Solargiga Energy

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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 757)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

INTERIM RESULTS

The directors (the "Directors") of Solargiga Energy Holdings Limited (the "Company") announce the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024 (the "Period" or "period"), together with the comparative figures for the corresponding period in 2023. 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 2024 — unaudited

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**1,693,242**	3,472,597
Cost of sales		**(1,671,277)**	(3,238,813)
Gross profit		**21,965**	233,784
Other income and gains, net	*4*	**94,350**	115,692
Selling and distribution expenses		**(38,915)**	(60,280)
Administrative expenses		**(102,761)**	(115,842)
(Impairment losses)/reversal of impairment losses on financial and contract assets, net		**(271)**	11,973
Impairment losses of property, plant and equipment		**(48,767)**	—
Finance costs		**(31,355)**	(35,793)
(Loss)/profit before tax	*5*	**(105,754)**	149,534

	Notes	Six months ended 30 June **2024** ***RMB'000***	 2023 *RMB'000*
Income tax credit/(expense)	*6*	**4,035**	(22,388)
(Loss)/profit for the period		**(101,719)**	127,146
Attributable to:			
Owners of the parent		**(101,147)**	99,909
Non-controlling interests		**(572)**	27,237
(Loss)/profit for the period		**(101,719)**	127,146
Basic and diluted (loss)/earnings per share attributable to ordinary equity holders of the parent (RMB cents)	*7*	**(3.04)**	3.01

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2024 — unaudited

	Six months ended 30 June **2024** ***RMB'000***	 2023 *RMB'000*
(Loss)/profit for the period	**(101,719)**	127,146
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	**(2,899)**	(15,637)
Total comprehensive (loss)/income for the period, after tax	**(104,618)**	111,509
Attributable to:		
Owners of the parent	**(104,046)**	84,272
Non-controlling interests	**(572)**	27,237
Total comprehensive (loss)/income for the period	**(104,618)**	111,509

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2024

	Notes	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**743,855**	756,401
Long term prepayments and other receivables		**65,793**	40,709
Right-of-use assets		**114,286**	116,040
Investments in associates		**1,000**	1,200
Equity investments designated at fair value through other comprehensive income		**3,700**	3,700
Deferred tax assets		**14,737**	11,880
Total non-current assets		**943,371**	929,930
Current assets			
Inventories		**665,978**	326,763
Trade and bills receivables	9	**1,785,618**	1,974,652
Contract assets	10	**121,546**	213,402
Prepayments, other receivables and other assets	11	**349,502**	281,038
Current tax recoverable		**5,190**	6,046
Pledged deposits		**624,043**	1,358,000
Cash and cash equivalents		**198,666**	578,364
Total current assets		**3,750,543**	4,738,265
Current liabilities			
Interest-bearing bank and other borrowings		**1,073,090**	1,195,684
Trade and bills payables	12	**1,831,654**	2,533,356
Other payables and accruals	13	**274,987**	291,755
Contract liabilities		**69,367**	37,996
Current Tax payable		**43,469**	53,866
Provision	14	**4,380**	5,128
Current portion of Lease liabilities		**4,111**	3,967
Total current liabilities		**3,301,058**	4,121,752
Net current assets		**449,485**	616,513
Total assets less current liabilities		**1,392,856**	1,546,443

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2024 (continued)

	Notes	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current liabilities			
Interest-bearing bank and other borrowings		**8,576**	28,239
Deferred tax liabilities		**2,250**	10,721
Deferred income		**94,437**	105,074
Lease liabilities		**22,860**	23,213
Provision	*14*	**176,242**	186,087
Total non-current liabilities		**304,365**	353,334
Net assets		**1,088,491**	1,193,109
Equity			
Equity attributable to owners of the parent			
Share capital		**285,924**	285,924
Reserves		**787,054**	891,100
		1,072,978	1,177,024
Non-controlling interests		**15,513**	16,085
Total equity		**1,088,491**	1,193,109

