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 2014

FINANCIAL HIGHLIGHTS

– Turnover for the period under review increased by 85.9% to RMB1,522.285 million (corresponding period in 2013: RMB818.94 million).

– Gross profit for the period under review increased by 660.7% to RMB141.42 million (corresponding period in 2013: RMB18.591 million).

– Net loss attributable to the equity shareholders of the Company for the period under review decreased by 88.1% to RMB16.295 million (corresponding period in 2013: Net loss of RMB136.431 million).

– Basic loss per share decreased by 89.8% to RMB0.51 cents (corresponding period in 2013: RMB5.02 cents per share).

– Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the period under review was RMB143.428 million (corresponding period in 2013: Losses before interest, taxes, depreciation and amortization ("LBITDA") of RMB6.095 million).

– The board of Directors of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2014 (corresponding period in 2013: 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 2014, together with the comparative figures for the corresponding period in 2013. The Interim Results are unaudited, but have been reviewed by the Company's auditor, KPMG (the "Auditor") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Auditor's report on their review of the Interim Results of the Group will be included in the interim report to be sent to shareholders of the Company. The Interim Results have also been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2014 – unaudited

		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	RMB'000
Turnover	*3*	**1,522,285**	818,940
Cost of sales		**(1,380,865)**	(800,349)
Gross profit		**141,420**	18,591
Other revenue	*4*	**15,377**	10,254
Other net (loss)/income	*5*	**(2,296)**	3,625
Selling and distribution expenses		**(10,097)**	(13,711)
Administrative expenses		**(98,030)**	(113,475)
Profit/(loss) from operations		**46,374**	(94,716)
Share of profits less losses of associates		**(707)**	3,807
Finance costs	*6(a)*	**(63,293)**	(50,772)
Loss before taxation	*6*	**(17,626)**	(141,681)
Income tax (expense)/credit	*7*	**(2,744)**	2,212
Loss for the period		**(20,370)**	(139,469)
Attributable to:			
Equity shareholders of the Company		**(16,295)**	(136,431)
Non-controlling interests		**(4,075)**	(3,038)
Loss for the period		**(20,370)**	(139,469)
Loss per share *(RMB cents)*			
– Basic and diluted	*9*	**(0.51)**	(5.02)

Details of dividends payable to equity shareholders of the Company are set out in Note 8.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2014 – unaudited

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Loss for the period	**(20,370)**	(139,469)
Other comprehensive income for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation to presentation currency	**(2,318)**	3,736
Total comprehensive income for the period	**(22,688)**	(135,733)
Attributable to:		
Equity shareholders of the Company	**(18,613)**	(132,695)
Non-controlling interests	**(4,075)**	(3,038)
Total comprehensive income for the period	**(22,688)**	(135,733)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2014 – unaudited

	Note	**At 30 June 2014** *RMB'000*	At 31 December 2013 *RMB'000*
Non-current assets			
Property, plant and equipment	*10*	**2,016,612**	2,064,687
Prepayments for acquisition of property, plant and equipment		**19,627**	27,333
Lease prepayments		**134,612**	118,345
Prepayments for raw materials	*11*	**314,320**	320,233
Interests in associates		**73,275**	74,568
Other non-current assets		**29,695**	31,390
		2,588,141	2,636,556
Current assets			
Inventories		**347,723**	441,494
Trade and other receivables	*12*	**723,404**	720,316
Current tax recoverable		**2,495**	500
Pledged bank deposits		**227,550**	206,910
Cash at bank and in hand		**165,163**	234,398
		1,466,335	1,603,618
Current liabilities			
Bank loans	*13*	**1,019,260**	1,114,482
Trade and other payables	*14*	**743,554**	761,153
Current tax payable		**–**	1,266
Bonds		**299,800**	299,200
		2,062,614	2,176,101
Net current liabilities		**(596,279)**	(572,483)
Total assets less current liabilities		**1,991,862**	2,064,073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2014 – unaudited (continued)

	Note	**At 30 June 2014** *RMB'000*	At 31 December 2013 *RMB'000*
Non-current liabilities			
Bank and other loans	*13*	**549,596**	591,718
Deferred tax liabilities		**3,931**	1,017
Deferred income		**203,389**	209,988
Other non-current liabilities		**32,714**	22,554
		789,630	825,277
NET ASSETS		**1,202,232**	1,238,796
CAPITAL AND RESERVES			
Share capital		**276,727**	276,727
Reserves		**852,996**	876,331
Total equity attributable to equity shareholders of the Company		**1,129,723**	1,153,058
Non-controlling interests		**72,509**	85,738
TOTAL EQUITY		**1,202,232**	1,238,796

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 27 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Solargiga Energy Holdings Limited (the "Company") and its subsidiaries (collectively "the Group") since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The financial information relating to the financial year ended 31 December 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2014.

