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Solargiga Energy Holdings Limited

陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

— Although the average selling price during the period continuously declined compared to that of last year, as a result of successful customer development, the size of the customer base and the purchases by individual customers are showing continuous growing trends. The external shipment volume increased significantly by 78% compared to the same period last year. The Group has also continued to maintain its growing trend and recorded revenue of RMB2,599.661 million for the first half of 2020, a 41% increase from RMB1,847.235 million in the corresponding period of 2019.

— The Group recorded a gross profit of RMB279.135 million and a gross profit margin of 10.7% in the first half of 2020, as compared to a gross profit of RMB91.266 million and a gross profit margin of 4.9% in the corresponding period of 2019. Both gross profit and the gross profit margin recorded significant growths.

— The Group achieved a turnaround for the period without taking into account the asset impairment losses incurred by the elimination of outdated production capacity of solar cells. However, the Group still recorded a loss after the recognition of the abovementioned asset impairment loss. The loss attributable to equity shareholders of the Company for the period under review was RMB54.493 million (corresponding period of 2019: attributable loss of RMB184.206 million).

— Net cash inflow from operating activities during the period under review increased from RMB57.602 million in the corresponding period of last year to RMB130.920 million.

— Basic loss per share amounted to RMB1.71 cents (corresponding period of 2019: RMB5.74 cents loss per share).

— The board of directors of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: 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 2020, together with the comparative figures for the corresponding period in 2019. 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 2020 — unaudited

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**2,599,661**	1,847,235
Cost of sales		**(2,320,526)**	(1,755,969)
Gross profit		**279,135**	91,266
Other income and gains, net	*4*	**66,210**	33,309
Selling and distribution expenses		**(63,153)**	(42,343)
Administrative expenses		**(184,029)**	(172,819)
Operating profit/(loss)		**98,163**	(90,587)
Share of losses of associates		**(157)**	(608)
Impairment losses on interests in an associate	*5*	**—**	(4,104)
Other investment loss		**—**	(379)
Impairment losses on property, plant and equipment	*5*	**(68,587)**	—
Finance costs		**(65,742)**	(58,476)
Loss before tax	*5*	**(36,323)**	(154,154)
Income tax expense	*6*	**(6,379)**	(22,957)
Loss for the period		**(42,702)**	(177,111)
Attributable to:			
Equity holders of the Company		**(54,493)**	(184,206)
Non-controlling interests		**11,791**	7,095
Loss for the period		**(42,702)**	(177,111)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (RMB cents)	*7*	**(1.71)**	(5.74)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Loss for the period	**(42,702)**	(177,111)
Other comprehensive (loss)/income for the period, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
— Currency translation differences	**(3,545)**	3,073
Total comprehensive loss for the period, net of tax	**(46,247)**	(174,038)
Attributable to:		
Equity holders of the Company	**(58,038)**	(181,133)
Non-controlling interests	**11,791**	7,095
Total comprehensive loss for the period	**(46,247)**	(174,038)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2020 — unaudited

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,509,313**	1,407,159
Prepayments for acquisition of property, plant and equipment		**24,867**	29,447
Right-of-use assets		**176,053**	151,136
Intangible assets, net		**359**	—
Investments in associates		**—**	157
Equity investments designated at fair value through other comprehensive income		**190**	1,800
Deferred tax assets		**23,356**	16,573
		1,734,138	1,606,272
Current assets			
Inventories		**630,578**	394,110
Trade and bills receivables	9	**1,722,112**	1,274,604
Contract assets	9	**1,296**	313
Prepayments, deposits and other receivables	10	**275,892**	350,476
Current tax recoverable		**538**	3,360
Pledged deposits		**764,775**	403,191
Cash and cash equivalents		**298,996**	396,854
		3,694,187	2,822,908
Current liabilities			
Interest-bearing borrowings		**1,999,108**	1,680,914
Trade and bills payables	11	**2,071,907**	1,502,624
Other payables and accruals	12	**250,448**	68,736
Contract liabilities		**134,210**	265,979
Current tax payable		**13,191**	10,476
Current portion of lease liabilities		**9,531**	376
Provision for inventory purchase commitments		**—**	49,687
		4,478,395	3,578,792
Net current liabilities		**(784,208)**	(755,884)
Total assets less current liabilities		**949,930**	850,388

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2020 — unaudited (continued)

	Note	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
Non-current liabilities			
Interest-bearing borrowings		**125,424**	129,325
Deferred tax liabilities		**2,527**	2,564
Deferred income		**211,378**	134,509
Lease liabilities		**19,568**	1,012
Other non-current liabilities		**136,946**	127,412
		495,843	394,822
NET ASSETS		**454,087**	455,566
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*13*	**270,867**	276,727
Reserves		**93,318**	156,967
		364,185	433,694
Non-controlling interests		**89,902**	21,872
TOTAL EQUITY		**454,087**	455,566

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2020 — unaudited

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash generated from operations	**138,580**	60,579
Tax paid	**(7,660)**	(2,977)
Net cash flows generated from operating activities	**130,920**	57,602
Net cash flows used in investing activities	**(72,966)**	(160,602)
Net cash flows (used in)/generated from financing activities	**(158,606)**	18,580
Net decrease in cash and cash equivalents	**(100,652)**	(84,420)
Effect of foreign exchange rate changes	**2,794**	169
Cash and cash equivalents at 1 January	**396,854**	239,712
Cash and cash equivalents at 30 June	**298,996**	155,461

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2020 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 2019, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2020, the Group's current liabilities exceeded its current assets by RMB784,208,000. The liquidity of the Group is primarily dependent 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 2021. 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 2021. In preparing the cash flow forecast, management has considered historical cash requirements of the Group, as well as other key factors, including unutilised banking facilities as at 30 June 2020 from the Group's major banks with an amount of RMB1,512,519,000.