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2024 — unaudited

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Cash used in operations	**(104,883)**	(252,712)
Tax paid	**(16,834)**	(62,129)
Net cash flows used in operating activities	**(121,717)**	(314,841)
Net cash flows (used in)/generated from investing activities	**(82,108)**	405,202
Net cash flows used in financing activities	**(175,827)**	(439,054)
Net decrease in cash and cash equivalents	**(379,652)**	(348,693)
Effect of exchange rate changes	**(46)**	11,239
Cash and cash equivalents at 1 January	**578,364**	937,897
Cash and cash equivalents at 30 June	**198,666**	600,443

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with both IAS 34 Interim Financial Reporting and HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and 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 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") and Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to IFRS 16/HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1/HKAS 1	Classification of Liabilities as Current or Non current (the "2020 Amendments")
Amendments to IAS 1/HKAS1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to IAS 7/HKAS 7 and IFRS 7/HKFRS 7	Supplier Finance Arrangements

These amendments that are first effective for the current period of the Group did not have any impact on the financial position or performance of the Group that have been prepared or presented in this interim condensed consolidated financial information.

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 three reportable segments:

(i) the manufacture and trading of photovoltaic modules ("Segment A");

(ii) the construction and operation of photovoltaic power plants ("Segment B"); and

(iii) the manufacture and trading of semiconductor, the trading of monocrystalline silicon solar cells and others ("Segment C").

No operating segments have been aggregated to form these reportable segments. Revenue, costs and expenses are allocated to those 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 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		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	(RMB'000)	*(RMB'000)*	***(RMB'000)***	*(RMB'000)*	**(RMB'000)**	*(RMB'000)*	**(RMB'000)**	*(RMB'000)*
Sales to external customers	**1,632,925**	3,364,532	**36,341**	79,681	**23,976**	28,384	**1,693,242**	3,472,597
Intersegment revenue	**2,248,863**	2,600,965	**6,112**	15,624	**92,567**	83,286	**2,347,542**	2,699,875
Reportable segment revenue	**3,881,788**	5,965,497	**42,453**	95,305	**116,543**	111,670	**4,040,784**	6,172,472
Reportable segment profit/(loss)	**(112,209)**	148,741	**(13,448)**	(5,607)	**23,938**	(15,988)	**(101,719)**	127,146

	Segment A		Segment B		Segment C		Total	
	At 30 June 2024	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023	**At 30 June 2024**	At 31 December 2023
	(RMB'000)	***(RMB'000)***	**(RMB'000)**	***(RMB'000)***	**(RMB'000)**	***(RMB'000)***	**(RMB'000)**	***(RMB'000)***
Reportable segment assets	**2,116,130**	3,482,596	**322,919**	257,192	**2,254,865**	1,928,407	**4,693,914**	5,668,195
Reportable segment liabilities	**2,093,994**	3,411,269	**264,698**	158,533	**1,246,731**	905,284	**3,605,423**	4,475,086

Other segment information:

	Segment A		Segment B		Segment C		Total	
	2024	2023	**2024**	2023	**2024**	**2023**	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest income from bank deposits	**6,571**	15,096	**22**	45	**795**	2,704	**7,388**	17,845
Finance costs	**(21,141)**	(19,509)	**(3,176)**	(4,363)	**(7,038)**	(11,921)	**(31,355)**	(35,793)
Depreciation and amortisation	**(72,234)**	(72,707)	**(1,469)**	(1,592)	**(4,931)**	(3,835)	**(78,634)**	(78,134)
(Impairment losses)/ reversal of impairment losses on trade receivables and contract assets	**3,285**	10,015	**(3,525)**	1,686	**(31)**	272	**(271)**	11,973
(Write-down)/reversal of write-down of inventories	**2,394**	34,099	**(12,927)**	(1,366)	**(1,954)**	—	**(12,487)**	32,733
Capital expenditure	**23,897**	37,324	**76,963**	9,502	**338**	16,577	**101,198**	63,403

