou Jinmao Photovoltaic Technology Co., Ltd. ("Jinzhou Jinmao") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2016 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 Jinmao was entitled the 15% income tax rate for the six months ended 30 June 2017 and 2016.

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

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity holders of the Company of RMB95,299,000 (six months ended 30 June 2016: loss of RMB49,557,000) and the weighted average of 3,211,780,566 ordinary shares of the Company in issue during the period (six months ended 30 June 2016: 3,211,780,566).

(b) Diluted earnings/(loss) per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2017 and 2016.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired property, plant and equipment at a total cost of RMB38,245,000 (six months ended 30 June 2016: RMB119,797,000), excluding property, plant and equipment acquired through a business combination. Assets with a net book value of RMB5,487,000 were disposed of by the Group during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB33,159,000), excluding property, plant and equipment disposed of through a subsidiary disposal, resulting in a net profit on disposal of items of property, plant and equipment of RMB1,146,000 (six months ended 30 June 2016: net loss of RMB26,227,000). For the six months ended 30 June 2017, based on the estimated future cash flows of the CGUs concerned, no further impairment losses were provided for as at 30 June 2017 (for the six months ended 30 June 2016: no impairment loss).

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 2017 (31 December 2016: 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 2017, no further impairment was provided as at 30 June 2017. The movement in the impairment provision during the period merely represented exchange adjustments.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 <i>RMB'000</i> (Unaudited)	As at 31 December 2016 <i>RMB'000</i> (Audited)
Trade receivables	1,015,480	526,041
Bills receivables	321,032	17,117
Less: Impairment	(61,994)	(57,248)
	<u>1,274,518</u>	<u>485,910</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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Within 1 month	358,637	266,672
1 to 3 months	426,761	40,796
4 to 6 months	351,741	22,913
7 to 12 months	39,594	125,723
Over 1 year	97,785	29,806
	1,274,518	485,910

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 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Not past due	626,012	272,491
Less than 1 month past due	252,748	8,677
1 to 3 months past due	268,926	30,997
4 to 6 months past due	71,255	88,632
7 to 12 months past due	20,734	55,620
Over 1 year past due	34,843	29,493
	1,274,518	485,910

As at 30 June 2017, bills receivables had been pledged as security to banks for acquiring interest-bearing bank borrowings amounting to RMB74,466,000 (31 December 2016: RMB4,000,000), for issuing bills payable to suppliers amounting to RMB51,952,000 (31 December 2016: Nil), and for issuing letters of guarantee amounting to RMB5,800,000 (31 December 2016: Nil).

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
Prepayments for raw materials	140,778	160,384
Deductible value-added tax	177,830	229,614
Other receivables	24,416	53,098
Less: Impairment	(6,800)	(6,800)
	336,224	436,296

12. INTEREST-BEARING BORROWINGS

Group	Notes	30 June 2017			31 December 2016		
		Effective interest rate (%)	Maturity	RMB'000 (Unaudited)	Effective interest rate (%)	Maturity	RMB'000 (Audited)
Current:							
Bank loans – secured	(a)	4.6–7.8	2017–2018	916,870	4–7.8	2017	1,105,045
Bank loans – guaranteed	(b)	1.324–7.8	2017–2018	1,018,471	1.3734–8	2017	763,458
Current portion of long-term borrowings							
Bank loans – secured	(a)	–	–	–	5.39	2017	15,000
Bank loans – guaranteed	(b)	–	–	–	5.225	2017	33,000
Third parties – guaranteed	(b)	3.3–6.15	2017	120,364	3.3–6.15	2017	120,364
Total				2,055,705			2,036,867
Non-current:							
Bank loans – secured	(a)	–	–	–	5.39	2018–2027	179,000
Third parties – guaranteed	(b)	3.3	2018–2020	780	3.3	2018–2020	780
Total				780			179,780

(a) The bank borrowings are secured, among which RMB916,870,000 (31 December 2016: RMB1,299,045,000) was secured by certain of the Group's bills receivables, property, plant and equipment and land lease prepayments with the net book value of RMB725,497,000 (31 December 2016: RMB650,993,000).

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

13. TRADE AND BILLS PAYABLES

	As at 30 June 2017 <i>RMB'000</i> (Unaudited)	As at 31 December 2016 <i>RMB'000</i> (Audited)
Trade payables	523,418	546,813
Bills payables	573,194	181,434
	<u>1,096,612</u>	<u>728,247</u>

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

(b) Share capital

The Company's ordinary shares are set out below:

	As at 30 June 2017		As at 31 December 2016	
	No. of shares	Amount RMB'000 (Unaudited)	No. of shares	Amount RMB'000 (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>

16. BUSINESS COMBINATION

On 31 March 2017, Jinzhou Yangguang Energy Co., Ltd. ("Jinzhou Yangguang"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Liaoning Oxiranchem, Inc. ("Liaoning Oxiranchem") to purchase an additional 63% equity interest of Jinzhou Aoke New Energy Co., Ltd. ("Jinzhou Aoke"), an associated company in which the Group owned 37% equity interest, at a consideration of RMB53,000,000. On 31 March 2017, to facilitate the completion of the Agreement, Jinzhou Yangguang and Liaoning Oxiranchem entered into a debt settlement agreement for purpose of settlement of certain indebtedness and other liabilities in relation to Jinzhou Aoke.