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 statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and impact of the revised Hong Kong Financial Reporting Standards are as follows:

(a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business. It must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

(c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. During the period ended 30 June 2020, the Group had no material rent concessions granted by the lessors. Therefore the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

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 manufacture of, trading of, and provision of processing services for monocrystalline silicon solar ingots/wafers ("Segment A"); (ii) the manufacture and trading of photovoltaic modules ("Segment B"); (iii) the manufacture and trading of monocrystalline silicon solar cells ("Segment C"); and (iv) the construction and operation 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 basis 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 2020				
	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	**767,451**	**1,815,544**	**13,815**	**2,851**	**2,599,661**
Intersegment revenue	**103,866**	**775,363**	**311,531**	**4,678**	**1,195,438**
Reportable segment revenue	**871,317**	**2,590,907**	**325,346**	**7,529**	**3,795,099**
Reportable segment profit/(loss)	**18,704**	**26,499**	**(85,214)**	**(2,691)**	**(42,702)**

	As at 30 June 2020				
	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	**2,012,958**	**2,724,469**	**497,099**	**193,799**	**5,428,325**
Reportable segment liabilities	**2,073,726**	**2,461,449**	**333,497**	**105,566**	**4,974,238**

	Six months ended 30 June 2019				
	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	373,899	1,435,479	31,495	6,362	1,847,235
Inter-segment revenue	286,174	712,665	322,541	1,420	1,322,800
Reportable segment revenue	660,073	2,148,144	354,036	7,782	3,170,035
Reportable segment loss	(124,472)	(26,851)	(17,127)	(8,661)	(177,111)

	As at 31 December 2019				
	Segment A	Segment B	Segment C	Segment D	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
Reportable segment assets	1,697,870	2,019,642	521,575	190,093	4,429,180
Reportable segment liabilities	1,712,727	1,885,913	270,664	104,310	3,973,614

Other segment information:	**Six months ended 30 June**									
	Segment A		**Segment B**		**Segment C**		**Segment D**		**Total**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest income from bank deposits	**2,413**	531	**2,010**	1,177	**205**	275	**30**	27	**4,658**	2,010
Finance costs	**(31,812)**	(32,043)	**(23,359)**	(17,508)	**(7,273)**	(6,508)	**(3,298)**	(2,417)	**(65,742)**	(58,476)
Depreciation and amortisation	**(78,882)**	(73,571)	**(41,178)**	(30,147)	**(10,142)**	(15,717)	**(13)**	(137)	**(130,215)**	(119,572)
Impairment losses on property, plant and equipment	**—**	—	**—**	—	**(68,587)**	—	**—**	—	**(68,587)**	—
Impairment losses on interests in an associate	**—**	—	**—**	(4,104)	**—**	—	**—**	—	**—**	(4,104)
Reversal of/(impairment losses on) trade receivables and contract assets	**7,268**	1,054	**(6,960)**	(3,966)	**(301)**	1,698	**(26)**	(1,235)	**(19)**	(2,449)
(Write-down)/reversal of inventories	**(1,526)**	(16,967)	**(4,519)**	13,049	**2,474**	681	**1**	(11)	**(3,570)**	(3,248)
Capital expenditure	**76,541**	136,257	**55,508**	27,639	**35**	—	**—**	—	**132,084**	163,896
Investments in associates	**—**	—	**—**	879	**—**	—	**—**	—	**—**	879

(b) For the six months ended 30 June 2020, 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A		
— From segment B	**298,550**	289,089
Customer B		
— From segment A	**120,174**	9,276
— From segment B	**321,654**	139,060

(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 in which the services were provided.

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**1,916,510**	1,197,373
Export sales		
— Japan	**554,771**	352,857
— South East Asia	**93,641**	289,089
— Europe	**31,991**	7,909
— Others	**2,748**	7
Sub-total	**683,151**	649,862
Total	**2,599,661**	1,847,235

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**19,008**	27,328
Interest income from bank deposits	**4,658**	2,010
	23,666	29,338
Other gains, net		
Net foreign exchange gain	**3,172**	3,845
Net gains/(losses) on disposal of property, plant and equipment	**1,415**	(1,511)
Gain from sales of other materials	**6,219**	96
Others	**31,738**	1,541
	42,544	3,971

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**105,408**	91,007
Depreciation of right-of-use assets	**4,193**	2,621
Depreciation of property, plant and equipment	**126,022**	116,951
Write-down of inventories	**3,570**	3,248
Impairment losses on property, plant and equipment	**68,587**	—
Research and development costs	**98,250**	93,396
Provision for warranty	**9,534**	7,698
Impairment losses on trade receivables and contract assets	**19**	2,449
Impairment losses on interests in an associate	**—**	4,014
(Gain)/Loss on disposal of property, plant and equipment	**(1,415)**	1,511
Gain on remeasurement of fair value of investment	**(1,278)**	—
Cost of inventories sold*	**2,167,982**	1,590,953
Cost of services rendered*	**152,544**	165,016

* Included in cost of inventories sold and cost of services rendered, amount of RMB214,780,000 and RMB161,379,000 in aggregate for the six months ended 30 June 2020 and 2019, respectively, relating to salaries, wages and other benefits, depreciation and provision for warranty cost which 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	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – the PRC		
Provision for the period	**18,927**	963
Provision adjustment in respect of prior years	**(5,728)**	690
	13,199	1,653
Deferred tax	**(6,820)**	21,304
Income tax expense for the period	**6,379**	22,957

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

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity holders of the Company of RMB54,493,000 (six months ended 30 June 2019: loss of RMB184,206,000) and the weighted average of 3,180,391,597 ordinary shares of the Company in issue during the period (six months ended 30 June 2019: 3,211,780,566).

