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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 2023

FINANCIAL HIGHLIGHTS			
	Six Months Ended 30 June		Change
	2023	2022	
	RMB million	RMB million	
		(Restated)	
Revenue	3,472.6	2,362.9	+47.0%
Profit for the period from continuing operations	127.1	28.0	+353.9%
Profit for the period from continuing operations attributable to owners of the parent	99.9	7.8	+1,180.8%
Profit for the period from continuing operations attributable to non-controlling interests	27.2	20.2	+34.7%
Profit for the period attributable to owners of the parent	99.9	67.8	+47.3%
<p>In the first half of 2023, the profit attributable to non-controlling interests amounted to approximately RMB27.2 million. It was mainly contributed by Jiangsu Yueyang which is engaged in the manufacture of photovoltaic modules. Jiangsu Yueyang accounts for approximately 78.0% of the Group's module production capacity and is a major subsidiary generating profit for the Group. The Group's effective interest of Jiangsu Yueyang had been changed from 73.86% at the beginning of the period to 100% in June 2023. Afterwards, Jiangsu Yueyang's results will be fully attributable to the Group.</p>			
	At 30 June 2023	At 31 December 2022	Change
	RMB million	RMB million	
		(Restated)	
Total liabilities	5,106.1	6,531.6	-21.8%

INTERIM RESULTS

The directors (the “Directors”) of Solargiga Energy Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022. 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 2023 — unaudited

		Six months ended 30 June	
		2023	2022
	Notes	RMB’000	RMB’000 (Restated)
Continuing operations			
Revenue	3	3,472,597	2,362,942
Cost of sales		<u>(3,238,813)</u>	<u>(2,251,963)</u>
Gross profit		233,784	110,979
Other income and gains, net	4	115,692	45,234
Selling and distribution expenses		(60,280)	(1,162)
Administrative expenses		(115,842)	(80,330)
Reversal of impairment losses/(impairment losses) on financial and contract assets, net		11,973	(493)
Other expenses		—	(1,000)
Finance costs		<u>(35,793)</u>	<u>(44,990)</u>
Profit before tax from continuing operations	5	<u>149,534</u>	28,238
Income tax expense	6	<u>(22,388)</u>	(197)
Profit for the period from continuing operations		<u>127,146</u>	<u>28,041</u>
Profit for the period from discontinued operation	7	<u>—</u>	105,681
Profit for the period		<u>127,146</u>	<u>133,722</u>
Attributable to:			
Owners of the parent		99,909	67,762
Non-controlling interests		27,237	65,960
Profit for the period		<u>127,146</u>	<u>133,722</u>
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)			
For profit for the period	8	<u>3.01</u>	<u>2.04</u>
For profit from continuing operations	8	<u>3.01</u>	<u>0.24</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2023 — unaudited

	Six months ended 30 June	
	2023	2022
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Profit for the period	127,146	133,722
Other comprehensive loss for the period, after tax:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of foreign operations	<u>(15,637)</u>	<u>(12,335)</u>
Total comprehensive income for the period, after tax	<u>111,509</u>	<u>121,387</u>
Attributable to:		
Owners of the parent	84,272	55,427
Non-controlling interests	<u>27,237</u>	<u>65,960</u>
Total comprehensive income for the period	<u>111,509</u>	<u>121,387</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited) (Restated)
Non-current assets			
Property, plant and equipment	9	820,658	831,955
Long term prepayments and other receivables		65,802	35,722
Right-of-use assets		119,781	118,298
Investments in associates		1,200	1,200
Equity investments designated at fair value through other comprehensive income		190	190
Deferred tax assets		<u>10,926</u>	<u>17,107</u>
Total non-current assets		<u>1,018,557</u>	<u>1,004,472</u>
Current assets			
Inventories		938,984	587,567
Trade and bills receivables	10	1,343,393	1,315,015
Contract assets	11	412,470	243,879
Prepayments, other receivables and other assets	12	668,864	1,333,164
Current tax recoverable		129	1,096
Pledged deposits		1,302,502	2,314,201
Cash and cash equivalents		<u>600,443</u>	<u>937,897</u>
Total current assets		<u>5,266,785</u>	<u>6,732,819</u>
Current liabilities			
Interest-bearing bank and other borrowings		1,134,626	1,246,979
Trade and bills payables	13	3,034,336	3,740,934
Other payables and accruals	14	331,077	676,175
Contract liabilities		130,706	329,018
Current tax payable		82,719	118,441
Provision	15	5,649	2,252
Current portion of lease liabilities		<u>4,366</u>	<u>3,300</u>
Total current liabilities		<u>4,723,479</u>	<u>6,117,099</u>
Net current assets		<u>543,306</u>	<u>615,720</u>
Total assets less current liabilities		<u>1,561,863</u>	<u>1,620,192</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2023 (continued)

	<i>Notes</i>	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited) (Restated)
Non-current liabilities			
Interest-bearing bank and other borrowings		55,137	91,772
Deferred tax liabilities		2,312	13,480
Deferred income		115,710	126,347
Lease liabilities		25,000	22,692
Provision	15	184,498	160,203
Total non-current liabilities		<u>382,657</u>	<u>414,494</u>
NET ASSETS		<u><u>1,179,206</u></u>	<u><u>1,205,698</u></u>
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		285,924	285,924
Reserves		879,722	815,680
		<u>1,165,646</u>	<u>1,101,604</u>
Non-controlling interests		<u>13,560</u>	<u>104,094</u>
TOTAL EQUITY		<u><u>1,179,206</u></u>	<u><u>1,205,698</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2023 — unaudited