The fair values of the identifiable assets and liabilities of Jinzhou Aoke as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	155,441
Land lease prepayments	20,669
Inventories	189
Trade and bills receivables	680
Prepayments, deposits and other receivables	35,992
Current tax recoverable	63
Cash and bank balances	11,229
Interest-bearing borrowings	(85,000)
Trade payables	(16,690)
Accruals and other payables	(38,193)
Total identifiable net assets at fair value	<u>84,380</u>

Satisfied by:

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the period, continuing the momentum in 2016, demand for solar modules has continued to grow robustly. Based on the data released by the National Energy Administration of China, for the first half of 2017, the newly-added volume of photovoltaic power generation to grid connection was 24GW (an increase of 9% comparing to the corresponding period of 2016) in China. Of which, distributed power plants accounted for 7GW, growing by 2.9 times compared to the corresponding period of 2016. Photovoltaic power plants accounted for 17GW. As at the end of June in 2017, cumulative grid connection installation capacity of photovoltaic power generation has reached over 100GW.

On the other hand, according to the data released by the China Photovoltaic Industry Association (中國光伏行業協會), production of polysilicon, crystalline silicon wafer, solar cell and module in China has reached 115,000 tonnes, 36GW, 32GW and 34GW respectively in the first half of 2017, representing increases of 21.1%, 20%, 28% and 25.9% comparing to the corresponding period last year. In particular, market demand for monocrystalline silicon wafers, high-efficient modules, high-performance solar cell lifted significantly. Production capacity utilization of companies was high and the market faced shortages in supplies at times. As the scale of the industry continues to expand, production technology has kept its pace in improvement. Production costs have continued to decline and hence the industry gross profit margin has remained stable as a result. The industry has grown to be accustomed to the annual “June 30 rush” and “September 30 rush”. Although they formed seasonal cycles within a year for the photovoltaic industry, the annual total installed photovoltaic capacity has been climbing year on year.

Looking forward to the second half of 2017 and also 2018, China will accomplish the cumulative photovoltaic installation target of 110GW before 2020 under the “Solar Energy Development Plan under the “Thirteen Five-Year Plan” (《太陽能發展「十三五」規劃》) well ahead of schedule. Distributed photovoltaic power generation will continue to maintain its rapid development, and newly installed capacity of photovoltaic power generation will exceed 40GW.

As mentioned above, due to technical improvement in the production process and enhancement of production efficiency, the average selling price of photovoltaic products declined gradually during the period.

The Chinese government has also developed a special photovoltaic poverty alleviation program (光伏扶贫方案) to improve the lives of the poor through photovoltaic power generation. This Program will help conserve energy and reduce carbon emission. In 2017, China is expected to develop a total of 10GW photovoltaic power plants under this program, 20GW in both 2018 and 2019, and by 2020, 30GW.

Operations Review

The Group is a leading supplier of upstream and downstream vertically integrated photovoltaic products and services in the PRC. We sell our photovoltaic products to upstream, midstream and end-user customers in photovoltaic industry. We focus on the vertical integration for photovoltaic monocrystalline products, providing one-stop solutions for the photovoltaic industry ranging from the manufacturing and sales of silicon ingots and wafers, photovoltaic cells and photovoltaic modules, the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. The scope of its business covers the whole industry chain of photovoltaic industry. The Group's current production chain includes 1.2GW monocrystalline ingot, 1.2GW monocrystalline wafer, 350MW solar cell and 1.2GW module production capacities.

Since upgrade and transformation work on upstream ingot and wafer manufacturing capacities was performed last year, utilization ratio was relatively low and the benefit from economy of scale could not be realised; long-term raw material, polysilicon, supply contract leiv mo on0.5(p)0.5(')0.55(c)0.5(c)0.5(

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, which mainly included sales to huge state-owned enterprises in China, such as State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC"), CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司) ("CGN"), China Huadian Corporation (中國華電集團公司) ("Huadian"), 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. To address the demand of customers and its downstream businesses, the Group maintained stable capacity for silicon ingots production during the period.