For the six months ended 30 June 2014, the Group sustained a net loss of RMB20,370,000 and as of that date, the Group's current liabilities exceeded its current assets by RMB596,279,000. At 30 June 2014, the Group had cash and cash equivalents of RMB165,163,000 and short term bank loans, including current portion of long-term bank loans, of RMB1,019,260,000 and bonds issued due within one year of RMB299,800,000. 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 2015. 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 2015. 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 2015, an unconditional banking facility obtained in March 2014 from one of the Group's major banks with a total amount of RMB1,200,000,000 and an initial term of three years, and the Group's ability to renew its short-term bank loans.

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 twelve months from the reporting date. Accordingly, the financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*

- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*

- HK(IFRIC) 21, *Levies*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 systems ("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. However, assistances provided by one segment to another are not measured.

(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 2014				
	Segment A	**Segment B**	**Segment C**	**Segment D***	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
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	**593,411**	**1,018,876**	**500,607**	**19,286**	**2,132,180**
Reportable segment (loss)/profit	**(17,939)**	**(8,799)**	**10,360**	**(3,992)**	**(20,370)**

	At 30 June 2014				
	Segment A	**Segment B**	**Segment C**	**Segment D***	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Reportable segment assets	**1,930,648**	**795,839**	**990,652**	**337,337**	**4,054,476**
Reportable segment liabilities	**1,313,647**	**673,057**	**643,083**	**222,457**	**2,852,244**

	Six months ended 30 June 2013				
	Segment A	Segment B	Segment C	Segment D*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	333,641	358,656	126,643	–	818,940
Inter-segment revenue	146,825	–	220,372	–	367,197
Reportable segment revenue	480,466	358,656	347,015	–	1,186,137
Reportable segment (loss)/profit	(253,764)	47,052	67,243	–	(139,469)

	At 31 December 2013				
	Segment A	Segment B	Segment C	Segment D*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment assets	2,436,191	743,331	716,657	343,995	4,240,174
Reportable segment liabilities	1,712,642	615,126	445,624	227,986	3,001,378

* For the six months ended 30 June 2014, the Group's photovoltaic power plant operating business was mainly conducted by a subsidiary newly acquired in September 2013. The details are disclosed in Note 15(a).

(b) Revenue from major customers, each of whom amounted to 10% or more of the total revenue, is set out below:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Customer A (mainly Segment B)	**1,123,677**	457,602
Customer B (Segment C)	*****	103,884

* The revenue value is 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	
	2014	2013
	RMB'000	*RMB'000*
The People's Republic of China ("PRC", place of domicile)	**304,085**	165,843
Export sales		
– Japan	**1,162,913**	511,917
– Taiwan	**42,184**	125,555
– Europe	**12,931**	14,799
– North America	**133**	826
– Others	**39**	–
Sub-total	**1,218,200**	653,097
Total	**1,522,285**	818,940

4. OTHER REVENUE

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Government grants	**8,764**	7,039
Interest income from bank deposits	**3,089**	1,256
Compensation received from a customer for delay in payment	**2,181**	–
Others	**1,343**	1,959
	15,377	10,254

5. OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Net foreign exchange (loss)/gain	**(1,834)**	3,625
Net loss on disposal of property, plant and equipment	**(2,167)**	–
Gain from acquisition of a subsidiary *(Note 15b)*	**1,705**	–
	(2,296)	3,625

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank and other loans	**59,840**	46,446
Interest on bonds	**7,621**	7,600
	67,461	54,046
Less: interest expense capitalised into property, plant and equipment	**(4,168)**	(3,274)
	63,293	50,772
(b) Other items:		
Salaries, wages and other benefits	**91,354**	78,264
Amortisation of lease prepayments	**1,964**	1,294
Depreciation	**95,797**	83,520
Research and development costs	**33,598**	33,444
Provision for warranty costs	**10,160**	3,047
Write-down of inventories	**–**	69,850
Impairment of trade receivables	**–**	22,554
Cost of goods sold*	**1,291,963**	700,116

* Cost of goods sold include, in aggregate, RMB160,936,000 and RMB201,643,000 for the six months ended 30 June 2014 and 2013, 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 amount disclosed separately above for each of these types of expenses.

7. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the period	**853**	–
Under-provision in respect of prior years	**1,966**	–
	2,819	–
Deferred tax		
Origination and reversal of temporary differences	**(75)**	(2,690)
Withholding tax	**–**	478
Income tax expense/(credit)	**2,744**	(2,212)

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 2014 and the year ended 31 December 2013. 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 2014 and the year ended 31 December 2013. 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 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%. Accordingly, Jinzhou Yangguang is subject to the 15% income tax rate for the six months ended 30 June 2014 and the year ended 31 December 2013.

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 a full income tax exemption for the year ended 31 December 2013 and the 12.5% income tax rate for the six months ended 30 June 2014.

8. DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period

The directors did not recommend the payment of a dividend in respect of the year ended 31 December 2013.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company of RMB16,295,000 (six months ended 30 June 2013: RMB136,431,000) and the weighted average of 3,211,780,566 ordinary shares of the Company in issue during the period (six months ended 30 June 2013: 2,720,235,093) as calculated in Note 9(b).

(b) Weighted average number of ordinary shares

	Six months ended 30 June	
	2014	2013
	No. of shares	No. of shares
Issued ordinary shares at 1 January	**3,211,780,566**	2,491,300,472
Effect of shares issued under open offer	**–**	187,191,638
Effect of shares issued under subscription of new shares	**–**	41,742,983
Weighted average number of ordinary shares for the six months ended 30 June	**3,211,780,566**	2,720,235,093

(c) Diluted loss per share

There were no dilutive potential ordinary shares in issue during the six months ended 30 June 2014 and 2013.

10. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group assessed the recoverable amount of property, plant and equipment of each cash-generating unit ("CGU") as at 31 December 2012. As a result, the carrying amounts of certain property, plant and equipment of the CGUs related to Segment A and Segment C were written down by RMB161,200,000 in total at 31 December 2012. The estimated recoverable amounts were determined based on value-in-use calculations by the estimated future cash flows of the assets.

In 2013, for satisfying the significantly increased purchase demand of the Group's largest customer for photovoltaic modules, the Group's solar cells manufacturing and trading CGU (Segment C) significantly increased its production and sales volume to the photovoltaic modules manufacturing and trading CGU (Segment B) and improved its results of operations in the year. In view of this situation and based on the estimated future cash flows of such solar cells manufacturing and trading CGU by the latest sales forecast, the Group reversed the impairment loss previously provided for such CGU's property, plant and equipment by an amount of RMB19,166,000 at 31 December 2013.

In the six months ended 30 June 2014, based on the updated estimated future cash flows of the CGUs concerned, no further impairment losses were provided for as at 30 June 2014.

11. PREPAYMENTS FOR RAW MATERIALS

In 2012, management assessed the prepayments for potential impairment and identified that two of the suppliers were in financial difficulties and were most likely to default on the deliveries of raw materials to the Group and therefore, provided a provision of RMB131,805,000 at 31 December 2012. Based on the assessment updated by management in 2013 and the six months ended 30 June 2014, no further impairment was provided at 31 December 2013 and 30 June 2014.

12. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Trade and bills receivables *(Note 12(a))*	**294,326**	377,091
Prepayments for raw materials	**101,019**	31,205
Prepayments for other production materials	**21,042**	22,339
Deductible value-added tax ("VAT") *(Note 12(b))*	**180,562**	200,420
Deposits and other receivables	**126,455**	89,261
	723,404	720,316

(a) At 30 June 2014, trade and bills receivables included an amount of RMB20,000,000 of the bills receivable (31 December 2013: RMB7,000,000) which have been pledged as security to a bank for issuing bills payable to suppliers.

(b) Deductible VAT represents the input VATs arising from the purchases of raw materials and property, plant and equipment that have not been deducted yet.

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

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 month	**123,467**	167,070
1 to 3 months	**57,202**	130,380
4 to 6 months	**33,789**	31,739
7 to 12 months	**55,099**	2,172
Over 1 year	**24,769**	45,730
	294,326	377,091

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

(d) The ageing analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Not past due	**187,412**	272,767
Less than 1 month past due	**31,074**	35,255
1 to 3 months past due	**23,604**	25,911
4 to 6 months past due	**8,873**	5,023
7 to 12 months past due	**21,883**	979
Over 1 year past due	**21,480**	37,156
	106,914	104,324
	294,326	377,091

13. BANK AND OTHER LOANS

(a) The Group's bank and other loans are analysed as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Bank loans	**1,487,260**	1,624,982
Municipal government loan	**2,221**	2,595
Other loans	**79,375**	78,623
	1,568,856	1,706,200

