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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 2015

FINANCIAL HIGHLIGHTS

- Revenue for the period under review decreased by 14.2% to RMB1,306.291 million (corresponding period in 2014: RMB1,522.285 million).
- Gross profit for the period under review increased by 16.3% to RMB164.524 million (corresponding period in 2014: RMB141.42 million). Gross profit margin increased from 9.3% in the first six months ended 30 June 2014 to 12.6% in the six months ended 30 June 2015.
- Net profit attributable to the equity shareholders of the Company for the period under review increased by 162.5% to RMB10.189 million (corresponding period in 2014: Net loss of RMB16.295 million).
- Basic earnings per share increased by 162.7% to RMB0.32 cents (corresponding period in 2014: RMB0.51 cents loss per share).
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) for the period under review was RMB170.978 million (corresponding period in 2014: RMB143.428 million).
- The board of directors of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2015 (corresponding period in 2014: 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 2015, together with the comparative figures for the corresponding period in 2014. The Interim Results are unaudited but have been reviewed by the Company’s audit committee and the Company’s auditor, Ernst & Young.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2015 . unaudited

		Six months ended 30 June	
		2015	2014
	Note	RMB'000	RMB'000
Revenue	3	1,306,291	1,522,285
Cost of sales		(1,141,767)	(1,380,865)
Gross profit		164,524	141,420
Other income and gains	4	7,441	13,081
Selling and distribution expenses		(7,313)	(10,097)
Administrative expenses		(93,014)	(98,030)
Operating profit		71,638	46,374
Share of losses of associates		(6,211)	(707)
Finance costs		(58,347)	(63,293)
Profit/(loss) before tax	5	7,080	(17,626)
Income tax expense	6	(89)	(2,744)
Profit/(loss) for the period		6,991	(20,370)
Attributable to:			
Equity holders of the Company		10,189	(16,295)
Non-controlling interests		(3,198)	(4,075)
Profit/(loss) for the period		6,991	(20,370)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (RMB cents)	7	0.32	(0.51)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2015 . unaudited

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the period	6,991	(20,370)
Other comprehensive income/(loss) for the period (net of tax):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
– Available-for-sale investments:		
Changes in fair value of available-for-sale investments	1,301	–
– Exchange differences on translation of foreign operations	(13,347)	(2,318)
	<hr/>	<hr/>
Total comprehensive loss for the period, net of tax	(5,055)	(22,688)
	<hr/>	<hr/>
Attributable to:		
Equity holders of the Company	(1,857)	(18,613)
Non-controlling interests	(3,198)	(4,075)
	<hr/>	<hr/>
Total comprehensive loss for the period	(5,055)	(22,688)
	<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 . unaudited

	<i>Notes</i>	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Non-current assets			
Property, plant and equipment	8	1,888,101	1,968,776
Prepayments for acquisition of property, plant and equipment		25,679	14,075
Lease prepayments		137,313	138,601
Prepayments for raw materials	9	181,578	231,278
Investment in associates		66,520	72,731
Deferred tax assets		17,905	16,724
Other non-current assets		39,527	40,336
		<hr/> 2,356,623	<hr/> 2,482,521
Current assets			
Inventories		875,942	694,533
Trade and bills receivables	10	348,045	282,427
Prepayments, deposits and other receivables	11	389,614	480,091
Current tax recoverable		3,024	501
Available-for-sale investments		120,801	–
Pledged deposits		334,933	145,710
Cash at bank and in hand		143,570	195,257
		<hr/> 2,215,929	<hr/> 1,798,519
Current liabilities			
Interest-bearing borrowings	12	1,828,053	1,420,188
Trade and bills payables	13	759,084	806,478
Other payables and accruals	14	188,709	201,273
Current tax payable		–	6,360
Provision for inventory purchase commitments		43,544	43,582
		<hr/> 2,819,390	<hr/> 2,477,881
Net current liabilities		<hr/> (603,461)	<hr/> (679,362)
Total assets less current liabilities		<hr/> 1,753,162	<hr/> 1,803,159