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cash (used in)/generated from operations	(1,268,640)	316,154
Tax paid	(62,129)	(4,819)
Net cash flows (used in)/generated from operating activities	(1,330,769)	311,335
Net cash flows generated from/(used in) investing activities	405,202	(320,685)
Net cash flows generated from financing activities	<u>576,874</u>	<u>80,438</u>
Net (decrease)/increase in cash and cash equivalents	(348,693)	71,088
Effect of exchange rate changes	11,239	(2,067)
Cash and cash equivalents at 1 January	<u>937,897</u>	<u>431,861</u>
Cash and cash equivalents at 30 June	<u><u>600,443</u></u>	<u><u>500,882</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2023 are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting. 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 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

Except for the below amendment, none of these developments to HKFRSs that are first effective for the current period of the Group have a material impact on the financial position or performance of the Group that have been prepared or presented in this interim financial information.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

Impact on the interim condensed consolidated statement of financial position:

		Increase/(decrease)		
		As at	As at	As at
		30 June	31 December	1 January
		2023	2022	2022
	<i>Notes</i>	RMB'000	RMB'000	RMB'000
Assets				
Deferred tax assets	<i>(i)</i>	<u>308</u>	<u>267</u>	<u>194</u>
Liabilities				
Deferred tax liabilities	<i>(i)</i>	<u>(4)</u>	<u>(3)</u>	<u>(5)</u>
Net assets		<u><u>304</u></u>	<u><u>264</u></u>	<u><u>189</u></u>
Equity				
Accumulated losses (included in Reserves)		<u>304</u>	<u>194</u>	<u>139</u>
Equity attributable to owners of the parent		<u>304</u>	<u>194</u>	<u>139</u>
Non-controlling interests		<u>—</u>	<u>70</u>	<u>50</u>
Total equity		<u><u>304</u></u>	<u><u>264</u></u>	<u><u>189</u></u>

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease)	
	For the six months ended	
	30 June	
	2023	2022
	RMB'000	RMB'000
Income tax expense from continuing operations	(40)	(39)
Profit for the period from continuing operations	40	39
Profit for the period	40	39
	<u>40</u>	<u>39</u>
Attributable to:		
Owners of the parent	34	29
Non-controlling interests	6	10
	<u>40</u>	<u>39</u>
Total comprehensive income for the period	40	39
	<u>40</u>	<u>39</u>
Attributable to:		
Owners of the parent	34	29
Non-controlling interests	6	10
	<u>40</u>	<u>39</u>

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

3. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the executive directors of the Company, being the chief operating decision maker, (the “CODM”) for the purposes of resource 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 and related products (“Segment A”);*
- (ii) the manufacture and trading of photovoltaic modules (“Segment B”);
- (iii) the construction and operation of photovoltaic power plants (“Segment C”); and
- (iv) the manufacture and trading of semiconductor, the trading of monocrystalline silicon solar cells and others (“Segment D”).

* As disclosed in note 7, Segment A was disposed of and reclassified as a discontinued operation in 2022.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's CODM 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 CODM for the period is set out below:

	Segment A		Segment B		Segment C		Segment D		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Sales to external customers	—	—	3,364,532	2,253,135	79,681	86,557	28,384	23,250	3,472,597	2,362,942
Intersegment revenue	—	—	2,600,965	2,541,350	15,624	91,256	83,286	137,759	2,699,875	2,770,365
Reportable segment revenue	—	—	5,965,497	4,794,485	95,305	177,813	111,670	161,009	6,172,472	5,133,307
Reportable segment profit/(loss)	—	—	148,741	55,905	(5,607)	(7,177)	(15,988)	(20,687)	127,146	28,041

	Segment A		Segment B		Segment C		Segment D		Total	
	At 30 June 2023	At 31 December 2022	At 30 June 2023	At 31 December 2022	At 30 June 2023	At 31 December 2022	At 30 June 2023	At 31 December 2022	At 30 June 2023	At 31 December 2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Reportable segment assets	—	—	4,017,495	5,395,632	234,902	206,652	2,032,945	2,135,007	6,285,342	7,737,291
Reportable segment liabilities	—	—	3,926,259	5,226,939	166,184	141,752	1,013,693	1,162,902	5,106,136	6,531,593

Other segment information:

	Segment A		Segment B		Segment C		Segment D		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Interest income from bank deposits	—	—	15,096	15,372	45	5	2,704	2,643	17,845	18,020
Finance costs	—	—	(19,509)	(22,118)	(4,363)	(3,279)	(11,921)	(19,593)	(35,793)	(44,990)
Depreciation and amortisation	—	—	(72,707)	(70,827)	(1,592)	(691)	(3,835)	(6,300)	(78,134)	(77,818)
Reversal of impairment losses/(impairment losses) on trade receivables and contract assets	—	—	10,015	(5,648)	1,686	1,748	272	3,407	11,973	(493)
Reversal of write-down/ (write-down) of inventories	—	—	34,099	3,262	(1,366)	(1,035)	—	—	32,733	2,227
Capital expenditure	—	—	37,324	25,204	9,502	12,179	16,577	3,293	63,403	40,676

- (b) For the six months ended 30 June 2023, 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Customer A		
— From segment B	752,841	166,146
Customer B		
— From segment B	575,940	601,060
Customer C		
— From segment B	475,241	77,371