(b) At 30 June 2014, the bank loans were repayable as follows:

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 year	**1,019,260**	1,114,482
After 1 year but within 2 years	**180,000**	76,500
After 2 years but within 5 years	**133,500**	271,000
After 5 years	**154,500**	163,000
	468,000	510,500
	1,487,260	1,624,982
Bank loans were secured as		
– unsecured	**1,249,911**	1,153,883
– secured	**237,349**	471,099
	1,487,260	1,624,982

14. TRADE AND OTHER PAYABLES

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Trade and bills payables	**443,633**	470,247
Other payables and accrued expenses	**212,656**	201,713
Receipts in advance	**87,265**	89,193
	743,554	761,153

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

	At 30 June 2014 *RMB'000*	At 31 December 2013 *RMB'000*
Within 1 month	**204,662**	221,084
1 to 3 months	**119,455**	128,208
4 to 6 months	**74,721**	63,637
7 to 12 months	**22,888**	33,944
Over 1 year	**21,907**	23,374
	443,633	470,247

15. BUSINESS COMBINATIONS

(a) On 2 September 2013, the Group acquired additional 21% equity interests in Golmud from a PRC citizen at a cash consideration of RMB22,790,000, thereby, the Group totally held 70% equity interests of Golmud.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition *RMB'000*
Property, plant and equipment	230,199
Lease prepayments	19,641
Trade and other receivables	59,596
Cash and cash equivalents	41,232
Trade and other payables	(26,642)
Bank loans	(210,000)
Net identifiable assets and liabilities	114,026
The Group's 70% share of the net identifiable assets and liabilities acquired	79,818
Satisfied by:	
– the fair value of the original 49% equity interests in the acquiree as at the acquisition date	57,028
– a cash consideration of RMB22,790,000	22,790
Cash acquired	41,232
Net cash inflow	18,442

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment, lease prepayments made for the lands held under operating leases recognised as result of the business combination are based on the discounted future cash flows to be generated by the assets and their market values.

Golmud contributed RMB11,132,000 to the consolidated turnover and RMB375,000 loss to the consolidated loss before taxation in the period from the date of acquisition to 31 December 2013. As though this acquisition had occurred on 1 January 2013, the estimated revenue and loss of the Group for the year would be increased by approximately RMB21 million and decreased by approximately RMB4 million.

(b) On 3 March 2014, the Group acquired 100% equity interests in Jinzhou Wintek Silicon Materials Co., Ltd. ("Wintek") from two third parties at a total cash consideration of RMB15,000,000.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition *RMB'000*
Property, plant and equipment	172
Lease prepayments	18,231
Inventories	5,878
Trade and other receivables	37,097
Cash and cash equivalents	188
Trade and other payables	(41,685)
Current tax payable	(187)
Net identifiable assets and liabilities	19,694
The Group's 100% share of the net identifiable assets and liabilities acquired, to be satisfied by a total cash consideration of RMB15,000,000	19,694
Deferred tax liabilities arising from fair value adjustment on acquisition	(2,989)
The total cash consideration of RMB15,000,000 to be paid	15,000
Gain from acquisition of a subsidiary *(Note 5)*	1,705
Cash acquired and net cash inflow	188

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of lease prepayments made for the land held under operating leases recognised as result of the business combination is based on its market values.

The gain from acquisition of a subsidiary represents the excess of the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date over the fair value of the consideration to be transferred, as a result of the fair value adjustment to the lease prepayments made for the land held under operating leases upon the acquisition, and has been recognised immediately in profit or loss.

Wintek contributed RMB17,112,000 to the consolidated turnover and RMB489,000 profit to the consolidated loss before taxation in the period from the date of acquisition to 30 June 2014. If the acquisition had taken place at 1 January 2014, the Group's consolidated turnover for the six months ended 30 June 2014 would have been RMB1,522,287,000 and the Group's consolidated loss before taxation for the period would have been RMB17,971,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

After experiencing a bleak period of capacity expansion and over-supply over the past years, the global solar industry has gradually rebounded in 2013 to a thriving and prosperous environment. In the first half of 2014, the global solar industry continued the excellent development last year. With continuous growth of demand and a more balanced supply and demand, the industry environment has gradually improved and moved forward to a stable development.