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2015 . unaudited (continued)

		At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings	12	339,872	385,872
Deferred tax liabilities		2,891	2,928
Deferred income		188,635	196,775
Other non-current liabilities		50,801	41,566
		<u>582,199</u>	<u>627,141</u>
NET ASSETS		<u>1,170,963</u>	<u>1,176,018</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	15	276,727	276,727
Reserves		817,500	819,356
		<u>1,094,227</u>	<u>1,096,083</u>
Non-controlling interests		<u>76,736</u>	<u>79,935</u>
TOTAL EQUITY		<u>1,170,963</u>	<u>1,176,018</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 2015 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 2014, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”)

The accounting policies and the basis of preparation adopted in the preparation of these.0285 Tc.079 Tw[(aunti)TjT*.i

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. Comparative figures have been provided on a basis consistent with the current period segment analysis. 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 2015				
	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	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	828,110	2,226,892	622,215	18,336	3,695,553

	Six months ended 30 June 2014				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	319,864	1,018,876	167,965	15,580	1,522,285
Inter-segment revenue	273,547	–	332,642	3,706	609,895
Reportable segment revenue	<u>593,411</u>	<u>1,018,876</u>	<u>500,607</u>	<u>19,286</u>	<u>2,132,180</u>
Reportable segment (loss)/profit	<u>(17,939)</u>	<u>(8,799)</u>	<u>10,360</u>	<u>(3,992)</u>	<u>(20,370)</u>
	At 31 December 2014				Total RMB'000
	Segment A RMB'000	Segment B RMB'000	Segment C RMB'000	Segment D RMB'000	
Reportable segment assets	<u>2,390,987</u>	<u>825,976</u>	<u>741,175</u>	<u>322,902</u>	<u>4,281,040</u>
Reportable segment liabilities	<u>1,772,078</u>	<u>654,291</u>	<u>459,904</u>	<u>218,749</u>	<u>3,105,022</u>

- (b) For the six months ended 30 June 2015, major customers, each of whom amounted to 10% or more of the total revenue are as follows:

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Customer A		
– From segment A	468,349	160,362
– From segment B	124,814	963,315
Customer B		
– From segment B	252,622	*
– From segment C	15	*

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

(c) Geographic information

The following table sets out information about the geographical locations of the Group's revenue from external customers. 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	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
The People's Republic of China ("PRC") (place of domicile)	291,598	304,085
Export sales		
– Japan	966,759	1,162,913
– Korea	19,299	39
– Thailand	10,118	–
– Malaysia	9,766	–
– United States of America	4,159	133
– Mexico	2,747	–
– Taiwan	1,405	42,184
– Singapore	440	–
– Germany	–	12,931
Sub-total	1,014,693	1,218,200
Total	1,306,291	1,522,285

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Other income		
Government grants	10,790	8,764
Interest income from bank deposits	8,543	3,089
Compensation received from a customer for the delay in payment	–	2,181
(Loss)/gain from sales of other materials	(14,122)	1,343
	5,211	15,377
Other gains/(losses):		
Net foreign exchange gain/(loss)	1,840	(1,834)
Net loss on disposal of property, plant and equipment	(31)	(2,167)
Gain from acquisition of a subsidiary	–	1,705
Others	421	–
	2,230	(2,296)
	7,441	13,081

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	76,669	91,354
Amortisation of lease prepayments	2,334	1,964
Depreciation	103,217	95,797
Research and development costs	27,211	33,598
Provision for warranty costs	9,235	10,160
Net loss on disposal of property, plant and equipment	31	2,167
Costs of goods sold*	1,141,767	1,380,865

* Costs of goods sold include, in aggregate, RMB182,853,000 and RMB160,936,000 for the six months ended 30 June 2015 and 2014, respectively, relating to salaries, wages and other benefits, depreciation, provision for warranty costs and write-down of inventories, which amount is 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	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – the PRC		
Provision for the period	1,179	853
Under-provision in respect of prior years	205	1,966
	1,384	2,819
Deferred tax	(1,295)	(75)
Income tax expense for the period	89	2,744

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits of the Company's subsidiaries incorporated in HK for the six months ended 30 June 2015 and 2014. 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 is 15% for the six months ended 30 June 2015 and 2014. 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 is 35% for the six months ended 30 June 2015 and 2014. 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 is 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 is subject to the 15% income tax rate for the six months ended 30 June 2015 and 2014.