(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 locations of the customers.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Mainland China (place of domicile)	2,720,350	1,531,616
Export sales		
— Japan	556,862	659,148
— West Asia	18,940	111,325
— Europe	85,740	31,879
— South Asia	36,230	28,805
— Others	54,475	169
Sub-total	752,247	831,326
Total	3,472,597	2,362,942

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Other income		
Government grants	46,571	14,859
Interest income from bank deposits	17,845	18,020
Gain from house and land renting	3,225	—
	<u>67,641</u>	<u>32,879</u>
Other gains, net		
Net foreign exchange gain	40,796	3,806
Net gain/(loss) on disposal of property, plant and equipment	349	(47)
Gain from sales of other materials	644	577
Gain on disposal of a subsidiary	—	1,713
Gain on acquisition of a subsidiary	—	1,512
Fair value losses on financial instruments	—	(2,717)
Others	6,262	7,511
	<u>48,051</u>	<u>12,355</u>
Total	<u><u>115,692</u></u>	<u><u>45,234</u></u>

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Salaries, wages and other benefits	121,369	105,157
Depreciation of right-of-use assets	4,009	10,854
Depreciation of property, plant and equipment	74,125	144,519
Reversal of write-down of inventories	(32,733)	(2,404)
Impairment of investment in an associate	—	1,000
Research and development costs	21,035	5,270
Provision/(reversal of provision) for warranty	27,806	(49,265)
(Reversal of impairment)/impairment losses on trade receivables and contract assets	(11,973)	860
Net (gain)/loss on disposal of property, plant and equipment	(349)	47
Gain on disposal of a subsidiary	—	(1,713)
Gain on acquisition of a subsidiary	—	(1,512)
Fair value losses on financial instruments	—	2,717
Cost of inventories sold*	2,524,203	2,167,405
Cost of services rendered*	<u>714,610</u>	<u>84,558</u>

* Included in cost of inventories sold and cost of services rendered, amounts of RMB154,340,000 and RMB136,662,000 in aggregate for the six months ended 30 June 2023 and 2022, respectively, relating to staff costs and depreciation 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	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited) (Restated)
Current tax — the PRC		
Provision for the period	25,798	244
Under/(over) provision in prior years	1,929	(2,740)
	<u>27,727</u>	<u>(2,496)</u>
Deferred tax	<u>(5,339)</u>	<u>2,693</u>
Income tax expense from continuing operations	22,388	197
Income tax expense from discontinued operation	—	16,622
Income tax expense for the period	<u><u>22,388</u></u>	<u><u>16,819</u></u>

7. DISCONTINUED OPERATION

In October 2022, Jinzhou Yangguang Energy Co., Ltd. (錦州陽光能源有限公司) (“Jinzhou Yangguang”) entered into equity transfer agreement with three entities controlled by Mr. Tan Wenhua and/or Mr. Tan Xin and two entities controlled by China Lesso Group, an independent third party (collectively the “Purchasers”), pursuant to which Jinzhou Yangguang agreed to sell and the Purchasers agreed to acquire the entire equity interest in Qujing Yangguang New Energy Co., Ltd (“Qujing Yangguang”) held by Jinzhou Yangguang at an aggregate consideration of approximately RMB1,350,000,000 (the “Disposal”). The Disposal was completed on 30 December 2022 (the “Disposal Date”) and a gain of RMB1,043,840,000 was recognized by the Group upon the completion of the Disposal. Therefore, Qujing Yangguang ceased to be a subsidiary of the Company and its financial results was no longer consolidated into the financial statements of the Group.

Approximately RMB439,321,000 and RMB229,950,000 were received during the period from three entities controlled by Mr. Tan Wenhua and/or Mr. Tan Xin and from two entities controlled by China Lesso Group, respectively. The remaining consideration of RMB220,050,000 was recorded as receivables from the Purchasers as at 30 June 2023, and received in July 2023, as disclosed in note 12.

In view of the Group’s business strategy, the Group does not expect to manufacture any monocrystalline silicon solar ingots/wafers in the foreseeable future. With Qujing Yangguang being classified as a discontinued operation, the manufacture of, trading of, and provision of processing services for monocrystalline silicon solar ingots/wafers business is no longer included in the note for operating segment information.

The results of discontinued operation for the six months ended 30 June 2022 are presented below:

	Six months ended 30 June 2022 <i>RMB'000</i>
Revenue	813,781
Expenses	(669,286)
Finance costs	(22,192)
	<hr/>
Profit before tax from the discontinued operation	122,303
Income tax:	
Related to pre-tax profit	(16,622)
	<hr/>
Profit for the period from the discontinued operation	<u>105,681</u>
Attributable to:	
Owners of the parent	59,917
Non-controlling interests	45,764
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The net cash flows incurred from discontinued operation are as follows:

	Six months ended 30 June 2022 <i>RMB'000</i>
Operating activities	24,395
Investing activities	(297,975)
Financing activities	279,574
	<hr/>
Net cash inflow	<u>5,994</u>
Earnings per share: (<i>RMB cents</i>)	
Basic and diluted, from the discontinued operation	<u>1.80</u>

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	Six months ended 30 June 2022
Profit attributable to ordinary equity holders of the parent from the discontinued operation	59,917,000
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation (<i>Note 8</i>)	3,323,771,133
Weighted average number of ordinary shares used in the diluted earnings per share calculation (<i>Note 8</i>)	<u>3,323,771,133</u>

8. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary equity holders of the parent of RMB99,909,000 (six months ended 30 June 2022: RMB67,762,000) and the weighted average of 3,323,771,133 ordinary shares of the Company in issue during the period (six months ended 30 June 2022: 3,323,771,133).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2023 and 2022.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a total cost of RMB63,403,000 (six months ended 30 June 2022: RMB40,676,000).