(b) For the six months ended 30 June 2024, 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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A — From segment A	**442,032**	475,241
Customer B — From segment A	**302,990**	575,940
Customer C — From segment A	**260,623**	—
Customer D — From segment A	**62,351**	752,841

(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	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**1,375,824**	2,720,350
Export sales		
— Japan	**186,444**	556,862
— Europe	**109,770**	85,740
— Asia (excluding Japan)	**20,809**	55,170
— Others	**395**	54,475
Sub-total	**317,418**	752,247
Total	**1,693,242**	3,472,597

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**48,839**	46,571
Interest income from bank deposits	**7,388**	17,845
	56,227	64,416
Other gains, net		
Net foreign exchange gain	**2,270**	40,796
Net gain on disposal of property, plant and equipment	**19,340**	349
Gain from sales of other materials	**737**	644
Gain on disposal of an associate	**53**	—
Others*	**15,723**	9,487
	38,123	51,276
Other income and gains	**94,350**	115,692

* Including receiving the accounts receivable of RMB11,034,000 that had been written off in previous years.

5 (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**122,207**	121,369
Depreciation of right-of-use assets	**3,791**	4,009
Depreciation of property, plant and equipment	**74,843**	74,125
Write-down/(reversal of write-down) of inventories	**12,487**	(32,733)
Research and development costs	**9,564**	21,035
(Reversal of provision)/provision for warranty	**(4,769)**	27,806
Impairment/(reversal of impairment) losses on trade receivables and contract assets	**271**	(11,973)
Impairment losses of property, plant and equipment	**48,767**	—
Net gain on disposal of property, plant and equipment	**(19,340)**	(349)
Gain on disposal of an associate	**(53)**	—
Cost of inventories sold*	**1,652,733**	2,524,203
Cost of services rendered*	**18,544**	714,610

* Included in cost of inventories sold and cost of services rendered, amounts of RMB 156,869,000 and RMB154,340,000 in aggregate for the six months ended 30 June 2024 and 2023, 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 (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	**11,146**	25,798
Provision adjustment in respect of prior years	**(3,790)**	1,929
	7,356	27,727
Deferred tax	**(11,391)**	(5,339)
Income tax (credit)/expense	**(4,035)**	22,388

7. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity holders of the parent of RMB101,147,000 (six months ended 30 June 2023: profit of RMB99,909,000) and the weighted average of 3,323,771,133 ordinary shares of the Company in issue during the period (six months ended 30 June 2023: 3,323,771,133).

(b) Diluted (loss)/earnings per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2024 and 2023.

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a total cost of RMB101,198,000 (six months ended 30 June 2023: RMB63,403,000).

Assets with a net book value of RMB3,271,000 were disposed of by the Group during the six months ended 30 June 2024 (six months ended 30 June 2023: RMB612,000), resulting in a net gain on disposal of items of property, plant and equipment of RMB19,340,000 (six months ended 30 June 2023: a net gain of RMB349,000).

9 TRADE AND BILLS RECEIVABLES

	As at 30 June 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Trade receivables	**1,629,854**	1,731,589
Bills receivable	**204,585**	287,397
Less: Impairment	**(48,821)**	(44,334)
	1,785,618	1,974,652

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 2024 *RMB'000* **(Unaudited)**	As at 31 December 2023 *RMB'000* (Audited)
Within 1 year	**1,590,228**	1,773,007
1 to 2 years	**98,155**	136,174
2 to 3 years	**75,793**	55,817
Over 3 years	**21,442**	9,654
	1,785,618	1,974,652

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 over 180 days depending on the construction period of photovoltaic power plants.

As at 30 June 2024, no bills receivable (31 December 2023: RMB181,813,000), together with pledged deposits amounting to RMB622,218,000 (31 December 2023: RMB1,346,754,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB709,319,000 (31 December 2023: RMB1,600,633,000).

