Solargiga Energy

Solargiga Energy Holdings Limited
陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 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 cents loss per share).

— Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the period under review was RMB271.008 million (13.6% to revenue) from RMB135.882 million (7.9% to revenue) for the corresponding period in 2016.

— Net asset value per share reaches RMB0.29 (HKD0.34) (note：translated at HKD1.175 to every RMB1).

— The board of directors of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2017 (corresponding period in 2016: Nil).

INTERIM RESULTS

The directors (the "Directors") of Solargiga Energy Holdings Limited (the "Company") present herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. The interim condensed consolidated financial statements are unaudited but have been reviewed by the Company's audit committee and the Company's auditor, Ernst & Young.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2017 — unaudited

		Six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**1,989,961**	1,723,799
Cost of sales		**(1,684,726)**	(1,527,264)
Gross profit		**305,235**	196,535
Other income and gains, net	*4*	**58,589**	(44,468)
Selling and distribution expenses		**(26,166)**	(14,977)
Administrative expenses		**(155,995)**	(106,807)
Operating profit		**181,663**	30,283
Share of losses of associates		**(14,644)**	(3,315)
Finance costs		**(61,901)**	(60,144)
Profit/(loss) before tax	*5*	**105,118**	(33,176)
Income tax expense	*6*	**(4,560)**	(13,416)
Profit/(loss) for the period		**100,558**	(46,592)
Attributable to:			
Equity holders of the Company		**95,299**	(49,557)
Non-controlling interests		**5,259**	2,965
Profit/(loss) for the period		**100,558**	(46,592)
BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (RMB cents)	*7*	**2.97**	(1.54)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2017 — unaudited

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
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	**120,037**	(56,253)
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	**120,037**	(56,253)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2017 — unaudited

	Notes	**At 30 June 2017** *RMB'000*	At 31 December 2016 *RMB'000*
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
		1,824,228	1,990,045
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
		2,829,165	2,284,503
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
		3,368,143	2,937,233
Net current liabilities		**(538,978)**	(652,730)
Total assets less current liabilities		**1,285,250**	1,337,315

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2017 — unaudited (continued)

	Notes	At 30 June 2017 RMB'000	At 31 December 2016 RMB'000
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
		281,525	458,627
NET ASSETS		**1,003,725**	878,688
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*15*	**276,727**	276,727
Reserves		**648,547**	533,769
		925,274	810,496
Non-controlling interests		**78,451**	68,192
TOTAL EQUITY		**1,003,725**	878,688

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 2017, the Group had cash and cash equivalents of RMB228,205,000 and short-term bank loans, including current portion of long-term bank loans of RMB2,055,705,000. 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 2018. 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 2018. 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 2018 and unconditional unutilised banking facility as at 30 June 2017 from the Group's major banks with an amount of RMB609,106,000 which will be expired on 31 December 2017 and an amount of RMB212,500,000 which will be expired on 31 December 2019.

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 interim consolidated financial information have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Annual Improvements 2014-2016 Cycle	*Amendments to a number of HKFRSs*

Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

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 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 2017				
	Segment A	**Segment B**	**Segment C**	**Segment D**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue from external customers	**424,690**	**1,499,407**	**50,015**	**15,849**	**1,989,961**
Inter-segment revenue	**216,394**	**916,363**	**205,409**	**1,329**	**1,339,495**
Reportable segment revenue	**641,084**	**2,415,770**	**255,424**	**17,178**	**3,329,456**
Reportable segment profit/(loss)	**59,917**	**49,214**	**4,614**	**(13,187)**	**100,558**

	At 30 June 2017				
	Segment A	**Segment B**	**Segment C**	**Segment D**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Reportable segment assets	**3,239,957**	**617,029**	**682,467**	**113,940**	**4,653,393**
Reportable segment liabilities	**2,562,826**	**687,975**	**304,100**	**94,767**	**3,649,668**