Assets with a net book value of RMB612,000 were disposed of by the Group during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB390,000), resulting in a net gain on disposal of items of property, plant and equipment of RMB349,000 (six months ended 30 June 2022: net loss of RMB47,000).

10. TRADE AND BILLS RECEIVABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables	1,137,910	1,147,814
Bills receivable	242,699	229,237
Less: Impairment	(37,216)	(62,036)
	<u>1,343,393</u>	<u>1,315,015</u>

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 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 year	1,236,737	1,212,698
1 to 2 years	81,418	81,205
2 to 3 years	24,662	7,589
Over 3 years	576	13,523
	<u>1,343,393</u>	<u>1,315,015</u>

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.

As at 30 June 2023, bills receivable amounting to RMB119,194,000 (31 December 2022: RMB57,410,000), together with pledged deposits amounting to RMB1,275,037,000 (31 December 2022: RMB2,245,602,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB1,603,217,000 (31 December 2022: RMB2,433,217,000).

11. CONTRACT ASSETS

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Contract assets	428,465	247,027
Less: Impairment	<u>(15,995)</u>	<u>(3,148)</u>
	<u>412,470</u>	<u>243,879</u>

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Consideration for disposal of subsidiaries* (<i>Note 7</i>)	220,050	889,321
Prepayments for raw materials	253,850	213,394
Deductible value-added tax	126,750	143,629
Other receivables	68,214	86,820
Less: Impairment	—	—
	<u>668,864</u>	<u>1,333,164</u>

* Above consideration for the Disposal was received from two entities controlled by China Lesso Group in July 2023.

13. TRADE AND BILLS PAYABLES

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables	1,431,119	1,307,717
Bills payable	<u>1,603,217</u>	<u>2,433,217</u>
	<u><u>3,034,336</u></u>	<u><u>3,740,934</u></u>

- (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 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Within 1 month	846,056	1,027,945
1 to 3 months	1,220,953	977,506
4 to 6 months	890,428	1,558,395
7 to 12 months	40,234	153,821
Over 1 year	<u>36,665</u>	<u>23,267</u>
	<u><u>3,034,336</u></u>	<u><u>3,740,934</u></u>

- (b) As at 30 June 2023, the Group's bills payables of RMB1,603,217,000 (31 December 2022: RMB2,433,217,000) were secured by Group's bills receivables of RMB119,194,000 (31 December 2022: RMB57,410,000) and by Group's pledged deposits of RMB1,275,037,000 (31 December 2022: RMB2,245,602,000).

14. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Other payables and accrued expenses	302,705	386,980
Other tax payables	21,990	72,072
Dividends payable	<u>6,382</u>	<u>217,123</u>
	<u><u>331,077</u></u>	<u><u>676,175</u></u>

15. PROVISION

The Group's photovoltaic modules are typically sold with a 2-year or 5-year warranty for defects in materials and workmanship, and a 10-year or 25-year minimum power output warranty against declines of initial power generation capacity of more than 10% and 20%, respectively from the date of receipt. The Group has the obligation to repair or replace solar modules, under the terms of the warranty policy. The Group maintains warranty reserves to cover potential liabilities that could arise under these warranties.

The Group began to sell photovoltaic modules from the year of 2010. Up to now, the Group has continuously engaged in sales business of photovoltaic module for over 10 years. According to the mathematical statistics of quality compensation starting from selling photovoltaic modules, the Group has not made any quality compensation due to declines of initial power generation capacity of more than 10% and 20% from the date of receipt or defects in materials and workmanship.

In order to present a fairer and more appropriate view of the financial position and operating results of the Group, the Group revised its accounting estimates on the provision for warranties from 1% to 0.625% in accordance with HKAS from 1 January 2022, based on the technical assessment report prepared by the Company's management, as well as further referenced to the accounting estimation adopted by other companies in the industry. The Group has adopted the equivalent of 0.625% of photovoltaic modules' revenues to estimate the warranty obligation. Based on the historical experience and best estimation, the Group believes that the average selling price of solar modules over the past two years would reflect the estimated warranty cost liability. The Group made the warranty provision of RMB27,806,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: a reversal of RMB47,927,000).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Operations Summary

In recent years, in order to address frequent global extreme climate change and mitigate the impact of rising fossil fuel prices, renewable and clean energy, represented by photovoltaics, has become a trend of the world. With the long-term government strategic support, continuous technological advances and cost reductions, photovoltaic power is now the renewable energy with the greatest development potential and the lowest cost compared with the inflated fossil fuel prices, so the soaring demands for photovoltaic products in the future will be inevitable. Before completion of the disposal of the upstream monocrystalline silicon ingots and wafers business through the disposal of the Group's equity interests in Qujing Yangguang New Energy Co., Ltd.* (曲靖陽光新能源股份有限公司) (“Qujing Yangguang”), a former non-wholly owned subsidiary of the Company, on 30 December 2022 (the “Disposal”), the Group maintained a solid financial performance in the manufacturing and sales of downstream photovoltaic modules and upstream monocrystalline silicon ingots and wafers. After completion of the Disposal, the Group has since focused on the manufacturing and sales of downstream photovoltaic modules in the photovoltaic industry. Our major customers of photovoltaic modules are large domestic state-owned enterprises in the People's Republic of China (the “PRC”), multinational corporations and other photovoltaic end-user customers. Moreover, the Group is engaged in the installation of photovoltaic systems and the development, design, construction, operation and maintenance of photovoltaic generation plants.