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 is subject to the 15% income tax rate for the six months ended 30 June 2015 and 2014.

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 is subject to the 12.5% income tax rate for the six months ended 30 June 2015 and 2014.

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/(loss) attributable to ordinary equity holders of the Company of RMB10,189,000 (six months ended 30 June 2014: loss of RMB16,295,000) and the weighted average of 3,211,780,566 ordinary shares of the Company in issue during the period (six months ended 30 June 2014: 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 2015 and 2014.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired property, plant and equipment at a total cost of RMB23,679,000 (six months ended 30 June 2014: RMB70,740,000). Assets with a net book value of RMB1,137,000 were disposed of by the Group during the six months period ended 30 June 2015 (six

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 2015 (31 December 2014: RMB4,561,000).

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 provided a provision of RMB70,369,000.

Based on the assessment updated by management for the six months ended 30 June 2015, no further impairment was provided as at 30 June 2015.

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
Trade receivables	365,072	291,159
Bills receivables	7,400	15,713
Less: impairment	(24,427)	(24,445)
	<u>348,045</u>	<u>282,427</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 2015 <i>RMB'000</i> (Unaudited)	As at 31 December 2014 <i>RMB'000</i> (Audited)
Within 1 month	160,220	155,326
1 to 3 months	46,119	34,210
4 to 6 months	44,522	23,711
7 to 12 months	38,618	7,835
Over 1 year	58,566	61,345
	<u>348,045</u>	<u>282,427</u>

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

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

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Not past due	167,620	169,451
Less than 1 month past due	38,454	17,460
1 to 3 months past due	21,272	23,777
4 to 6 months past due	51,336	9,219
7 to 12 months past due	11,699	20,882
Over 1 year past due	57,664	41,638
	348,045	282,427

As at 31 December 2014, bills receivables had been pledged as security to a bank for issuing bills payable to suppliers amounting to RMB10,000,000. None of the Group's trade or bills receivable is pledged as at 30 June 2015.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Prepayments for raw materials	81,710	3,689
Deductible value-added tax	285,122	233,018
Other receivables	22,782	243,384
	389,614	480,091

12. INTEREST-BEARING BORROWINGS

		30 June 2015	31 December 2014
Group	<i>Notes</i>	Effective interest	

- (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 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Within 1 month	213,210	438,036
1 to 3 months	243,363	166,187
4 to 6 months	156,600	125,482
7 to 12 months	88,544	65,669
Over 1 year	57,367	11,104
	759,084	806,478

- (b) As at 31 December 2014, the Group's bills payables of RMB10,000,000 was secured by Group's bills receivables of RMB10,000,000 (Note 10). The Group has no bills payable secured by the Group's bills receivable as at 30 June 2015.

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2015 RMB'000 (Unaudited)	As at 31 December 2014 RMB'000 (Audited)
Other payables and accrued expenses	128,068	138,468
Other tax payables	10,034	7,347
Accrued interest payable	-	-
Receipts in advance	50,474	55,325
Dividends payable	133	133
	188,709	201,273

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 2015 (six months ended 30 June 2014: Nil).

(b) Share capital

The Company's ordinary shares are set out below:

	As at 30 June 2015		As at 31 December 2014	
	No. of shares	Amount RMB'000 (Unaudited)	No. of shares	Amount RMB'000 (Audited)
At 30 June/31 December	3,211,780,566	276,727	3,211,780,566	276,727

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Over past years, the global solar industry experienced a period of over expansion of capacity resulted in over supply in the market. The global photovoltaic industry demonstrated full recovery and posted continual double-digit growth in market demand in 2014. In the first half of 2015, the industry continued the growth of demand and moved forward to a stable development.