The core global solar market has gradually moved from Europe to Asia. In the first half of 2014, Asia was still the main source of demand in the solar industry, in which the PRC and Japan were the major demand sources. According to the Global New Energy Development Report 2014 issued in the beginning of June 2014, the PRC has passed Germany and become the largest solar energy market in the world. Meanwhile, the financing amount of the PRC solar industry has reached US$23.56 billion and ranks top in the world, accounting for 21.1% in the world or representing the total amount of Europe. Apart from the boom in Asia market, stable growth was also found in the U.S. solar energy market, while the United Kingdom also caught up to become the main solar market in Europe. Leveraging on the core markets as well as the rapid demand growth in emerging solar energy market, the development of global solar industry is set to be glamorous in 2014.

In respect of Japan, the government decreased the Feed-In Tariffs ("FIT") subsidy rate in March 2014, reducing the subsidy for commercial power generation system of over 10kW from 36JPY per kWh to 32JPY per kWh and the subsidy for residence to 37JPY per kWh. Though further reducing the subsidy, Japan still provides the most subsidy support in the world. Benefited by such policy, the Japan photovoltaic market maintained a swift growth, and the new installation capacity has sharply increased by 118.5% over the same period of last year to 1.87GW in the first quarter of 2014.

For the U.S. market, rooftop photovoltaic is gaining popularity and becoming the mainstream development for solar industry. According to the statistics of OFweek industry research centre, the U.S. photovoltaic installation capacity reached 1.33GW in the first quarter of 2014. Among which, the consolidated photovoltaic capacity in the private sector reached 232MW, which is the first time for it to exceed that of the commercial sector.

In relation to emerging markets of the Middle East and Africa, the governments have strengthened their support by policies and the market demand is strong. According to the latest research report released by NPD Solarbuzz, the Middle East and Africa (MEA) solar energy market has grown by 50% year-on-year in 2014, and the demand is anticipated to reach 1.6GW. Ghana is one of the countries with the fastest development in the solar energy sector within the MEA region. To foster the development of solar industry, Ghana government launched out the FIT subsidy policy in August 2011, and be effective since 1 September 2013, and has already contracted photovoltaic projects of 400 to 500MW to date.

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 do not only sell our photovoltaic products to upstream and midstream customers in photovoltaic industry, but also directly sell to end-user customers. The Company mainly engages in the manufacturing and sales of monocrystalline 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.

Under the backdrop of favourable policies and the recovery of photovoltaic industry, the Group leveraged on its leading technological competitiveness as well as its business model, and substantially improved its results in the first half of 2014. The Group, maintaining its profitability in the second half of 2013, recorded an operating profit of RMB46.374 million during the period, as compared to an operating loss of RMB94.716 million for the same period of last year. During the period under review, turnover of the Group grew by 85.9% to RMB1,522.285 million, and external shipment volume greatly increased by 66.1% to 530.47MW over the same period of last year. In the first half of 2014, the Group maintained a good cooperation with the clients along the whole photovoltaic industry chain and consolidated its own leading edges of upstream and midstream business, and actively explored the downstream business and the respective development to go along with its strategy on vertical integration. The operation of various business was impressive during the period.

Silicon Ingot Business

During the period under review, the Group consolidated its technological advantages and maintained its original production capacity of silicon ingots to satisfy the needs of its customers and downstream business. As at 30 June 2014, the Group was equipped with 589 monocrystalline ingot pullers and 4 multicrystalline casting furnaces, of which 397 monocrystalline ingot pullers were located in the Jinzhou production base while the remaining 192 monocrystalline ingot pullers were installed in the plant of Solargiga Energy (Qinghai) Company Limited ("Qinghai Solargiga"), which is 51% owned by the Group, in Xining, Qinghai Province. Among which, 96 monocrystalline ingot pullers were put into mass production in December 2011 and the remaining 96 monocrystalline ingot pullers will be put into production successively upon reaching the conditions to achieve production levels, enabling the annual production capacity of silicon ingots to duly reach 1.2GW.

The Group's upstream and downstream vertical integration business model allows external sales of its upstream products such as silicon ingots, wafers and cells apart from being used in its downstream business, which in turn helps to provide a stable income. During the period, the external shipment volume of solar silicon ingots was approximately 26.7MW, representing a 40.9% decrease as compared to 45.2MW in the same period of last year. The decrease was mainly driven by the increase in the proportion of self-manufactured and processed silicon ingots internal sales under the continuous surge in demand by the downstream business of the Group. The Group has secured a leading position in the monocrystalline silicon solar ingot manufacturing industry in terms of technology, product quality and quantity in the PRC. The products of the Group are the only monocrystalline silicon solar ingots in China for which national products exemption from quality surveillance inspection has been granted. Major products are silicon ingot of 8 inches to 8.3 inches in diameter. The photovoltaic conversion efficiency of its monocrystalline silicon products is also higher than the industry average. Apart from the traditional P-type products, the Group also provides N-type high performance products with a photovoltaic conversion efficiency of 22–23%. During the period under review, the external shipment volume of self-manufactured and processed N-type silicon ingots was approximately 26.7MW, representing approximately 99.9% of total external shipment volume of silicon ingots in aggregate. N-type products are mainly targeted at Japanese market where the requirements on quality standard is stringent.