10 CONTRACT ASSETS

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Contract assets arising from:		
Sale of industrial products	**95,122**	181,947
Construction services	**30,407**	39,654
Less: Impairment	**(3,983)**	(8,199)
	121,546	213,402

11 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Prepayments for raw materials	**161,076**	122,363
Deductible value-added tax	**105,503**	71,693
Other receivables	**82,923**	86,982
Less: Impairment	**—**	—
	349,502	281,038

12 TRADE AND BILLS PAYABLES

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Trade payables	**1,122,335**	932,723
Bills payable	**709,319**	1,600,633
	1,831,654	2,533,356

(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 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Within 1 month	**401,680**	386,656
1 to 3 months	**559,213**	920,098
4 to 6 months	**660,410**	1,177,078
7 to 12 months	**198,023**	34,992
Over 1 year	**12,328**	14,532
	1,831,654	2,533,356

The Group mainly issues bank acceptance bills to settle the trade payables due to suppliers with pledged deposits. The Group recorded such deposits as release of pledged deposits in cash flows generated from operating activities.

The Group endorsed certain bills receivable to suppliers for settlements. These liabilities are recorded as trade payables in the consolidated financial statements.

(b) As at 30 June 2024, the Group's bills payables of RMB709,319,000 (31 December 2023: RMB1,600,633,000) were secured by Group's bills receivables with zero amounts (31 December 2023: RMB181,813,000) and by Group's pledged deposits of RMB622,218,000 (31 December 2023: RMB1,346,754,000).

13 OTHER PAYABLES AND ACCRUALS

	As at 30 June 2024 *RMB'000* (Unaudited)	As at 31 December 2023 *RMB'000* (Audited)
Payables for acquisition of property, plant and equipment	**79,058**	75,767
Payables for other taxes	**12,050**	10,053
Payables for freight charges	**32,371**	29,758
Payables for staff-related cost	**12,904**	27,745
Payables for services	**27,826**	31,005
Dividends payable	**6,177**	6,173
Other payables on behalf of the third-parties	**68,007**	58,007
Other payables and accruals	**36,594**	53,247
	274,987	291,755

14. 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 has adopted the equivalent of 0.625% of photovoltaic modules' revenues to estimate the warranty obligation, which is consistent with the practice of the solar industry. 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 reversed the warranty provision of RMB4,769,000 for the six months ended 30 June 2024 (six months ended 30 June 2023: made the warranty provision of RMB27,806,000).

15. COMPARATIVE AMOUNTS

Save as disclosed in the financial information, certain comparative amounts have been reclassified and re-presented to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Operations Summary

Responding to the frequent global extreme climate change and the acceleration of the global energy transition, renewable and clean energy, represented by photovoltaics, has become the main development strategy and goals for most of countries around the world. With more governments' policies and strategic supports, cost reductions and continuous advance in photovoltaic technological development, it is an indisputable fact that photovoltaic energy is now the renewable and clean energy with the enormous development potential and the lowest cost compared with the fossil fuel prices, so the continued growth in demands for photovoltaic products have already occurred. The Group has maintained a solid business in and has 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 327 National patents, third prize of National Business Science and Technology Progress Award, first prize for China's Industry-Academic Cooperation Innovation Achievement and more than 30 provincial and municipal science and technology first prizes, second prizes, and 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, National Intellectual Property Advantage 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 500 Global New Energy Companies in 2023 (No.263), Top 500 PRC Energy Companies (Group) in 2023 (No.316), Top 20 PRC Photovoltaic Module Companies in 2024 (No.14), Top 100 PRC Photovoltaic Brands in 2023 (No.60), Photovoltaic Brand Lab (PVBL) 2024 Global Photovoltaic Top 100 (No.76), PVBL Global Photovoltaic Brand Value (Module) Top 20 (No.12), PVBL 2024 Global Photovoltaic Brand Communication Award, 2023 Leading China's Top 100 Renewable Energy Photovoltaic Enterprises, 2023 Most Influential Photovoltaic Module

Enterprise, China's High-quality Household and Industrial and Commercial Photovoltaic Module Brand in 2023, and the Most Promising Enterprise in the Photovoltaic Industry in 2023. 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 also provides products and services to 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 2024, the total production capacity of our production bases was 9.8 GW of modules due to the production scale, the high-efficiency and high production capacity layout of the Group. Overall, the Group will demonstrate stronger comprehensive competitiveness and further increase the market share of high quality but low-cost products.