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2020 and 2019.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment at a total cost of RMB132,084,000 (six months ended 30 June 2019: RMB163,896,000), excluding property, plant and equipment acquired through a business combination.

Assets with a net book value of RMB11,697,000 were disposed of by the Group during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB2,151,000), resulting in a net gain on disposal of items of property, plant and equipment of RMB1,415,000 (six months ended 30 June 2019: net loss of RMB1,511,000).

Jinzhou Huachang Photovoltaic Technology Co. Ltd. ("Jinzhou Huachang"), a subsidiary engages in the manufacture and trading of photovoltaic solar cells of the Group, suspended production in this period. In view of the Group's business strategy, the Group does not expect to manufacture any solar cells in the foreseeable future, therefore the net amount of existing production line for solar cells and related machinery equipment was accounted for as asset impairment loss. As a result, an impairment of RMB68,587,000 was fully provided to machinery and construction in progress of Jinzhou Huachang in profit or loss during the period (for the six months ended 30 June 2019: no impairment loss provided).

9. TRADE AND BILLS RECEIVABLES, AND CONTRACT ASSETS

(a) Trade and bills receivables

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables	**1,650,614**	1,286,963
Bills receivable	**164,008**	80,310
Less: Impairment	**(92,510)**	(92,669)
	1,722,112	1,274,604

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

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Within 1 month	**634,468**	410,124
1 to 3 months	**330,023**	109,485
4 to 6 months	**133,445**	73,823
7 to 12 months	**169,918**	377,952
Over 1 year	**454,258**	303,220
	1,722,112	1,274,604

The Group normally allows a credit period of 30 to 90 days for its customers. However, regarding domestic photovoltaic module sales, some trade receivables are granted longer credit periods of up to 180 days depending on the construction period of photovoltaic power plants. In addition, 10% of the total amount of receivables is retained as warranties in some domestic contracts, and will generally be recovered in around one year. As a result, the turnover days of trade receivables for module sales are generally longer.

As at 30 June 2020, bills receivable amounting to RMB77,500,000 (31 December 2019: RMB52,828,000), together with pledged deposits amounting to RMB508,294,000 (31 December 2019: RMB298,489,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB656,922,000 (31 December 2019: RMB377,194,000), and for issuing letters of guarantee amounting to RMB19,791,000 (31 December 2019: RMB32,042,000).

(b) Contract assets

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Contract assets arising from:		
Processing services	—	351
Construction services	**1,523**	11
Less: Impairment	**(227)**	(49)
	1,296	313

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Prepayments for raw materials	**196,248**	262,112
Deductible value-added tax	**46,891**	61,198
Other receivables	**32,753**	33,966
Less: Impairment	—	(6,800)
	275,892	350,476

11. TRADE AND BILLS PAYABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade payables	**978,158**	694,660
Bills payable	**1,093,749**	807,964
	2,071,907	1,502,624

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

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Within 1 month	**985,171**	263,656
1 to 3 months	**394,281**	470,864
4 to 6 months	**567,651**	604,466
7 to 12 months	**105,178**	137,950
Over 1 year	**19,626**	25,688
	2,071,907	1,502,624

(b) As at 30 June 2020, the Group's bills payable of RMB656,922,000 (31 December 2019: RMB377,194,000) were secured by the Group's bills receivable of RMB77,500,000 (31 December 2019: RMB52,828,000) (Note 9) and by the Group's pledged deposits of RMB508,294,000 (31 December 2019: RMB298,489,000).

12. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Other payables and accrued expenses	**240,522**	38,548
Other tax payables	**6,219**	30,036
Dividends payable	**3,707**	152
	250,448	68,736

13. 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 2020 (six months ended 30 June 2019: Nil).

(b) Share capital

The information about the Company's ordinary shares is set out below:

	No. of shares	**Amount** *RMB'000*
As at 31 December 2019 (Audited)	3,211,780,566	276,727
Repurchase of TDRs and cancellation of the underlying shares of such repurchased TDRs *(Note)*	(68,009,433)	(5,860)
As at 30 June 2020 (Unaudited)	3,143,771,133	270,867

Note:

The Company received a notice from the Taiwan Stock Exchange Corporation (the "Taiwan Stock Exchange") on 2 October 2019, whereby the Taiwan Stock Exchange indicated that it shall require the Taiwan Depositary Receipts (the "TDRs") of the Company to be delisted with effect from 12 November 2019 pursuant to the relevant rules of the Taiwan Stock Exchange as the net assets value of the Group fell below one-third of the sum of the share capital and the share premium of the Company as set out in the unaudited consolidated interim financial results of the Company for the six months ended 30 June 2019, which was determined pursuant to the relevant rules of the Taiwan Stock Exchange. Pursuant to the Taiwan Stock Exchange Corporation Procedures for Applications by TWSE Listed Companies for the Delisting of Securities (台灣證券交易所股份有限公司上市公司申請有價證券終止上市處理程序), the Company is obliged to repurchase 68,009,433 units of TDRs at an aggregate price of NTD51,211,098. Such 68,009,433 units of TDRs so repurchased by the Company have been surrendered to and cancelled by Mega International Commercial Bank Co., Ltd (兆豐國際商業銀行股份有限公司) as the depositary agent. The 68,009,433 underlying shares represented by such surrendered TDRs were transferred to the Company on 7 April 2020, and were cancelled accordingly on 2 June 2020. For further details, please refer to the announcements of the Company dated 2 October 2019 and 2 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

According to the estimates of the international analysis agency IHS Markit, due to the outbreak of the novel coronavirus epidemic, global year-on-year new photovoltaic installations in 2020 will be lower than it was estimated before the epidemic. Market demand should, however, only be delayed and will not disappear. The momentum of medium to long-term demand will remain strong. Currently, the order of the top photovoltaic markets in the world are: China continues to rank first, followed by the United States and India, and up to seventeen GW-level countries or regions. The global photovoltaic market will continue to show growth from 2020 to 2025.