	Six months ended 30 June 2016				
	Segment A	Segment B	Segment C	Segment D	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	296,612	1,365,511	35,826	25,850	1,723,799
Inter-segment revenue	201,794	226,198	622,558	729	1,051,279
Reportable segment revenue	498,406	1,591,709	658,384	26,579	2,775,078
Reportable segment (loss)/profit	(54,860)	9,549	5,055	(6,336)	(46,592)

	At 31 December 2016				
	Segment A *RMB'000* (Audited)	Segment B *RMB'000* (Audited)	Segment C *RMB'000* (Audited)	Segment D *RMB'000* (Audited)	Total *RMB'000* (Audited)
Reportable segment assets	2,250,710	832,396	790,248	401,194	4,274,548
Reportable segment liabilities	1,770,469	951,218	415,056	259,117	3,395,860

(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 ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (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 ***RMB'000*** **(Unaudited)**	2016 *RMB'000* (Unaudited)
Mainland China (place of domicile)	**1,375,385**	935,882
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	**614,576**	787,917
Total	**1,989,961**	1,723,799

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**	–
	57,072	16,985
Other gains/(losses), net		
Net foreign exchange gain/(loss)	**4,314**	(10,826)
Net gain/(loss) on disposal of property, plant and equipment	**1,146**	(26,227)
Loss from sales of other materials	**(7,576)**	(23,610)
Others	**3,633**	(790)
	1,517	(61,453)

5. PROFIT/(LOSS) BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**89,686**	80,007
Amortisation of lease prepayments	**2,070**	2,372
Depreciation	**101,919**	106,542
Research and development costs	**78,674**	38,179
Provision for warranty costs	**14,994**	13,655
Impairment losses on trade and other receivables	**5,340**	1,538
Net (gain)/loss on disposal of property, plant and equipment	**(1,146)**	26,227
Gain on disposal of a subsidiary	**32,520**	–
Gain on previously held equity interest remeasured at acquisition-data fair value	**8,819**	–
Bargain purchase gain on acquisition of subsidiary	**159**	–
Cost of inventories sold*	**1,490,498**	1,393,210
Cost of services rendered*	**194,228**	134,054

* Cost of inventories sold and cost of services rendered include, in aggregate, RMB192,579,000 and RMB193,026,000 for the six months ended 30 June 2017 and 2016, respectively, relating to salaries, wages and other benefits, depreciation and provision for warranty costs which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	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	As at 31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,015,480**	526,041
Bills receivables	**321,032**	17,117
Less: Impairment	**(61,994)**	(57,248)
	1,274,518	485,910

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

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

(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 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
Within 1 month	**411,577**	311,257
1 to 3 months	**297,536**	119,240
4 to 6 months	**289,715**	218,125
7 to 12 months	**60,094**	61,451
Over 1 year	**37,690**	18,174
	1,096,612	728,247

(b) As at 30 June 2017, the Group's bills payables of RMB103,904,000 (31 December 2016: Nil) were secured by Group's bills receivables of RMB51,952,000 (31 December 2016: Nil) (note 10).

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2017 *RMB'000* (Unaudited)	As at 31 December 2016 *RMB'000* (Audited)
Other payables and accrued expenses	**80,374**	78,831
Other tax payables	**28,270**	13,103
Receipts in advance	**49,468**	23,588
Dividends payable	**147**	151
	158,259	115,673

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 2017 (six months ended 30 June 2016: Nil).

(b) Share capital

The Company's ordinary shares are set out below:

	As at 30 June 2017		As at 31 December 2016	
		Amount		Amount
	No. of shares	***RMB'000***	No. of shares	*RMB'000*
		(Unaudited)		(Audited)
At 30 June/31 December	**3,211,780,566**	**276,727**	3,211,780,566	276,727

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	84,380
Satisfied by:	
The fair value of the original 37% equity interest in the acquiree as at the acquisition date	31,221
Debt settlement	53,000
Bargain purchase gain on acquisition of a subsidiary	159

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment, and lease prepayments made for the lands held under operating leases recognised as a result of the business combination are based on their market values.

An analysis of the cash flows in respect of the acquisition of Jinzhou Aoke is as follows:

	RMB'000
Cash and bank balances acquired	11,229
Net inflow of cash and cash equivalents including in cash flows from investing activities	11,229

Since the acquisition, Jinzhou Aoke contributed no revenue and consolidated profit to the Group for the six months ended 30 June 2017.