The core global solar market has continued its gradual move from Europe to Asia. In the first half of 2015, Asia was still the main source of demand in the photovoltaic industry, in which the PRC and Japan were the major demand sources. China's photovoltaic industry performed well while maintaining its stability and orderly development. Based on the data released by the National Energy Administration of China, as at 30 June 2015, the cumulative grid connection installation capacity of photovoltaic power generation in China was 35.78GW, with photovoltaic power plants accounting for 30.07GW and distributed power plants accounting for 5.71GW. Compared to the corresponding period of 2014, the volume of annual photovoltaic power generation grew by 73% to approximately 19 billion kWh. Despite favourable market policies and the recovery of photovoltaic industry in the Chinese market, the supporting measures has not yet been rolled out. As a result, combining with the typical seasonal fluctuations, the pace of growth in the overall industry in the first half of 2015 slowed down a little and the overall market demand for solar products eased slightly. Further, with continuous technological improvement in the production process, the overall Average Market Selling Price ("ASP") of all products maintained a steady downward trend toward healthier and more sustainable prices.

In respect of Japan, the government decreased the Feed-In Tariffs ("FIT") subsidy rate in March 2015, reducing the subsidy for commercial power generation system of over 10kW from 32JPY per kWh to 29JPY per kWh and from 1 July 2015 onwards, the subsidy rate was further decreased to 27JPY per kWh. The subsidy for residence to 37JPY per kWh in 2014 was adjusted to 33-35JPY per kWh in 2015. Though further reducing the subsidy, Japan still provides one of the most subsidy support in the world. Benefited by such policy, the Japanese photovoltaic market maintained a swift growth. The Japan Photovoltaic Energy Association ("JPEA") published a revised version of "PV Outlook 2030" and the 2020 PV installation target of 49.4GW has been revised to 65.7GW. On the other hand, JPEA estimated that residential market in Japan (below 10kW) will continue to grow after Japan's preferential rate program comes to an end in July 2015. Policies providing for heavy subsidy and the vast pool of approved projects became strong drivers for the growth of Japan's photovoltaic market. As of the end of the first quarter in 2015, Japan's project pool amounted to approximately 62GW.

For the USA market, the residential solar market is booming rapidly. Based on the latest report released by GTM Research, the first quarter of 2015 is the best quarter for the residential solar system installations ever. PV installation in the residential solar market amounted to 437MW, represented a 76% growth compared to the corresponding period of 2014. Meanwhile, the utility segment still takes a major part in the USA market. It contributed a total of 644MW which represented 49% of new PV capacity the first quarter of 2015. PV installations are forecast to reach 7.9 GW in 2015, representing 27% increase over 2014. Growth will occur in all segments, but will be most rapid in the residential market.

In relation to emerging markets, as many megawatt-grade ground photovoltaic power plants entered their planning and preliminary planning stages, the photovoltaic markets in the Middle East and Africa (MEA) demonstrated strong growth trend. According to data from NPD Solarbuzz's database tracking MEA projects, the photovoltaic projects in Africa have potential installation capacity of over 11GW, while photovoltaic projects in the Middle East have potential installation capacity of approximately 1.3GW. Ghana is one of the countries in the MEA region having photovoltaic markets with the best potential. Ghana has a target of increasing renewable energy capacity from its current 1% of the country's energy mix to 10% by 2020. IHS forecasts that Chile will be the next emerging market, after South Africa, to reach the milestone of 1 GW in installed PV solar capacity. Besides Chile, other new emerging markets poised for rapid growth in 2015 are Jordan, the Philippines and Honduras.

During the period under review, the market is still dominated by multi-crystalline silicon wafers, which resulted in the less-than-expected demand for monocrystalline silicon wafers in the market. However, with the continuing realisation of advantages in better potential 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 wafers will increase significantly. Combined with internal utilisation of monocrystalline silicon wafers in the Group's production into monocrystalline solar modules, sales of wafer is expected to increase in the next couple of years.