In the Chinese market, the photovoltaic policy of 2020 has continued the overall framework of 2019, entering the final year of the parallel development of grid parity and subsidised bidding projects. The photovoltaic market continues to undergo a structural change, which includes improvement in both quality and efficiency in production capacity and products, and promotion of high-end high-efficiency products, in order to advance technology and lower electricity generation costs. Further, through the policy of gradual reduction of government subsidies, the industry has moved towards high-quality development and has accelerated the goal of achieving full grid parity. The National Energy Administration (國家能源局) and the National Development and Reform Commission (國家發改委) issued the "Notice on Issues Related to the Construction of Photovoltaic Power Generation Projects in 2020" (《2020年光伏發電項目建設有關事項的通知》) and the "Notice on Issues Related to the 2020 Photovoltaic Power Generation On-grid Tariff Policy" (《關於2020年光伏發電上網電價政策有關事項的通知》), which clarified the subsidy budget for new photovoltaic power generation projects in 2020, which has been reduced by half when compared with the total subsidy paid in 2019. 2020 is the final year where state subsidies will be enjoyed. It is foreseeable that competition for photovoltaic bidding projects will be more intense during the year. Starting from 2021, although government subsidies under photovoltaic poverty alleviation policies will continue, subsidies for centralised power stations or distributed industrial and commercial power stations are expected to be completely withdrawn. During the period, the Chinese market was affected by the novel coronavirus epidemic, customer demand was delayed, and overall market shipments were lower than expected. However, since the novel coronavirus epidemic in China has been effectively controlled, China's domestic photovoltaic market demand has gradually recovered. Demand is expected to recover in the second half of the year. Therefore, it is expected that the annual new installed capacity can still reach 40–50 GW, and the boom is expected to continue into 2021.

In the U.S. market, according to a report jointly issued by Wood Mackenzie Power & Renewables and the Solar Energy Industries Association (SEIA), the first quarter of 2020 was the strongest first quarter on record in terms of U.S. PV installed capacity. In the first quarter this year, a total of 2.3 GW was connected to the grid. They were mainly large-scale power station projects. However, due to the outbreak of the novel coronavirus epidemic, the installed capacity of distributed rooftop photovoltaics fell by more than 30% compared with the previous estimates. In summary, strong growth in large-scale photovoltaic projects throughout 2020 will continue to make up the overall industry growing trend and US photovoltaic installations is expected to reach 113 GW in the next five years. In addition, regarding the tariff under clause 201 introduced in 2018 on imported photovoltaic solar cells and modules, where tariffs were at 30% in the first year (decreases by 5% each year for four years), although Chinese manufacturers were greatly affected when the tariff first came into effect, as the US photovoltaic market grows rapidly, level of imports of photovoltaic products from China will still rise.

The novel coronavirus epidemic in the first half of 2020 led to lockdowns in the Indian market, which caused interruptions in supply and labour. Construction of many photovoltaic power generation installations has been delayed. Therefore, estimates of the installed capacity of photovoltaic power in India has been adjusted downward to 8.9 GW. Since there were fears that India's epidemic situation may not be effectively controlled immediately, economic prospects faces greater uncertainty. Hence, it is estimated that India's photovoltaic installations in the next five years may be reduced from 43 GW to 35 GW.

In other regions, travel restrictions between countries are expected to be lifted gradually, the demand for photovoltaic markets in Europe, America, Australia, Japan and South Korea has begun to slowly recover. Global photovoltaic market has begun to show improved trends of demand by the end of the second quarter this year.

Operations review

The Group focuses on the manufacture and sales of photovoltaic mono-crystalline silicon ingots and wafers and photovoltaic modules. It sells self-produced mono-crystalline silicon wafers to a number of professional solar cell manufacturers, and purchases solar cells from these solar cell manufacturers, and, with these solar cells, the Group assembles the photovoltaic modules for sales to external module customers. This brings into play the Group's existing production advantages of mono-crystalline silicon ingots, mono-crystalline silicon wafers and photovoltaic modules. In addition, the Group also engages in the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants, providing an one-stop photovoltaic generation solution.

From 2020, with the substantial increase in customer demand for the Group's terminal modules, the technological upgrading of existing production capacity has been completed. Added to that the advance production capacity of upstream mono-crystalline silicon ingots and wafers and downstream photovoltaic modules has been put into large scale production, the Group has increased its annual production capacity of mono-crystalline silicon ingots and mono-crystalline wafers to 3.6GW. The annual production capacity of photovoltaic modules has also been increased to 3.5GW. Through the deployment strategies of focusing on upstream mono-crystalline silicon ingots and wafers and increasing downstream module production capacity, the Group has formed strategic partnerships between the Group and large external manufacturers focusing on the production of mid-stream solar cells. These external solar cell manufacturers purchase mono-crystalline silicon wafers from the Group and in turn sell the solar cells they manufactured to the Group for the Group to manufacture the downstream modules for external customers. This will also drive the demand for upstream niche self-produced mono-crystalline silicon ingots and wafers.