Had the combination taken place at the beginning of the period, the revenue of the Group and the net profit of the Group for the six months ended 30 June 2017 would have been RMB1,989,961,000 and RMB60,989,000, respectively.

17. DISPOSAL OF A SUBSIDIARY

On March 31 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 sell a 100% equity interest in Golmud Solargiga Energy Electric Power Co., Ltd. ("Golmud Solargiga") for a selling price of RMB155,400,000. 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 Golmud Solargiga.

The following table summarises the carrying value of net asset of Golmud Solargiga as at the date of disposal:

	RMB'000
Net asset disposed of:	
Property, plant and equipment	197,774
Land lease prepayments	15,750
Other non-current assets	13,642
Trade and bills receivables	9,878
Prepayments, deposits and other receivables	72,794
Current tax recoverable	209
Cash and bank balances	1,194
Interest-bearing borrowings	(186,500)
Trade payables	(1,809)
Accruals and other payables	(52)
	122,880
Gain on disposal of a subsidiary (note 4)	32,520
	155,400

	RMB'000
Satisfied by:	
Debt settlement	152,016
Cash consideration	3,384
	155,400

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash and bank balances disposed of	(1,194)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(1,194)

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 past years while the gross profit margin of the industry remained stable. The China market is expected to maintain a sound development trend. According to the China Photovoltaic Industry Association, the global photovoltaic market is expected to maintain its growth momentum. The Guiding Opinions on Energy-related Work for 2017 (《二零一七年能源工作指導意見》) issued by the National Energy Bureau urged to stress on the development of solar energy while continuing to implement the Photovoltaic Power Generation Top Runner Program (領跑者計劃) in order to drive down the costs of photovoltaic power generation.

Since the introduction of the "Top Runner Program" (the "Program"), the Program 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 the national "Top Runner Program", the program of application of advance technology on construction of photovoltaic power generating plants, also known as the "Super Runner Program", focusing and promoting large-scale and advanced technology companies. "Super Runner Program" considers efficient product development as its main focus. The main products include the Group's N-type double-sided photovoltaic modules and other high-end products. These products are expected to gain attention from the market.

The Chinese government has also developed a special photovoltaic poverty alleviation program (光伏扶貧方案) 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, the total scale will reach 60GW. This will directly assist 10 million population in poverty, and strive to get them out of poverty. This photovoltaic poverty alleviation program places its focus on the distributed power plant market and is also conducive to the continued growth in the Group's market share of the monocrystalline silicon products.

Regarding to the Japanese market, the Government program Zero Energy Homes ("ZEH") is expected to be a major catalyst for solar installation growth in the residential market. The ZEH program was launched in the beginning of 2016, in order to minimize energy consumption and to improve the energy efficiency of residential homes with a target of 50% of all newly built homes to be ZEH by 2020. The Group has been penetrating the Japanese market for more than ten years, and is expected to maintain steady growth in order volume.

In respect of the United States market, analysts of EnergyTrend pointed out that the United States 201 terms may impact the supply chain, prices and other aspects of the United States and global solar markets in the short run. According to the latest research data from GTM Research and the US Solar Energy Industries Association ("SEIA"), the photovoltaic installations reached 2.04GW in the first quarter in 2017 alone. Based on the existing photovoltaic projects currently under construction and also those being planned, it is predicted that the newly installed photovoltaic capacity in the United States will be slightly lowered from 14.6GW in 2016 to 13.2GW in 2017, of which 66% will be large-scale ground photovoltaic power plants. By 2022, it is expected that the annual installed photovoltaic capacity the United States will exceed 18GW. According to GTM Research and SEIA, the cumulative solar market in USA is estimated to be nearly triple in size over the next five years.