Wafer Business

As at 30 June 2014, the Group had an annual production capacity of wafers reaching 900MW. During the period, the external shipment volumes of self-manufacturing and processing of silicon solar wafers of the Group were approximately 209.7MW, representing an increase of 41.2% in total compared with 148.5MW for the same period of last year. The increase in exports volume was mainly driven by the gradual recovery for solar energy industry from the oversupply situation. Except for supplying the production required for downstream cells of the Group, the external shipment volume of silicon wafers was increased.

Cell Business

During the period under review, the manufacturing base of the Group in Jinzhou is equipped with production lines of solar cells having an annual production capacity of 300MW. The manufacturing of solar cells not only provides a stable and high-quality raw materials supply for the module business of the Group to enhance the overall operation efficiency on the supply side, but also could be sold to the customers in China and Japan. The external shipment volume of solar cells was approximately 61.9MW, representing an increase of 35.4% in total compared with 45.7MW for the same period of last year. It contributed turnover of approximately RMB167.965 million, accounting for 11% of the Group's turnover.

Module Business

The Group has expanded into the downstream photovoltaic module business by holding a 96% interest in Jinzhou Jinmao Photovoltaic Technology Company Limited ("Jinzhou Jinmao"). Located in Jinzhou, Jinzhou Jinmao is the solar module production base of the Group with an expanded production capacity of 400MW in 2014. During the period under review, the external shipment volume of solar modules was approximately 232.1MW as compared with 79.9MW for the same period of last year, representing a significant growth of 190.5%.

In 2013, the Group and Sharp Corporation ("Sharp") from Japan extended to new area of business cooperation by building on their cooperation foundation original formed, of which, Sharp has newly purchased solar module products since the second quarter of 2013. In view of the opportunity arising from module business development, the Group increased its holdings of Jinzhou Jinmao to 96% in April 2014. The Group also expanded its production capacity to 400MW at the beginning of 2014 to better satisfy the procurement demand of its customers and enhance the respective cooperation, and thus brought along more profit for the Group. During the period, the module segment contributed turnover of RMB1,018.876 million, accounting for 66.9% of total turnover and representing a growth of 184.1% over the same period of last year.

Construction and Operating of Photovoltaic Systems Business

The Group fully utilized the advantages of vertical integration, actively expanding the business of end market, which increased the demand of the products from downstream to upstream. DCH-Solargiga, a subsidiary in Germany which is held as to 70% by the Group, and Savannah Accelerated Development Authority ("SADA") established a subsidiary which is held as to 90% by the Group in December 2013 and intended to construct solar energy power plants of 200MW in aggregate in Ghana. The first stage of 40MW solar energy power plants project is currently under the initial stage of planning and financing, and is expected to provide power of approximately 60 million kWh per annum in average upon completion. In addition, the Group obtained 20MW large-scale photovoltaic power plants project in Golmud, Qinghai Province, operated under Golmud Solargiga Energy Electric Power Co., Ltd., which is held as to 70% by the Group. This project is in operation, and approximately 33 million kWh electricity can be generated per year on average. The project will enjoy the photovoltaic power generation feed-in tariff policy of RMB1.15 per kWh as set out by the National Development and Reform Commission.

Turnover

For the six months ended 30 June 2014, the turnover of the Group was RMB1,522.285 million, representing an increase of 85.9% compared with the corresponding period in 2013. During the period under review, due to the general recovery of overall global solar market, the demand gradually picked up while raw material prices became stable. Together with the expanded business cooperation scope between the Group and Sharp, the turnover increased accordingly.

Cost of sales

For the six months ended 30 June 2014, cost of sales increased by 72.5% to RMB1,380.865 million from RMB800.349 million for the corresponding period in 2013. Cost of sales represented 90.7% of total turnover, a decrease of 7 percentage points compared to the corresponding period in 2013. The decrease in proportion was mainly due to the decrease in inventory provision made during the period (for the six months ended 30 June 2014: RMBNil; six months ended 30 June 2013: RMB69.85 million), and the decrease in average fixed cost per unit caused by significant increase in external shipment and production volume.