Secondly, by adopting a dual-track strategy of continuous development of upstream mono-crystalline silicon ingots and wafer niche products and downstream module products, it effectively focuses the Group's resources and withstands the fluctuations in upstream mono-crystalline silicon wafer market or mitigates any instability in the supply of mid-stream solar cells. For example, strategic partnership was formed between the Group and external manufacturers focusing on the production of mid-stream solar cells. In the event of a poor sales market for mono-crystalline silicon wafers, the Group can outsource these mono-crystalline silicon wafers to these strategic partners and work them into solar cells, which is then returned to the Group for continued production into modules, and then sold to downstream third-party large module customers. On the other hand, if the sales market for mono-crystalline silicon wafers is good, the Group can directly sell the mono-crystalline silicon wafers to these strategic partners, and then purchase solar cells from these strategic partners in order to meet the production needs of the downstream modules of the Group. Therefore, in the market situation where the industry is changing drastically, the Group can properly arrange the use of self-produced mono-crystalline silicon wafers, and the solar cells required for the Group's module production can also be fully guaranteed. In summary, the Group can not only give full demonstrate to the existing manufacturing advantages of upstream mono-crystalline silicon ingots and silicon wafers niche products, but also establish a stable sales channel for the terminal module market, so that the advantages of vertical integration of mono-crystalline products can be fully realised.

Regarding the production of upstream mono-crystalline silicon ingot and wafer products, the Group's low-cost high-efficiency production capacity located in Yunnan Qujing has completed its adjustment phase in 2019. Its results are now showing gradually. Further, after the Group's transformation and upgrading work performed on the original production bases in Jinzhou, Liaoning and Xining, Qinghai, they are demonstrating their advantages in production capacity increase and cost reduction from 2020 onwards, which can further improve the Group's overall gross profit margin.

Regarding the downstream photovoltaic modules, since our photovoltaic module customers are mostly domestic state-owned enterprises or large multinational corporations, the market position and strength possessed by these module customers are the most powerful in the overall photovoltaic industry chain. Therefore, the Group has established a direct supply relationship with large module customers through significant module production capacity, which not only maintains a more stable terminal product estuary, but also drives the utilisation rate of each production segment of the Group from the bottom up. As such, in order to meet the needs of module customers, in addition to the 2.3GW module capacity owned by its wholly-owned subsidiaries, the newly-established module manufacturing base of 1.2GW in Yancheng, Jiangsu has commenced production. The Group's effective module production capacity has been increased to 3.5GW in 2020, and have reached full production, which can greatly increase the economic scale advantage of module products.

In terms of operating results, reaping the benefits of the results from strengthening the customer relationship of downstream module products over the years, the Group's high-end photovoltaic products continued to be welcomed by domestic state-owned enterprises and multinational corporations. Total shipment increased from 1,602MW in the first half of 2019 to 2,863MW in the first half of 2020, a growth reaching 78%.

As a clean energy source, photovoltaic power generation replacing traditional petrochemical energy sources has become a global trend. Even though the current coronavirus pandemic has delayed demands temporarily, the trend of rapid growth in the demand for photovoltaic products is unwavering. Following the comprehensive upgrade of the Group's existing production capacity and the commissioning of the high-efficiency new equipment, capacity utilisation rate has gradually increased, the advantages of production efficiency and economic scale have since reappeared. For the period ended 30 June 2020, the Group's gross profit and gross profit margin has improved, gross profit increased from 4.9% in the first half of 2019 to 10.7% in the first half of 2020. Operating activities has turned around, where operating loss of RMB90.587 million in the first half of 2019 has been turned around into operating profit of RMB98.163 million in the first half of 2020.

Following on, a net loss of RMB42.702 million was recorded in the first half of 2020, which was a significant decrease in amount as compared to the net loss of RMB177.111 million in the first half of 2019. The reason for the net loss during the period was mainly: (1) as the Group previously focused on the vertical integration of photovoltaic products, where its production line covered the upstream photovoltaic mono-crystalline silicon ingots and wafers, mid-stream solar cells and downstream photovoltaic modules. The scale of solar cell production was relatively small and outdated. It was no longer in line with the economic scale production efficiency. As a result, during the period, the Group adjusted its strategy. It sells self-produced mono-crystalline silicon wafers to a number of professional solar cell manufacturers, and purchases solar cells from these solar cell manufacturers, and, with these solar cells, the Group assembles the photovoltaic modules for sales to external module customers. This brings into play the Group's existing production advantages of mono-crystalline silicon ingots, mono-crystalline silicon wafers and photovoltaic modules. Since the Group is not expected to produce solar cells on its own in the short term, it recognised an impairment loss on the outdated production machinery and equipment in its solar cell production line during the period; and (2) the Group's new high-efficiency production capacity for mono-crystalline silicon ingots, wafers and modules has been officially commissioned during the period. Although revenue and gross profit have increased significantly compared with the same period last year, due to the impact of the novel coronavirus pandemic during the period, customer demand delayed and as a result, shipments during the period were still lower than expected. Production costs also increased due to the pandemic, which in turn compressed the increase in gross profit margin.

Relying on (1) the new production base having low external electricity costs, which directly and indirectly reduces the production costs; (2) the commencement of mass production by the new equipment and the completion of upgrades to the old equipment; (3) technological integration advantages of its various product lines; and (4) strong client base in China and overseas. It is expected that the production advantage of economies of scale could be used to increase the demand of new and old customers, and thus, the Group expects its gross profits to return to be further improved.

While maintaining its own leading technological advantage in mono-crystalline products, through external customer demand for the Group's downstream modules driving the internal demand of its upstream mono-crystalline wafers, also through further strengthening its strategic partnerships with third party mid-stream solar cell manufacturers, 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.