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 after years of development, it also further expanded and strengthened the deployment and sales of monocrystalline silicon high-efficiency module products such as N-type high-efficiency modules, P-type high-efficiency modules, large-format modules, zero busbar modules, flexible modules, offshore floating modules, multi busbar cell modules, 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 supporting 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 and upgraded module production capacity in Yancheng, Jiangsu, to maintain the advanced stage of the production lines and further strengthen the economic scale advantage of module products. As of the end of June 2024, the module production capacity of the production base in Yancheng, Jiangsu was 8.0 GW, while the total module production capacity of the Group was 9.8 GW. Through the completion of the layout of high-efficiency production capacity, it has begun to show stronger overall competitiveness and reduction in the production costs, which further enhanced the national and regional market share of the products, and led to 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, Xinhua Hydropower Company Limited, Trina Solar and Astronergy etc. The Group has been cooperating with these enterprises in continually expanding module sales for domestic and foreign customers.

The Group focuses on the manufacturing of monocrystalline silicon photovoltaic products. Further, the Group has also introduced 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 in the economic efficiency of photovoltaic power generation.

Construction and operation of photovoltaic system business

Apart from devoting its efforts in stabilising the development of its manufacturing business, the Group has been actively expanding the end-user power plants construction and application business which not only drives the sales of module products in a bottom-up manner, but also it will spread the profits of construction and operation of the photovoltaic system businesses, so as to bring additional revenue and 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", "green building standards" 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 the PRC, "Work Plan of Accelerating the Promotion of Energy Conservation and Carbon Emissions Reduction in the Construction Sector" jointly formulated by National Development and Reform Commission and Ministry of Housing and Urban-Rural Development, and the "Notice on the Pilot Scheme of Country-wide (City, District) Distributed Rooftop Project" published by the National Energy Administration, taking into account of the current huge building volume and a massive amount of promising and potential distributed photovoltaic generation capacity for the development in the PRC, the Group anticipates that BIPV business would have broad development prospects and will continue to enjoy the benefits from the long-term growth of the photovoltaic industry.

Benefiting from the comprehensive R&D and rich technological experience accumulated in the photovoltaic industry while strengthening industry-university-research cooperation, the Group formally signed an industry-school cooperation agreement in the past with the School of Architecture, School of Civil Engineering and Architectural Design Institute of Southeast University, and it 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 Nanjing city and Yancheng city, Jiangsu province with a view to enhancing the photoelectric conversion efficiency of BIPV module and lower the production costs, and actively leading the formulation and development of national and industrial 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 and School of Civil Engineering of Southeast University. The BIPV pure color crystalline silicon modules, BIPV imitation stone modules and others launched by the research and development line have passed China Compulsory Certificate ("CCC") certification, China Quality Certificate Centre ("CQC") certification, and GB8624–2012 building materials and products combustion performance test certification. In addition, the Group is carrying out a series of research and development projects in cooperation with the National Housing and Residential Environment Engineering Technology Research Center for BIPV structural components and other areas. The BIPV structural components have obtained more than 20 patent authorizations which will further enhance the Group's market competitiveness and technical strength. Moreover, the zero-carbon mobile building products independently developed by the Group integrate prefabricated buildings with customized photovoltaics and energy storage, enabling off-grid energy operation and self-sufficiency in electricity. The Group expects that, with the continuous development of BIPV business in the building photovoltaic market and more emergence of new scenarios application, the photovoltaic system construction and application business, and green building consultancy services would experience further healthy growth.