During the period, demand for monocrystalline N-type products had increased which led to growing market share of monocrystalline N-type products. This was mainly driven by the higher conversion efficiency, thereby leading to the growth in sales of monocrystalline N-type products. With the continued realisation of advantages in better improvement in conversion efficiency, more stable decay rate in its photovoltaic systems, continued reduction in unit costs, etc of monocrystalline products, it is expected that the advantages of monocrystalline products will become more obvious in the field of photovoltaic power generation, and the market share of monocrystalline silicon products will increase significantly. Further, as mentioned above, through long-term strategic partnerships with well-known solar cell-focused manufacturers, this allows the Group to enjoy priority distribution channels for the sales of its monocrystalline wafers, and ensure long-term stable utilisation of the Group's capacity and shipment volume.

The Group have consolidated its leading position in the monocrystalline silicon solar ingot and wafer

Module Business

During the period, demand for solar modules has grown rapidly and it led to an increase in solar module sales. External shipment of the Group reached 616.5MW, compared to 434.6MW for the corresponding period of 2016, representing an increase of 42%. The increase in external shipment was mainly the result of the successful development of the client base, reflected in the significant growth in both the number of customers and in the quantity of their purchases.

With the introduction of the “Top Runner Program”, “Super Runner Program” and other favourable policies, coupled with the further growth in market share of monocrystalline silicon products with higher photovoltaic conversion efficiencies, demand for N-type monocrystalline photovoltaic modules has surged. As a result, sales of monocrystalline photovoltaic modules has continually experienced significant growth. With the Group’s focus on vertical integration of upstream and downstream monocrystalline photovoltaic products, demand for downstream monocrystalline photovoltaic modules not only drives the internal demand for the Group’s upstream ingots and wafers, it also help realise the benefits of the Group’s competitive advantage of its vertical integration and improve the Group’s consolidated gross profit margin.

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 such, in respect of the business opportunity derived from the construction of distributed power plants, apart from establishing internal photovoltaic power plant system companies of the Group, the Group also plans to establish joint venture companies with companies from other industries, in order to share the profits and also provide extra distribution channels for the Group’s module sales. In respect of large-scale centralised power plants, the Group will, through investing as minority shareholders, seek construction opportunities as a EPC service provider and help drive the sales of the Group’s modules.

Revenue

The cost of photovoltaic power generation must continue to decline as technology continues to improve in order to replace traditional petrochemical energy in a larger scale and to effectively achieve the goal of green and clean energy. As such, although the unit selling price during the period declined substantially over the corresponding period of last year, as a result of successful customer development, the size of the customer base and the purchases by individual customers are showing strong growing trends. The increase in total shipment volume has clearly offset the impact of the decline in unit selling price. Therefore the revenue for the six months ended 30 June 2017 of the Group was RMB1,989.961 million, representing an increase of 15.4% compared with the corresponding period in 2016.

Cost of sales

For the six months ended 30 June 2017, cost of sales increased by 10.3% to RMB1,684.726 million from RMB1,527.264 million for the corresponding period ended 30 June 2016. Cost of sales represented 84.7% of total turnover, a decrease of 3.9 percentage points compared to corresponding period in 2016. The decrease in ratio was mainly driven by the improved manufacturing process efficiency.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB305.235 million and a gross profit margin of 15.3% for the six months ended 30 June 2017, as compared to a gross profit of RMB196.535 million and a gross profit margin of 11.4% for the corresponding period ended 30 June 2016. The significant improvement in the gross profit was mainly driven by the following reasons:

- (1) transformation and upgrade of the upstream monocrystalline silicon ingot and monocrystalline silicon wafer production equipment have been completed, production efficiency has improved. With the commissioning of the production capacity, the advantage of economy of scale is shown;

Profit attributable to the equity holders

For the six months ended 30 June 2017, the Group recorded a profit attributable to the equity shareholders of RMB95.299 million, as compared to a loss attributable to the equity shareholders of RMB49.557 million for the corresponding period in 2016.

Inventory turnover days

The inventories of the Group comprised mainly raw materials, namely polysilicon and other auxiliary raw materials, and finished goods. During the period under review, the inventory turnover days of the Group were 61 days (the corresponding period in 2016: 67 days). The Group put enormous effort toward maintaining a level of lower inventory turnover days. A long-term purchase contract with a polysilicon supplier had expired in 2016. Not only the pressure to purchase from this supplier was lowered dramatically, the purchase bargaining power with suppliers has improved in the first half of 2017.

Trade receivable turnover days

For the first half of 2017, the trade receivable turnover days of the Group increased to 80 days (the corresponding period in 2016: 70 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 a significant increase in module sales which resulted from the successful development of ultimate customer base for modules.