Silicon ingot and wafer business

The Group's mono-crystalline silicon ingot products are mostly used for the internal production of mono-crystalline silicon wafers within the Group, and are less engaged in external sales. Mono-Crystalline silicon wafer products of the Group are mostly sold to third-party professional solar cell manufacturers. During the year, with the advantages in application of mono-crystalline products over multi-crystalline products in photovoltaic power generation, the market share of mono-crystalline products has continued to increase rapidly. As such, demand for what the Group has been focusing on all along, mono-crystalline products, has continued to increase. Its market share is fast growing. Further, in addition to the traditional mono-crystalline P-type products, shipment volume of mono-crystalline N-type products with higher conversion efficiencies are also increasing. 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 mono-crystalline products, it is expected that the advantages of mono-crystalline products will become more obvious in the field of photovoltaic power generation. Guided by this advantageous environment in the industry, through its long-term strategic partnerships with well-known solar cell-focused manufacturers, the Group does not only enjoys priority distribution channels for the sales of its mono-crystalline wafers, but also ensures the long-term stable utilisation of the Group's capacity and shipment volume. The benefits of the Group's upstream and downstream vertical integration are fully realised.

The Group has consolidated its leading position in the mono-crystalline silicon solar ingot and wafer manufacture industry in terms of technology and product quality. The quality stability of its mono-crystalline silicon products is amongst those of the industry leaders. During the period, since most of the ingot products have been reserved for internal use, the external shipment volume of mono-crystalline silicon ingots was 217.3MW (214.1MW in the first half of 2019). Conversely, external shipment volume of mono-crystalline silicon wafers has rose significantly to 1,435.6MW (618.5MW in the first half of 2019). Major customers of external sales included Aikosolar Group (愛旭太陽能集團), TW Solar Group (通威太陽能集團), Sumin New Energy Group (蘇民新能源集團) and 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").

In addition, the Group has completed the testing and adjustments of its newly invested low-cost high-efficiency mono-crystalline silicon solar ingot and wafer project, located in Qujing, Yunnan. It not only commenced manufacturing in scale from 2020 onwards. With the lower local electricity costs, being lower than that at previous major production base in Jinzhou, Liaoning, by more than 50%, it lifted the Group's overall gross profit and gross profit margin. Therefore, The Group is currently actively planning the expansion of the mono-crystalline silicon solar ingot and wafer capacities in Yunnan, Qujing, in order to take advantage of the local external production environment, and enable the Group to fully demonstrate its current technological advantages in production.

Solar cell and module businesses

As mentioned above, the Group previously focused on the vertical integration of photovoltaic products, where its production line covered the upstream photovoltaic mono-crystalline silicon ingots and wafers, mid-stream solar cells and downstream photovoltaic modules. The scale of solar cell production was relatively small and outdated. It was no longer in line with the economic scale production efficiency. As a result, during the period, the Group adjusted its strategy. It sells self-produced mono-crystalline silicon wafers to a number of professional solar cell manufacturers, and purchases solar cells from these solar cell manufacturers, and, with these solar cells, the Group assembles the photovoltaic modules for sales to external module customers. This brings into play the Group's existing production advantages of mono-crystalline silicon ingots, mono-crystalline silicon wafers and photovoltaic modules. Since the Group is not expected to produce solar cells on its own in the short term, it recognised an impairment loss on the outdated production machinery and equipment in its solar cell production line during the period, amounted to around RMB68.587 million.

Regarding photovoltaic module business, in order to meet the needs of module customers, the Group's newly-established module manufacturing base of 1.2GW in Yancheng, Jiangsu has commenced production in 2020. From 1 April 2020 onwards, this project has been included in the Group's consolidated financial statements, and hence the Group's effective module production capacity has been increased to 3.5GW.

This will greatly increase the economic scale advantage of module products, and allow a more stable outlet for the Group's 3.6GW production capacity of upstream mono-crystalline silicon ingots and wafers.

During the period, the Group recorded external shipments of photovoltaic modules of 1,185.8MW, which grew by 48% when compared to external shipments of 800.6MW in the first half of 2019. Although the market prices has continued to drop from that of previous years, the Group's module sales of the year still increased from RMB1,435.479 million in the corresponding period of last year to RMB1,815.54 million in the first half of 2020. Excellent product quality and price competitiveness, combined with the commencement of large scale production by its new high-efficiency equipment and technical transformation and equipment upgrades on the existing module manufacturing capacity, led to continued rapid growth in external shipments and total sales. External sales was mainly made to huge Chinese state-owned enterprises and international multinational enterprises, such as SPIC, China Huadian Corporation (中國華電集團公司) ("Huadian"), Beijing Enterprises Holdings Limited (北京控股集團有限公司) ("BEGCL"), and SHARP Corporation ("SHARP"), etc.

On the other hand, following the increasing awareness of the benefits of higher conversion efficiency and more competitive costs offered by the Group's focused monocrystalline photovoltaic modules, and responding to the opportunity offered by grid parity, market share of monocrystalline module products continues to grow quickly. Demands for N-type mono-crystalline and P-type PERC photovoltaic modules have surged. In addition to flexibly supporting the manufacturing of mono- and multi-crystalline photovoltaic modules, the Group will continue to expand and strengthen the development and sales of monocrystalline silicon high-efficiency module products such as N-type double-sized glass photovoltaic modules, half-cell photovoltaic modules, P-type monocrystalline solar cell Passivate Emitter and Rear Cell (PERC), smart photovoltaic modules, and related high-end products. Among them, our BS modules of N-type monocrystalline IBC solar cell, which produces higher current output, open circuit voltage, fill factor and other electrical performance advantages, utilises this first in the country and internationally-leading FPC manufacturing technique. SHARP, the Group's key strategic partner, is being its major sales customer.