As the first batch of domestic photovoltaic enterprises engaged in the production of photovoltaic products, with 20 years of experience in the photovoltaic industry, the Group now has accumulated mature experience in terms of technology, domestic and overseas market development, industrial chain cooperation, brand effect, premium services, etc. Subsidiaries of the Group have obtained 287 National patents, more than 30 provincial and municipal science and technology first prizes, second prizes, achievement awards. The awards are: National high-tech enterprise, National green factory, National intelligent photovoltaic pilot demonstration enterprise, National photovoltaic manufacturing industry specified conditions admission regulated enterprise, Provincial intelligent manufacturing demonstration factory, Provincial green supply chain management enterprise, Provincial five-star cloud enterprise, Provincial Enterprise Technology Center, Provincial Engineering Technology Research Center, Photovoltaic Testing Center with China National Accreditation Service for Conformity Assessment's laboratory accredited, National Model Enterprise of Harmonious Labor Relations — Excellent Enterprise, TOP 100 Global Competitive Renewable Energy Enterprises (No.72), Top 100 New Energy Companies Global Competitiveness (No.92), Global Top 500 New Energy Companies (No.189), Top 500 PRC Energy Group Companies (No.297), Top 20 PRC Comprehensive Companies in 2022 (No.19), Top 20 PRC PV

Module Companies in 2022 (No.12), CPC2022 Global Research Top 100 Brand PV (No.51), 2022 Annual Influential Brand of Innovative PV Modules. The Group is the vice chairman unit of PRC Photovoltaic Industry Association, vice chairman unit of Semiconductor Materials Branch of and standing council unit of China Electronic Materials Industry Association, Household Photovoltaic Professional Committee unit, Standardization Technical Committee unit and Photoelectric Building Professional Committee unit of China Photovoltaic Industry Association and expert member of Photovoltaic Professional Committee of China Renewable Energy Society. Solar photovoltaic modules are rated as national grade's green design products. The Group is also the OEM for the State Power Investment Group (one of the five major power generation groups all year round), the major supplier of double-sided double glass modules in the 2018 Front Runner Plan and the major module supplier for the power configuration project of the UHV transmission base in Hainan, Qinghai Province, a national key project in 2019.

As at the end of June 2023, the total production capacity of our production bases was 8.2 GW of modules due to the production scale, the high-efficiency and high production capacity layout of the Group. Overall, the Group has demonstrated stronger comprehensive competitiveness and further increased the market share of high quality but low-cost products.

Continuing operations

Module businesses

The Group has been engaged in module production since 2009, and has accumulated rich experience and advanced production technology and process in monocrystalline module production. The monocrystalline products that the Group focuses on has not only become the mainstream in the market, but it also further expanded and strengthened the development and sales of monocrystalline silicon high-efficiency module products such as P-type high-efficiency modules, N-type high-efficiency modules, half-cell photovoltaic modules, multi busbar cell module, all-black modules and other high-end products.

The current main base of the Group for monocrystalline module production is located in Yancheng, Jiangsu. In addition to the various preferential investment policies from the local government, the Company can take advantage of significantly lowering the investment in capital expenditure by renting plant buildings. Moreover, the area around the Yangtze River Delta is an agglomeration area for the supply of raw and auxiliary materials which provides advantage in terms of procurement. In order to meet the needs of module customers, the Group has expanded module production capacity in Yancheng, Jiangsu, to further strengthen the economic scale advantage of module products. As of the end of June 2023, the module production capacity of the production base in Yancheng, Jiangsu was 6.4 GW, while the total module production capacity of the Group was 8.2 GW. Through the completion of the layout of high-efficiency

production capacity, it has begun to show stronger comprehensive competitiveness, further enhance the national and regional market share of the products, and obtain obvious market benefits.

External sales of modules were mainly made to large state-owned enterprises and international multinational enterprises, such as State Power Investment Corporation (中國國家電力投資集團公司) (“SPIC”), SHARP Corporation (“SHARP”), Xinyi Glass Holdings Limited and Xinyi Solar Group (信義玻璃與信義光能集團), Sungrow Power Supply Co., Ltd (陽光電源股份有限公司), China General Nuclear Power Corporation and Astronergy etc. The Group has been cooperating with these enterprises in continually expanding module sales for foreign customers.

The Group focuses on the manufacturing of monocrystalline silicon photovoltaic products. Further, the Group has also introduced in SHARP’s global leading 40-year quality assurance system for photovoltaic products. The quality of the products is stable and reliable, which could bring long-term and stable income to end-user owners.