Gross profit and gross profit margin

For the six months ended 30 June 2014, the Group recorded a gross profit of RMB141.42 million and a gross profit margin of 9.3%, which showed significant improvement from gross profit of RMB18.591 million and gross profit margin of 2.3% for the corresponding period in 2013.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses decreased by 26.4% to RMB10.097 million for the six months ended 30 June 2014 from RMB13.711 million for the corresponding period in 2013, representing 0.7% of the total turnover of the Group (the corresponding period in 2013: 1.7%). The decrease in selling and distribution expenses was mainly due to less marketing and promotion expenses incurred for the six months ended 30 June 2014.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for the first half of 2014 amounted to RMB98.03 million, decreased by 13.6% as compared to RMB113.475 million for the corresponding period in 2013, representing 6.4% of the turnover of the Group. The decrease in administrative expenses was mainly due to the decrease in trade receivables written-off (six months ended 30 June 2014: RMBNil; six months ended 30 June 2013: RMB22.554 million).

Finance costs

The finance costs of the Group increased from RMB50.772 million for the six months ended 30 June 2013 to RMB63.293 million for the six months ended 30 June 2014. Finance costs represented mainly the interest on bank loans and bonds.

Income tax

Income tax expense were RMB2.744 million for the six months ended 30 June 2014, while the income tax income amounted to RMB2.212 million for the corresponding period in 2013. Income tax expense recorded for the six months ended 30 June 2014 was attributable to the taxable profits generated by the solar module business in China.

Loss attributable to the equity shareholders

For the six months ended 30 June 2014, the Group recorded a loss attributable to the equity shareholders of RMB16.295 million, representing a decrease of 88.1% as compared to a loss attributable to the equity shareholders of RMB136.431 million for the corresponding period in 2013.

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 52 days (the corresponding period in 2013: 93 days), a decrease of 41 days from the corresponding period in 2013. 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 2014, the trade receivable turnover days of the Group decreased to 39 days (the corresponding period in 2013: 61 days). The decrease in trade receivable turnover days was mainly due to an application of part of the trade receivable factoring with a bank during the period. Generally, the Group allows a credit period of 30 to 90 days for its customers.

Trade payable turnover days

Due to the shortened cash collection cycle, the Group decided to shorten terms of payment to suppliers during the period under review in order to secure more favourable terms on purchase prices by strengthening its cooperation with suppliers. Accordingly, trade payable turnover days during the period under review decreased to 60 days (the corresponding period in 2013: 88 days).

Liquidity and financial resources

The principal sources of working capital of the Group during the period under review were cash flows from bank borrowings. As at 30 June 2014, the current ratio (current assets divided by current liabilities) of the Group was 0.71 (31 December 2013: 0.74). The Group had net borrowings of RMB1,475.943 million as at 30 June 2014 (31 December 2013: RMB1,564.092 million), including cash in bank and on hand of RMB165.163 million (31 December 2013: RMB234.398 million), pledged deposits of RMB227.55 million (31 December 2013: RMB206.910 million), bank loans due within one year of RMB1,019.26 million (31 December 2013: RMB1,114.482 million), non-current bank and other loans of RMB549.596 million (31 December 2013: RMB591.718 million) and non-current corporate bonds due within 1 year of RMB299.8 million (31 December 2013: RMB299.200 million). The net debt to equity ratio (net debt divided by total equity) was 122.8% (31 December 2013: 126.3%).

Earnings/losses before interest, taxes, depreciation and amortization

For the six months ended 30 June 2014, the Group recorded an earnings before interest, taxes, depreciation and amortization amounted to RMB143.428 million which showed significant improvement from losses before interest, taxes, depreciation and amortization of RMB6.095 million for the corresponding period in 2013.

During the period under review, due to the general recovery of overall global solar market, the demand gradually picked up while raw material prices became stable, together with the implementation of cost control policy since 2012, the operating performance improved significantly.

Financial guarantees issued

As at 30 June 2014 and 31 December 2013, the Group has undertaken to guarantee a banking facility granted to Jinzhou Aoke New Energy Co., Ltd. ("Jinzhou Aoke"), which is owned as to 37% by the Group, to the extent of RMB74,000,000.

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 guarantees issued is RMB74,000,000, representing 37% of the outstanding amount of the loan advanced by the bank to Jinzhou Aoke (31 December 2013: RMB74,000,000).

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 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 2014, the Group had 3,697 (30 June 2013: 3,599) employees.