Emerging markets began to scale up their development all over the globe and the "One Belt One Road" international cooperation strategy has also promoted the development of emerging markets. Based on the statistics published by the Ministry of New and Renewable Energy of India ("MNRE"), the cumulative installed solar photovoltaic capacity in India, the world's fourth largest solar energy market, surpassed 9GW by the end of 2016. The world's largest single solar power plant, the Rewa Ultra Mega Solar Project, has also been through the bidding process and is expected to begin in 2018. IHS predicts that India's solar capacity will increase to 100GW by 2022. EnergyTrend predicts that the annual installed photovoltaic capacity of India may reach 10GW in 2017 and hence overtake Japan as the world's third largest market with cumulative installed capacity above 100GW. On the other hand, according to the report of GTM Research, the cumulative installations in Mexico, Brazil and Chile are expected to reach 26GW by 2021. The Middle East and Turkey will add 19GW from Algeria, Turkey, Jordan, Egypt and the U.A.E, while Thailand, The Philippines, South Korea, Taiwan and Indonesia will add 23GW in total. The Group's development in Taiwan and the Southeast Asian markets has been effective and will diversify the sales channels in the terminal markets.

In summary, in the next few years, the global solar market will continue to prosper and the cumulative global installed capacity of photovoltaic is expected to reach 470GW in 2022.

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 led to last year's losses. Upgrade and transformation work on upstream ingot and wafer manufacturing capacities has improved efficiencies. Since the turn of the year, production has resumed normal operations and external shipment volume increased from 749MW in the corresponding period of last year to 1,161MW in the first half of 2017, representing an increase of 55%. Further, long-term supply contract of high purchase price raw material, polysilicon, has mostly been completed and with the huge jump in capacity utilisation, the Group's bargaining power has improved significantly. Gross profit margins has also improved from 11.4% to 15.3%, representing an increase of 34%. The Group was able to enjoy the full benefit of economy of scale, and hence officially turned around its losses. Based on the above reasons, comparing to the operating profit of RMB30.283 million in the corresponding period of 2016, operating profit increased significantly to RMB181.663 million during the first half of 2017. This represented an increase of 500% comparing to the corresponding period of 2016.

While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through establishing strategic partnerships, the Group and its partners will be able to leverage their respective strengths and experiences in laying a solid foundation for broader co-operation in the future. For example, particularly in our solar cell segment with a lower internal capacity, under the vertical integration strategy, the Group has established strong strategic alliances with local and overseas manufacturers, the Group's photovoltaic wafers are sold to our strategic partners and the Group in turn purchase solar cells from them. According to our needs, this arrangement provides a stable sales channels for our photovoltaic wafers and a secure source for our solar cells if there is any turbulence in the market. As such, the Group is able to focus on manufacturing the upper stream monocrystalline silicon ingots and wafers and also on developing the markets and sales channels for the downstream photovoltaic modules at the same time. Hence this becomes the Group's competitive advantage by benefiting from its vertical integration strategy in upper and lower stream monocrystalline silicon products.

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 manufacture industry in terms of technology, product quality and quantity. The photovoltaic conversion efficiency of its monocrystalline silicon products are amongst industry leading ratios. Apart from the traditional P-type high-end products, the Group also provides N-type high performance. During the period, the external shipment volume of monocrystalline silicon ingots was 184.5MW, representing an increase of 152% compared to 73.2MW in the corresponding period of 2016. The increase was mainly due to the increase in the volume of subcontracting of ingots. External shipment volume of monocrystalline silicon wafers was 331.7MW, representing an increase of 47% compared to 225.5MW in the corresponding period of 2016. Sales increase is mainly a result of the completion in the technological transformation and renovation of production equipment. Production is returning to normal operations gradually. Not only do the benefits of economies of scale resuming, gross profit margin has also been significantly improved. However, while portions of the Group's monocrystalline silicon solar ingots and wafers are sold to the downstream solar cell manufacturing company, the improvement may not be reflected in the consolidated statements under the external sales.