Construction and operation of photovoltaic system business

Following the resumption to normality, the Group has been actively expanding the end-user power plants construction and application business apart from devoting its efforts in stabilising the development of its manufacturing business, which not only drives the sales of module products in a bottom-up manner, but also it will spread the profit of construction and operation of photovoltaic system businesses so as to improve the overall profitability of the Group. The Group’s photovoltaic system business includes traditional distributed power station EPC business, Building Applied Photovoltaics (BAPV) business and Building Integrated Photovoltaics (BIPV) business. With the national policy background of the PRC government’s vigorous advocacy of “carbon emissions peaking”, “carbon neutrality”, the construction of “green buildings”, “zero energy buildings” and the implementation of rooftop distributed photovoltaic development program after “Opinions on Promoting Green Development of Urban and Rural Construction” issued by the State Council of PRC and the “Notice on the Pilot Scheme of Country-wide (City, District) Distributed Rooftop Project” published by the National Energy Administration, given the current huge building volume and a massive amount of potential distributed photovoltaic generation capacity for development in the PRC, the Group anticipates that BIPV business would have broad development prospects and will continue to enjoy the benefits of further photovoltaic industry expansion.

Relying on the comprehensive R&D and rich technological experience accumulated in the photovoltaic industry and at the same time, strengthening industry-university-research cooperation, the Group formally signed an industry-school cooperation agreement in the past with the School of Architecture and Architectural Design Institute of Southeast University, and will cooperate with Southeast University to establish a BIPV research and development line to conduct in-depth research and development in the field of zero-carbon buildings and BIPV monocrystalline silicon in order to enhance the photoelectric conversion efficiency of BIPV module and lower the production costs, and actively lead the formulation and development of national and industry standards of BIPV in the area of zero-carbon green buildings. At the same time, the industry-university-research base cooperated by the two parties will also become the postgraduate teaching place of the School of Architecture of Southeast University. In addition, the Group is carrying out a series of research and development projects in cooperation with Shenyang Jianzhu University for assembled conservatory, the National Housing and Residential Environment Engineering Technology Research Center for BIPV structural components and other institutions, of which four series of BIPV products have passed China Compulsory Certificate (“CCC”) certification, China Quality Certificate Centre (“CQC”) certification, and GB8624–2012 building materials and products combustion performance test certification. The BIPV structural parts independently developed by the Group have obtained eight patent authorizations. The Group expects that with the continuous development of BIPV business in the building photovoltaic market, the photovoltaic system construction and application business would have further growth.

Semi-conductor business

China is one of the fastest-growing countries in the global semiconductor industry. It is also the world’s largest semiconductor application market. The Group is engaged mainly in production and sales of 4–6 inches semiconductor grade monocrystalline silicon ingot with heavy doping (including arsenic, antimony and phosphorus products which are at the leading level of the industry) and 4–6 inches semiconductor grade monocrystalline silicon ingot with lightly doping. During the first half of 2023, the semiconductor business has been affected by less orders placed by customers due to the negative impact of the global political and poor economic situation. The Group expects that resuming a path to normality with positive impacts and in the context of the continuous growth of the Chinese semiconductor market in the long run, the semiconductor business will continue to maintain growth in the next few years, and will contribute profits to the Group. With the planned increase in production capacity from current 100 tonnes to 120 tonnes at the end of 2023 and expecting to form an alliance with industry chain players to jointly explore a new cooperation mode, the Group fully prepares for the next round of growth cycle.

Discontinued operation

Silicon ingot and wafer business

The Group was one of the first three earliest enterprises in the PRC to invest in the production of monocrystalline silicon ingots and wafers. During the period, there is no more silicon ingot and wafer business because the business was disposed on 30 December 2022.

After the Disposal, the Group has since focused primarily on its module businesses, and also its construction and operation of photovoltaic system business and semi-conductor business to make them more competitive and specialised, and to unveil the hidden value of these businesses.

Operation Strategy

After years of rapid advancement of photovoltaic production technology and cost-efficiency improvement, the production cost per watt of power generation has dropped sharply. Strictly speaking, the current photovoltaic application has reached the target of grid parity, and faster and strong demand growth in the downstream photovoltaic installation leading to significant sales growth is foreseeable in the future. In the premises, production related equipment also needs to be upgraded or added in order to be in line with technological development and to improve production efficiency. Therefore, since 2018, the Group has been investing in upgrading and transforming existing production capacity and facility, and invest in low-cost, high-efficiency new production capacity. Mass output by comprehensive upgrade of production capacity and facility, and new high-efficiency production capacity have also been realised.

Considering and by adopting a core product strategy of continuous development of module products, the Group effectively concentrates on and utilises its existing resources. 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 strongest in the overall photovoltaic industry chain. Therefore, the Group has established a direct supply relationship with large module customers through significant module production capacity and significant cost and quality advantages, which maintains a more stable module product estuary.

Operating Performance

The Group keeps growing the revenue and profit. It is not only due to the full release of downstream photovoltaic installation demand and the release of low-cost and high-efficiency production capacity, but also necessary to maintain leading technology in the ever-advancing photovoltaic industry to build up a cost advantage in order to continuously keep obtaining purchasing orders from customers. The Group has gained success in research and development in recent years, and has overcome various production bottlenecks. The Group has successfully incorporated the most advanced production technologies into mass production, such that some production costs of our various product lines have decreased. The Group will continue to strive to improve its competitiveness.

During the period, the total external shipment volume of major products, photovoltaic modules increased from 1,318.1MW in the same period last year to 2,975.4MW during the period, representing a growth rate of 125.7%. The increase in the external shipment volume of modules was mainly due to the continued growth in downstream photovoltaic demand.