Operations Review

The Group is a leading supplier for the upstream and downstream of vertical integrated approach in solar energy service in the PRC. We not only sell our photovoltaic products to

The Group has a strong focus on monocrystalline silicon wafers and is ready to capitalise on this change in market demand. As at 30 June 2015, the Group has an annual production capacity of 900MW of wafers. During the period under review, the external shipment volume of self-manufacturing and processing of silicon solar wafers of the Group was 143.5MW. This was mainly driven by the fluctuation in market demand in the first half of the period under review but, as mentioned above, is expected to improve in the second half of the year.

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 300MW. 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 as a result. During the period under review, the internally-utilised volume of solar cells was 66% of the total shipment volume of solar cells.

Module Business

Despite the lower-than-expectation demand in the Chinese market and seasonal fluctuation in demand in the Japanese market, external shipment of solar modules remained stable and comparable with the volume in the same period of last year. External shipment amounted to approximately 231.1MW as compared with 232.1MW for the same period of last year. 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.

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. Jinzhou Yangguang Energy Co., Ltd. (“Jinzhou Yangguang”), a wholly-owned subsidiary of the Company, extended to the EPC business by acquiring 100% equity interests of an EPC company in 2014. The EPC company mainly engages in the construction of distributed power plants on the rooftops or walls and the provision of large power plant construction services and is expected to extend our existing sales channels and directly facilitate sales services to end users including owners of largescale photovoltaic power plants or distributed power plants.

Finance costs

Finance costs represented mainly bank loans interest. The finance costs of the Group decreased from RMB63.293 million for the six months ended 30 June 2014 to RMB58.347 million for the six months ended 30 June 2015. The decrease was mainly due to the various downward adjustments of the Benchmark Interest Rates (基準利率) by the People's Bank of China throughout the six months ended 30 June 2015 and a decrease in average loan balance.

Income tax

Income tax expense were RMB0.09 million for the six months ended 30 June 2015, while the income tax income amounted to RMB2.744 million for the corresponding period in 2014. The decrease was mainly a combined effect of the tax provision made in 2014, in respect of prior years' under-provision, and the reversal of unused tax loss in 2015. Income tax expense recorded for the six months ended 30 June 2015 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 2015, the Group recorded a profit attributable to the equity shareholders of RMB10.189 million, representing an increase of 162.5% as compared to a loss attributable to the equity shareholders of RMB16.295 million for the corresponding period in 2014.

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 124 days (the corresponding period in 2014: 52 days). The increase was mainly due to the preparation for the expected increase in shipment volume in the third quarter of 2015. The optimal inventory levels of the Group should be sufficient for approximately three months' consumption in the case of polysilicon and one month consumption for other auxiliary raw materials.

Trade receivable turnover days

For the first half of 2015, the trade receivable turnover days of the Group increased to 44 days (the corresponding period in 2014: 39 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 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 Group has better bargain

Foreign currencies

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 RMB, 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 2015, the Group had 3,574 (30 June 2014: 3,697) employees.

Future prospects and strategies

The Group fully grasped the trend of industrial development by completing capacity expansion for its module business and successfully developing and putting into mass production the industry-leading 280W module products in 2014.

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, it will make good use of its vertically-integrated capacity with both upstream and downstream portions to raise the gross profit of the Group's module products and drive profit growth of the Group. While maintaining its leading position in upstream and downstream businesses, the Group will actively expand its downstream business of constructing, operating and maintaining photovoltaic power plants, and foster market development in emerging markets including Africa, Southeast Asia, Turkey, Pakistan and other Balkan countries on the basis of its existing market share, with a view to enhancing the Group's downstream businesses and raising its overall profitability.

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 2015.

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 2015.

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 2015.

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 2015.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2015 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
Hsu You Yuan
Executive Director

Hong Kong, 26 August 2015

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