Solar Cell Business

The Group's production lines of solar cells are located at the Group's manufacturing base in Jinzhou, Liaoning. During the period, the annual production capacity of solar cells was 350MW. Solar cells are mainly sold internally to the downstream module business of the Group, only a small portion is sold to the customers in China and Japan. The Group's solar cell manufacturing capacity is highly flexible, products range is hence extensive, which includes monocrystalline, multicrystalline, P-type high end, N-type double-sided solar cells, etc. Focusing on the implementation of the vertical integration strategy, most of the solar cells are reserved for internal utilisation.

Module Business

During the period, demand for solar modules has grown rapidly and it led to an increase in solar module sales. 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;

(2) through increase in the proportion of sales of downstream monocrystalline modules, it highlighted the benefits of the Group's vertical integration in its internal monocrystalline product lines. Gross profit margin was enhanced as a result; and

(3) long-term procurement contracts for high-priced raw materials, polysilicon, have mainly been completed last year. With the high utilisation of production capacity coupling with the increase in the Group's purchases, the Group's bargaining power improved. Unit purchase price was lowered as a result.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased to RMB26.166 million for the six months ended 30 June 2017 from RMB14.977 million for the corresponding period in 2016. The increase in selling and distribution expense was mainly due to the increase in volume of external shipment during the six months ended 30 June 2017.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for the first half of 2017 amounted to RMB155.995 million, increased by 46.1% as compared to RMB106.807 million in 2016. The increase in administrative expenses was mainly due to the increase in research and development expenses for the continuous enhancement of manufacturing process and existing and new products. The enhancement of production efficiencies has resulted in an improvement in gross profit margin.

Finance costs

Finance costs represented mainly bank loans interests. The finance costs of the Group increased from RMB60.144 million for the six months ended 30 June 2016 to RMB61.901 million for the six months ended 30 June 2017. The slightly increase was mainly due to the growth in amount of sales and purchases during the period. However, it was noted that the finance cost to turnover ratio has decreased from 3.5% in the corresponding period of 2016 to 3.1% in the six months ended 30 June 2017. The ratio decreased was mainly due to better financial control on the use of funds and the repayment of certain loans during the period.

Income tax

Income tax expense was RMB4.56 million six months ended 30 June 2017, while an income tax expense amounted to RMB13.416 million was recorded in the corresponding period in 2016. Income tax expense recorded for the six months ended 30 June 2017 was attributable to the taxable profits generated by the solar cell and photovoltaic module businesses in China.

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 expansion, the Group has stronger bargain power during contract negotiations. Payment periods are therefore extended than the corresponding period of last year.

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 2017, the current ratio (current assets divided by current liabilities) of the Group was 0.84 (31 December 2016: 0.78). The Group had net borrowings of RMB1,324.07 million as at 30 June 2017 (31 December 2016: RMB1,538.358 million), including cash in bank and on hand of RMB228.205 million (31 December 2016: RMB293.628 million), pledged deposits of RMB504.21 million (31 December 2016: RMB384.661 million), bank loans due within one year of RMB2,055.705 million (31 December 2016: RMB2,036.867 million) and non-current bank and other loans of RMB0.78 million (31 December 2016: RMB179.78 million). The net debt to equity ratio (net debt divided by total equity) was 131.9% (31 December 2016: 175.1%).

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the period under review was RMB271.008 million (13.6% to revenue) which showed solid improvement from RMB135.882 million (7.9% to revenue) for the corresponding period in 2016. The driving force behind the improvement in EBITDA was mainly due to the improvement in the Group's manufacturing process efficiency. Upgraded machinery and equipment has gradually resumed to production and the results of the research and development has borne reward in the first half of 2017.

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 the national "Top Runner Program", the program of application of advance technology on construction of photovoltaic power generating plants, also known as the "Super Runner Program", focusing and promoting large-scale and advanced technology companies. "Super Runner Program" considers efficient product development as its main focus, this includes double-sided photovoltaic modules, black silicon battery modules, and smart modules. The Group's high-end product, N-type double-sided photovoltaic modules, is expected to gain attention from the market.

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. Tan Xin and Mr. Wang Chunwei, the non-executive Director is Mr. Hsu You Yuan and the independent non-executive Directors are Ms. Fu Shuangye, Dr. Wong Wing Kuen, Albert and Mr. Zhang Chun.