The Group devoted to the development and sales of monocrystalline high-efficiency module products, such as P-type double-sided double glass modules, N-type TOPCon modules, multi busbar Black Solar (“BS”) module, and related high-end products. Besides, the module production line of the Group can also produce multi-busbar single or double glass of 182 mm and 210 mm large-size modules which the conversion could reach more than 660 watts. In addition, the related equipment automated intelligence and packaging technology are in the leading position in the industry. In addition, for the 54-cell all-black module products, the modules are packaged with all-black materials. Taking into account the consistency and aesthetics of the module appearance, the module itself is guaranteed to be completely black, and there is zero module-to-module colour difference to naked eye. All-black modules enhance product diversification, improve product competitiveness, and further increase sales performance. According to the analysis of the recent bidding in China’s photovoltaic market, 182 mm and above photovoltaic modules accounted for more than four-fifths of the bidding product specifications. Since the Group’s photovoltaic module production lines can all produce large-size scarce products such as 182 mm and 210 mm products which are mainstream products in the market, they could further enhance the Group’s ability to increase the shipment volume and provide opportunity for an increase in gross profit margin. Moreover, the Group is also carrying out a number of research projects for N-type heterojunction with intrinsic thin layer (HJT) technology, perovskite technology, BIPV products and flexible modules, aiming to upgrade the mass production technology of the abovementioned products, so as to expand the market sales of corresponding products.

Looking ahead, given (a) enhanced products quality, leading technological cost advantages and large-size product lines with higher bargaining power, the Group will be able to continue to gain the market share; (b) the major production base with more favorable production environment with the strong support from the government policies, the Group will be able to reduce the production cost; (c) the Group continues to expand low-cost, high-efficiency new production capacity through more refined and smoother in production process and operations, and the existing production capacity and facility have also been upgraded and transformed, and achieved production and logistics processes optimization, and stable operation, which can further demonstrate the advantages of economies of scale, such as lower procurement, logistics and production costs; (d) the long-standing diversified and accumulated technological advantages of various product lines and created product differentiation; (e) after receiving the consideration for the Disposal, the overall financial position of the Group becomes more healthy; (f) after the completion of the acquisition of interest of Jiangsu Yueyang in June 2023, its results will be fully attributable to the Group; and (g) the strong client base in PRC and overseas, with increasing demand from new and old customers, it is expected that the Group's revenue and external shipment volume will continue to grow, and the production costs will decrease owing to the increased polysilicon supply in the industry. Regarding total gross profit and gross profit margin performance, the room for future improvement remains high.

Financial Review

Revenue

The revenue of the Group increased by 47.0% from approximately RMB2,362.9 million for the first half of 2022 to approximately RMB3,472.6 million for the period. The growth in revenue was mainly attributed to the increase in external shipment volume due to strong market demand.

Cost of sales

Cost of sales for the period has increased from approximately RMB2,252.0 million in the first half of last year to approximately RMB3,238.8 million for the period. The increase was mainly due to growth in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB233.8 million and a gross profit margin of 6.7% in the first half of 2023, as compared to a gross profit of approximately RMB111.0 million and a gross profit margin of 4.7% in the corresponding period in 2022, which increased by 110.6% and 2% points respectively. The increase was mainly due to the Group's high-efficiency production capacity, resulting in economies of scale.

Selling and distribution expenses

Selling and distribution expenses mainly comprised terminal handling charges, packaging expenses and other incidental expenses. The selling and distribution expenses increased from approximately RMB1.2 million in the first half of 2022 to approximately RMB60.3 million for the period. The increase was mainly due to reversal of provision for warranty in the first half of 2022 but no such reversal in 2023.

Administrative expenses

Administrative expenses mainly comprised of staff costs, research and development expenses and daily office expenses. The administrative expenses for the period amounted to approximately RMB115.8 million, as compared to approximately RMB80.3 million from the corresponding period of 2022. The increase was mainly because the Group hired more staff to support its business expansion and development, resulting in higher staff costs, and an increase in research and development invested.

Reversal of impairment losses/impairment losses on trade receivables and contract assets

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses (“ECLs”). ECLs on trade receivables are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. During the period, the Group has efficiently managed the collection of trade receivables, which led to a relatively lower ECL rates in the ECL model. As a result, a reversal of impairment losses on trade receivables and contract assets of RMB12.0 million (2022: impairment losses of RMB0.5 million) was recognised during the period.

Finance costs

Finance costs were mainly derived from bank and other borrowings. The Group’s finance costs decreased from approximately RMB45.0 million in the first half of 2022 to approximately RMB35.8 million for the period, represented an decrease of 20.4%. The Group is aiming to lower the finance costs gradually in the future and to obtain more sources of financing.

Income tax

Income tax expense amounted to approximately RMB22.4 million in the first half of 2023, as compared to approximately RMB0.2 million in the first half of 2022. The income tax expense for the period was mainly derived from the provision of income tax for the profitable subsidiaries of the Group. The increase in income tax expenses was mainly due to an increase in the assessable profit of certain profitable subsidiaries of the Group in Mainland China.

Profit attributable to owners of the parent

The increase in profit attributable to owners of the parent of approximately RMB99.9 million was shown in 2023, as compared to the profit attributable to owners of the parent of approximately RMB67.8 million in 2022 mainly due to increase in revenue and gross profit.

Inventory turnover days

An increased amount of finished goods were produced to cope with the increase in sales orders. Therefore, the inventory turnover days of the period increased to 42 days (31 December 2022 : 29 days).