As a company focusing on monocrystalline silicon photovoltaic products, equipped with high-quality, self-produced upstream mono-crystalline silicon ingots and mono-crystalline silicon wafers, customers' demand for the Group's mono-crystalline modules has always remained high. Currently, proportion of sales of the Group's mono-crystalline silicon photovoltaic modules has reached up to 90% and the market share of mono-crystalline silicon photovoltaic products is expected to rise continuously.

In summary, through customer demand for the Group's downstream modules, it has not only driven the demand for the Group's upstream mono-crystalline ingots and mono-crystalline wafers, but also helps to realise the benefits arising from the Group's vertical integration strategy, and to better mitigate the market risks arising from fluctuant sales of upstream silicon wafers or unstable supply of mid-stream solar cells.

Construction and operation of photovoltaic system business

The Group actively expanded the business of end-user market apart from its efforts in stabilising 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.

Financial Review

Revenue

The cost of photovoltaic power generation is likely to 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 average selling price during the period continuously declined compared to that of last year, as a result of successful customer development, the size of the customer base and the purchases by individual customers are showing continuous growing trends. The external shipment volume increased significantly by 78% compared to the same period last year. The Group has also continued to maintain its growing trend and recorded revenue of RMB2,599.661 million for the first half of 2020, a 41% increase from RMB1,847.235 million in the corresponding period of 2019.

Cost of sales

In the first half of 2020, cost of sales increased from RMB1,755.969 million in the first half of last year to RMB2,320.526 million, representing an increase of 32%, which was mainly resulted from the increase in shipment volume. Cost of sales represented 89.3% of total revenue, representing a decrease of 5.8 percentage points from the corresponding period of 2019. The decrease in this ratio was mainly due to the commencement of mass production by the new capacity and the completion of the upgrading and transformation work done to the existing capacity, which led to the gradual reduction in manufacturing costs. Production utilisation rate has hence improved and the Group's advantages of economies of scale is demonstrated.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB279.135 million and a gross profit margin of 10.7% in the first half of 2020, as compared to a gross profit of RMB91.266 million and a gross profit margin of 4.9% in the corresponding period in 2019. Both gross profit and the gross profit margin recorded growths. In 2019, under the situation where the adjustment to the Group's low-cost and high-efficiency production capacity located in Yunnan Qujing led to the inability in mass production, and the then existing production capacity being arranged upgrading and transformation affected actual output, the Group's economic scale was not demonstrated. Since 2020, the benefits of the significant reduction in production costs is gradually appearing. Increase in customer demand leading to improved capacity utilisation rate followed. Advantages of the Group's economic scale started to show. Hence, even though the market prices in 2020 continued to decline comparing to the same period last year, the Group was still able to improve its gross profit and gross profit margin. Further, although the delay in customer demands has led to lower-than-expected external shipment during the period due to the coronavirus pandemic, the Group still recorded growth in both total sales and external shipment, which also helped improve the Group's gross profit and gross profit margin.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased to RMB63.153 million in the first half of 2020 from RMB42.343 million in the first half of 2019. The increase in selling and distribution expense was mainly due to the increase in volume of external shipment in 2020.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses in the first half of 2020 amounted to RMB184.029 million, as compared to RMB172.819 million in the first half of 2019. The increase was mainly due to the commissioning of the new Yunnan Qujing project in 2019 and continued investment in related research and development expenses.

Finance costs

Finance costs represented mainly bank loan interests. The Group's finance costs increased from RMB58.476 million in the first half of 2019 to RMB65.742 million in the first half of 2020, an increase of 12%. As mentioned above, external shipment of the Group has grown significantly by 78%. With an increase in amount of relevant purchases, the Group's finance cost, however, did not increase correspondingly. This was due to the Group's continued better financial control on the use of funds during the year. The Group expects to control its finance costs effectively, and will obtain various different financing channels in the future.

Income tax

Income tax expense was RMB6.379 million in the first half of 2020, while an income tax expense amounted to RMB22.957 million was recorded in the first half of 2019. The income tax expense in the first half of 2020 was mainly due to the provision of income tax for the profitable subsidiaries of the Group. The decrease in income tax expenses compared with the figure of last year was mainly due to the Group reversing the deferred tax assets recognised in previous years.

Loss attributable to the equity holders

In the first half of 2020, the Group recorded a loss attributable to the equity shareholders of RMB54.493 million, as compared to a loss attributable to the equity shareholders of RMB184.206 million in the first half of 2019.

Inventory turnover days

In order to replace traditional petrochemical energy in a larger scale and to effectively achieve the ultimate goal of green and clean energy, continuous technological advancement has driven down the prices of photovoltaic products over the years. This led to declining trends in prices of many related raw and auxiliary materials for production and finished products. Hence, in terms of inventory reserve strategy, the Group has been focusing its efforts in raising inventory turnover and lowering the inventory turnover days in order to mitigate the risk of a sudden decline in inventory prices, help reduce committed capital and, at the same time, further strengthen the Group's operation working capital. However, as customer demands has been delayed due to the novel coronavirus pandemic during the period, inventory levels has risen at period end. The Group's inventory turnover days has hence increased slightly to 40 days during the period, which was still being maintained at a reasonable level (31 December 2019: 33 days).