Trade payable turnover days

The trade payable turnover days of the Group increased to 97 days (the corresponding period in 2016: 89 days). Increase in purchases resulting from business exasic (r)0.5()0.5 (p)0.5(o)0.6(n)0.5(d)0.5

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk are primarily the US Dollar, Euro, Hong Kong Dollar and Japanese Yen. 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 which naturally mitigates the exchange rate risk. In addition, the Group will consider the difference in interest rates and fluctuations in the exchange rates of foreign currency-denominated and local currency-denominated loan balance, and the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Human resources

As at 30 June 2017, the Group had 3,589 (30 June 2016: 3,765) employees.

Future prospects and strategies

Focusing on the development of monocrystalline products, the Group commands industry-leading technology for the production of monocrystalline products. It also runs on a unique business model covering the whole industry chain of the photovoltaic industry, fully leveraging the synergy among different business segments of the Group and providing the Group with obvious competitive advantage on the market.

In accordance with the Thirteenth Five-Year Plan of China, the installed solar capacity is targeted to reach over 110GW by the end of 2020 including an installed photovoltaic capacity of over 105GW, market confidence was greatly boosted, creating favorable conditions for photovoltaic growth and development in China. Under the improving environment in the global photovoltaic industry and the frequent launches of favourable policies and plans by the PRC government, the advantage of high conversion ratios, stable decay rate in its photovoltaic systems, continued reduction in unit cost, etc of monocrystalline products are highlighted. In addition, with the increased attention by national policy on distributed solar power plants, markets of monocrystalline products are expected to grow continually. Hence, monocrystalline products are becoming the popular choice in solar projects and the market share of monocrystalline products is improving. The proportion of solar plants installing monocrystalline PV systems and the monocrystalline products used by distributed power plants have increased as a result.

Further, since the introduction of the “Top Runner Program” (the “Program”), the Program has promoted healthy competition through high standards of technical certification and efficiency requirements. Further, in view of this, the National Energy Bureau launched an upgraded version of

During 2017, the Group completed the upgrade and transformation work on certain segment of the production capacity, production capacities and production volume has resumed normal. Especially in ingot and wafer production, the continuous improvement in the existing production process and the research and development of new products is showing great results. There has been a noticeable improvement in its gross profit margin and this led to a turnaround from loss to profit during the period under review.

In future, the Group will continue to focus on the development of its monocrystalline products, and strengthen its strategy of vertical integration through the following:

1. *Monocrystalline ingots and monocrystalline wafers*

The Group is a leading supplier of monocrystalline ingots and monocrystalline wafers. As the market share of monocrystalline products continue to grow, the Group is currently assessing the conditions and environment of various investment projects in PRC. It is expected the production capacity of monocrystalline ingots and monocrystalline wafers will be expanded at the opportune moment, and hence maintaining the status of a top three manufacturer of monocrystalline wafers.

2. *Solar cells*

Under the Group's vertical integration strategy, solar cell is the segment with less production capacity. The Group hence formed strong long-term strategic partnerships with local and overseas well-known solar cell-focused manufacturers. For example, partnering with one or more than one strategic partners in joint venture companies manufacturing monocrystalline ingots, monocrystalline wafers or photovoltaic modules, and majority owned by the Group, in order to strengthen the mutual working relationship. As a result, the Group will sell its upstream wafers to the strategic partners and in turn the strategic partners will provide the Group with the solar cells needed for module manufacturing. As such, the Group will be able to focus its resources in developing its monocrystalline ingots, monocrystalline wafers or photovoltaic modules. On the other hand, to the solar cell-focused manufacturers, they will be able to obtain a stable supply of monocrystalline wafers and also a stable sales channel of solar cells, and achieving a win-win target.

3. *Photovoltaic modules*

As a result of successful customer development, the size of the customer base and the purchases by individual customers are showing strong growing trends. In order to satisfy further customer needs, the Group will expand its module capacity at the opportune moment and aim to become a top 10 module provider of China. Further, through increase in sales of downstream modules and also increase in the proportion of sales of high-end module, which earns higher gross profit margins, it not only drives the internal demand for the Group's upstream ingots and wafers, it also improves the Group's consolidated gross profit margin under its vertical integration strategy.

4. *Construction and Operating of Photovoltaic Systems Business*

In respect of the business opportunity derived from the construction of distributed power plants, apart from establishing internal photovoltaic power plant system subsidiary companies, the Group also plans to establish joint venture companies with companies from other industries, in order to share the profits and also provide extra distribution channels for the Group's module sales. In respect of large-scale centralised power plants, the Group will, through investing as minority shareholders, seek construction opportunities as a EPC service provider and help drive the sales of the Group's modules.

DIVIDEND

The Directors do not recommend the distribution of interim dividend in respect of the six months ended 30 June 2017 (six months ended 30 June 2016: 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 2017.

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 2017.

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 2017.

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 2017.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2017 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, 24 August 2017

As at the date of this announcement, the executive Directors are Mr. Tan Wenhua (Chairman), Mr.