Trade receivables turnover days

The sales of photovoltaic modules accounted for over 95% of the Group's overall sales for the period. According to the standard terms of the industry's module sales contracts, the recovery of module receivables 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. Therefore, the trade receivables turnover days of module business are generally longer. Trade receivables turnover days for the period has decreased to 86 days (31 December 2022 : 92 days).

Trade payables turnover days

The trade payables turnover day was 188 days for the period, which was significantly higher comparing to 163 days as at 31 December 2022. The Group would like to utilise its operating funds in a more strategic manner for business growth. Under stable and frequent co-operations, the suppliers have increased our credit lines and payment terms.

Liquidity and financial resources

The principal sources of working capital of the Group during the period were cash flow from financing activities. As at 30 June 2023, the current ratio (current assets divided by current liabilities) of the Group was 1.12 (31 December 2022 : 1.1). The Group had net borrowings of approximately RMB-713.2 million as at 30 June 2023 (31 December 2022 : RMB-1,913.3 million), including cash at bank and on hand of RMB600.4 million (31 December 2022 : RMB937.9 million), pledged deposits of RMB1,302.5 million (31 December 2022 : RMB2,314.2 million), bank and other loans due within one year of RMB1,134.6 million (31 December 2022 : RMB1,247.0 million) and non-current bank and other loans of RMB55.1 million (31 December 2022 : RMB91.8 million). The net debt to equity ratio (net debt divided by total equity) was -60.5% (31 December 2022 : -158.7%).

Earnings before interest, taxes, depreciation and amortisation from continuing operations

During the period, the Group's earnings before interest, taxes, depreciation and amortisation ("EBITDA") from continuing operations was approximately RMB263.5 million (7.6% of the revenue) (corresponding period of 2022 : approximately RMB228.6 million, 9.7% of the revenue). The main reason for the increase in EBITDA was attributed to the increase in revenue and gross profit during the period.

Net cash outflow from operating activities

The operating activities resulted in a net cash outflow of approximately RMB1,330.8 million in the first half of 2023, compared to a net cash inflow of approximately RMB311.3 million in the same period of 2022. The main reasons for the net cash outflow were a decrease in trade and other payables in the first half of 2023, and increased amount of finished goods produced by the Group, which led to an increase in inventories.

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 trade receivables in foreign currencies received from foreign customers to settle foreign loans and trade payables in foreign currencies 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 seize opportunities to mitigate the risk through low-risk forward exchange agreements, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Acquisition of interest in a non-wholly owned subsidiary

On 13 June 2023, Jinzhou Yangguang Energy Co., Ltd.* (錦州陽光能源有限公司) (as purchaser), an indirect wholly-owned subsidiary of the Company entered into the equity transfer agreements, pursuant to which the purchaser agreed to purchase, and Jack Win Investment Holdings Limited and Wintek International Corp. agreed to sell 13.76% and 8.72% of the equity interest in the Jiangsu Yueyang Photovoltaic Technology Co., Ltd. ("Jiangsu Yueyang") at a consideration of approximately RMB58,130,000 and RMB36,820,000 respectively. Completion took place in June 2023, upon which, Jiangsu Yueyang is directly owned as to approximately 85.99% by the purchaser and indirectly wholly-owned by the Company. For further details of the acquisition, please refer to the announcement of the Company dated 13 June 2023.

* For identification purposes only

Human resources

As at 30 June 2023, the Group had 3,512 employees (31 December 2022 : 3,029 employees).

Business Outlook

As a clean energy supply, the use of photovoltaic power generation is popular and has become the most important renewable energy source in recent years, so it is expected that the global newly installed capacity of photovoltaic power generation will continue to grow in the second half of the year. Coupled with cost-efficiency improvement and a series of government promulgated policies to support the development of the photovoltaic industry with an aim to lead the energy industry transition from traditional energy sources to renewable energy sources in an orderly manner, it is expected that PRC and the global mid and long-term demand for photovoltaic products will continue to grow. Following the grid parity, photovoltaic products will be able to move further towards full-scale marketised competition in the photovoltaic industry and away from policy subsidies, and will progress towards self sustainable development, advance technological progress, reduce cost of power generation to promote the achievement in comprehensive grid parity and will bring robust growth for photovoltaic demand.

In order to grasp these historic opportunities and respond to the rapid increase in demand, the Group has expanded production capacity of monocrystalline silicon modules to take advantage of the external production environment in different areas, enabling the Group to employ technological innovation and fully utilise its current technological advantages in production.

With the transformation towards green power market and as a renewable and clean energy source, in respect of photovoltaic power generation, the road to grid parity may be not easy, but the expected growth in the market after reaching grid parity will provide an opportunity for the industry. As ever, positioning itself as a leading supplier of monocrystalline silicon photovoltaic modules in the industry, the Group is fully prepared to rely on its existing advantages and will do its utmost, to embrace the long-term promising prospect for the photovoltaic industry and promote the early realization of the “double carbon” strategic goal in China.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 2023.

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 2023.

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 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2023 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in note 7 to the unaudited interim financial information, the remaining consideration of RMB220,050,000 for the Disposal was received from two entities controlled by China Lesso Group in July 2023.

Save as disclosed above, as at the date of this announcement, there are no other important events affecting the Group which has occurred since 30 June 2023.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2023 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
Tan Wenhua
Chairman

Hong Kong, 29 August 2023

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 Dr. Wong Wing Kuen, Albert, Ms. Chung Wai Hang and Ms. Tan Ying.