Trade receivables turnover days

Responding to the needs of the Group's customers in the terminal photovoltaic module market, module sales have continued to grow substantially in recent years, and the current module sales account for more than 70% of the Group's overall sales. According to the terms of the industry's general module sales contract, the recovery of module receivable depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. In addition, 10% of the total amount of receivables are retained as warranties. These warranties will generally be recovered in around one year. As a result, the trade receivables turnover days of module business are generally longer. Hence, even in the situations where the levels of trade receivables increased, due to the continuously effective management of accounts receivable, the collection has been improved, resulting in the Group's trade receivables turnover days being reduced to 104 days (31 December 2019: 113 days).

Trade payables turnover days

The trade payables turnover day was 139 days, which was similar comparing to 130 days of last year, was mainly due to the strategic partnerships established with our major suppliers, under stable and frequent co-operations, and the suppliers have gradually increased our lines of credits and payment terms.

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flows from bank borrowings. As at 30 June 2020, the current ratio (current assets divided by current liabilities) of the Group was 0.82 (31 December 2019: 0.79). The Group had net borrowings of RMB1,060.761 million as at 30 June 2020 (31 December 2019: RMB1,010.194 million), including cash in bank and on hand of RMB298.996 million (31 December 2019: RMB396.854 million), pledged deposits of RMB764.775 million (31 December 2019: RMB403.191 million), bank loans due within one year of RMB1,999.108 million (31 December 2019: RMB1,680.914 million) and non-current bank and other loans of RMB125.424 million (31 December 2019: RMB129.325 million). The net debt to equity ratio (net debt divided by total equity) was 233.6% (31 December 2019: 221.7%).

Earnings before interest, taxes, depreciation and amortisation

During the period, earnings before interest, taxes, depreciation and amortisation ("EBITDA") was RMB159.634 million (6.1% to revenue) (corresponding period of 2019: RMB23.894 million, 1.3% to revenue). The main reason for the increase in EBITDA was due to the Group's manufacturing efficiency during the year.

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 and Euro. 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 foreign loans and 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 2020, the Group had 4,297 (31 December 2019: 4,036) employees.

Future prospects and strategies

As a clean energy source, photovoltaic power generation replacing traditional petrochemical energy sources has become a global trend. The market is now undergoing a structural transformation. In addition to the technological advantages of mono-crystalline silicon products, which has been the Group's focus, being proven to be superior to multi-crystalline products, through the continued reduction of government subsidies, or even without subsidies, it is also advancing technological progress and reducing power generation costs, to promote the acceleration of the industry in the achievement of comprehensive grid parity.

After years of rapid development, the Chinese photovoltaic industry is leading its peers in the world. Its annual output in China has exceeded RMB400 billion, and it has provided millions of jobs. It has made a significant contribution to China's economic growth. It is expected that the Chinese government will continues its long-term support to the photovoltaic industry. In 2020, China's photovoltaic policy has continued the overall framework of 2019, entering the final year of the parallel development of grid parity and subsidised bidding projects. Affected by the novel coronavirus pandemic, the demand for newly installed capacity in China and around the globe in 2020 may be lower than expected. However, the impact of this short-term delay in demand should be limited. The momentum of the Chinese and global medium to long-term demand will remain strong.

As for the technology of photovoltaic products, due to the advantages of high conversion ratios, stable decay rate in its photovoltaic systems, continued reduction in unit cost, etc. of mono-crystalline products are highlighted, market share of monocrystalline products will continue to rise. Therefore, monocrystalline products has become the popular choice in solar project. Hence, the proportion of solar plants installing mono-crystalline photovoltaic systems and the mono-crystalline products used by distributed power plants have been increasing as a result.

The Group focuses on mono-crystalline silicon products in photovoltaic products and has industry-leading production technology of mono-crystalline products. After the adjustment in strategy, the focus is on the production of upstream mono-crystalline silicon ingots and silicon wafers, and planning the downstream module production capacity, in order to focus on the production of upstream niche products, mono-crystalline silicon ingots and wafers, the Group not only maintains direct contact with downstream module customers with huge market power, establishes stable supply and demand relations but also keeps a finger on the pulse of the end-user market, and can also bring out the upstream high-end mono-crystalline silicon ingot and wafer products.

Through the potential of continuous improvement in production costs of the upstream high-end mono-crystalline ingot and wafer products, the Group's innate advantage will be demonstrated.

Although the average unit selling price of the product in the future is still expected to gradually decline with the advent of grid parity, the Group can rely on (1) the new production base having low external electricity costs, which directly and indirectly reduces the production costs; (2) the commencement of mass production by the new equipment and the completion of upgrades to the old equipment; (3) technological integration advantages of its various product lines; and (4) strong client base in China and overseas. It is expected to lead to continuous growth in the Group's future external shipment volume and revenue, it is also expected that the magnitude of decrease in cost of the Group's products will be greater than that of the decrease in unit selling price, hence continuously driving up the Group's gross profit ratios.

The road to grid parity may be a painful change, but the expected explosive growth in the market after reaching grid parity will provide an opportunity for the industry. The Group is fully prepared and will do its utmost, to embrace the growth and development in the photovoltaic industry in the good times after reaching grid parity.

SUBSEQUENT EVENT

Up to the date of this announcement, the Group has no significant subsequent event after 30 June 2020 which required disclosure.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: 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 2020.

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 2020.

Purchase, Sale and Redemption of the Company's Listed Securities

68,009,433 units of TDRs representing 68,009,433 ordinary shares of the Company had been repurchased by the Company pursuant to the relevant rules of the Taiwan Stock Exchange and the underlying ordinary shares represented by such TDRs were cancelled on 2 June 2020. Save as disclosed above, 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 2020.

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 2020.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2020 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 Junze
Executive Director

Hong Kong, 28 August 2020

As at the date of this announcement, the executive Directors are Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Junze, 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 Ms. Feng Wenli.