Future prospects and strategies

Benefiting from the national supporting policies, recently there are various advantages for the photovoltaic industry within the PRC. The State Council announced "No. 24 Opinions of the State Council on Promoting the Healthy Development of Photovoltaic Industry (2013)", which is the programmatic document of photovoltaic industry, in July 2013. The new policy suggested that the total installation capacity of photovoltaic power generation target of PRC in 2015 should reach 35GW or above. The plan was out of market's expectation. We believe that it helps the photovoltaic industry in PRC overcome the hardships for over-supply of production capacity and the insufficient development in national market.

For the effective inhibition for the blind expansion of photovoltaic industry, the document suggested various regulations for new photovoltaic production project, including the monocrystalline silicon cell conversion efficiency should be at least 20%; multicrystalline silicon cell conversion efficiency should be at least 18%, etc. The document demonstrated that the government hopes to use the mechanism of "Market Push Back" to urge the elimination of laggards, which speeds up the integration of the industry. After the industrial consolidation, we expected that leading enterprises, which have core competitiveness, will be created. For the enterprises actively expanding in the emerging market and promoting internationalization, it may realize a healthy development in solar energy industry.

Meanwhile, for encouraging generating power by using solar energy, "Notice relating to VAT policy of photovoltaic power generation (關於光伏發電增值稅政策的通知)" was issued by the Ministry of Finance of the PRC. From 1 October 2013 to 31 December 2015, the policy of 50% immediate refund of VAT is implemented for sales of the self solar energy produced electricity products to taxpayers.

Based on the aforesaid policies as well as the continued technological advancement of the solar industry, unit power generation cost was significantly reduced. Therefore, sustaining the recovery of the industry beginning from the second half of 2013, the photovoltaic industry has moved forward to a new stage of stable development in the first half of 2014, in spite of the still numerous protective measures for international trading in the market. Under the backdrop of the recovery of the industry, demand in the photovoltaic industry would be greatly increased and thus it is foreseen that the market would undergo continuous expansion. Riding on the global solar industry development trend and great support provided by the PRC policies, the Group will continue to put its advantage of vertical integration into play to secure its leading technological status for its upstream and midstream products, including silicon ingots, wafers, cells and modules. Apart from maintaining a stable cooperation with its customers in Japan, the Group will also take an active role in expanding its cooperation with Mainland and Taiwan customers to drive income growth of the Group.

Meanwhile, the Group will keenly explore downstream business on the construction of photovoltaic power plants (EPC) as well as the operation and maintenance of various solar power plant systems. On top of keeping up the original stable development in the PRC and Germany, the Group will strive to facilitate the market development in emerging regions, such as Africa, Southeast Asia, Turkey and other markets in the Balkan Peninsula with an aim to vitalize its profitability.

In the future, the Group will continue to place emphasis on the vertically integrated development of both upstream and downstream sectors. We will provide the best solar products and services for all customers along the entire photovoltaic industry chain, and place full efforts to become the world leading one-stop solar power service provider.

DIVIDEND

The Directors do not recommend the distribution of interim dividend in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: RMBNil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company has complied with the requirements set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014, except for the deviation from code provision A.5.6 of the Code.

Pursuant to the code provision A.5.6 of the Code, the nomination committee (or the board) should have a policy concerning diversity of board members, and such policy or a summary of such policy should be disclosed in the corporate governance report. Although such code provision came into effect on 1 September 2013, a policy on board diversity was only formally adopted by the Board on 27 August 2014 as the Board has taken more time to consider the factors relevant to the formation of the diversity policy. Under the Company's board diversity policy, the Company recognizes and embraces the benefits of having a diverse Board with a view to enhancing its effectiveness and achieving a high standard of corporate governance. The Company also sees diversity as an essential element in maintaining a competitive advantage and contributing to the attainment of the strategic objectives and sustainable development of the Company. The Company believes that a diversity of perspectives can be achieved through consideration of a number of factors, including without limitation, gender, age, cultural and educational background, professional experience, talents, skills, knowledge, length of service and other qualities of Directors. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately having regard to the Company's own business model and specific needs. The ultimate decision of all Board appointments should be based on meritocracy and the likely contributions that the selected candidates will bring to the Board.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions (the "Model Code") as set out in Appendix 10 of 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 2014.

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 2014.

Audit Committee

The Audit Committee of the Company, comprising four 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 2014.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2014 containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.solargiga.com) in due course.

By Order of the Board
Solargiga Energy Holdings Limited
Hsu You Yuan
Executive Director

Hong Kong, 27 August 2014

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