Semi-conductor business

The PRC market is the world's largest semiconductor application market. The Group is engaged mainly in production and sales of 6–8 inches semiconductor grade monocrystalline silicon ingot with heavy doping (including arsenic, antimony, phosphorus and boron products which are at the leading level of the industry) and 6–8 inches semiconductor grade monocrystalline silicon ingot with lightly doping. During the first half of 2024, the semiconductor business has shown growth by the increase in number of orders placed by customers due to the positive impact after adjustments and destocking in the market. The Group expects that in the context of the growth of the Chinese semiconductor market in the long run, the semiconductor business will maintain growth in the future and contribute profits to the Group. With the planned increase in the research and development, or production of multiple varieties of 8-inches semiconductor monocrystalline silicon for integrated circuit and 8-inches monocrystalline silicon carbide in 2024 in order to meet the demand of customers, the Group is fully prepared for the next round of growth cycle.

Operation Strategy

Continuous advancement of photovoltaic production technology and cost-efficiency improvement, the production cost per watt of photovoltaic power generation has dropped sharply. At present, the photovoltaic applications have reached the target of grid parity. With acceleration in the process for photovoltaic industry to move from grid parity to low-price, demand growth in the downstream photovoltaic installation has become an inevitable trend for photovoltaic industry development. In the premises, production related equipment also needs to be upgraded in order to be in line with technological advancement 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 accordingly.

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 low cost and high quality advantages to enhance its market presence, which maintains a more stable module product estuary.

Operating Performance

During the first half of 2024, the Group recorded a decrease in revenue and a loss. It is because of the negative impact of significantly decreasing photovoltaic module prices as a result of the over-capacity of photovoltaic module production in the industry and intense competition. The Group will continue to strive to enhance its competitive advantages.

The total external shipment volume of major products, photovoltaic modules decreased from 2,975.4MW in the same period last year to 1,908.9MW during the period. Due to an overall oversupply in the photovoltaic industry, intense competition has led to an abnormally rapid decline in photovoltaic module prices. After careful evaluation of the current exceptional industry situation, the Group has decided to reduce order volumes, resulting in a decrease in external shipments.

The Group is devoted to the development and sales of monocrystalline high-efficiency module products, such as N-type TOPCon modules, large-format modules, zero busbar modules, rectangular modules, N-type heterojunction with intrinsic thin layer (HJT) modules, flexible modules, offshore floating modules, P-type double-sided double glass 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/210 mm/182R/210R large-format modules, the module power of which could reach more than 710 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 and improve product competitive advantages. At present, there is an obvious trend towards the iteration of large-format modules. The market share of 182mm and 210mm modules far exceeds that of other small-size modules and these have become the mainstream product size. Other small-size specifications are basically no longer be sold in large quantities. Since the Group's photovoltaic module production lines can all produce large-size 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 HJT technology, perovskite technology, BIPV products, offshore floating modules and flexible modules, aiming to upgrade the mass production technology of the abovementioned products, so as to expand the market sales of corresponding products and remain the resilience and competitiveness of the Group in the market.

Looking to the future, given (a) further improved products quality, leading technological cost advantages and large-size product lines with higher bargaining power, the Group will be able to gain market share; (b) in respect of the Group's 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 costs; (c) the Group continues to maintain low-cost, high-efficiency existing production capacity and facility through more refined and smoother production process and operations, and optimised production and logistics processes, and stable operation, which can further demonstrate the advantages of economies of scale and the operational synergies, 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 and innovation; (e) adopting a flexible sales and marketing strategy to accelerate inventory turnover; and (f) the strong client base in the PRC and overseas with increasing demand from the market, it is expected that the decrease in the market photovoltaic module prices will be gradually stabilised given the gradual slowdown in over-capacity of photovoltaic module production in the photovoltaic industry and the continued growth in the downstream photovoltaic installation demand. Regarding the Group's business performance, the room for future improvement remains high.

Financial Review

Revenue

The revenue of the Group decreased by 51.2% from approximately RMB3,472.6 million for the first half of 2023 to approximately RMB1,693.2 million for the period. The decrease in revenue was due to a reduction in the external shipping volume of photovoltaic modules and a sharp decline in photovoltaic module prices.

Cost of sales

Cost of sales for the period has decreased from approximately RMB3,238.8 million in the first half of last year to approximately RMB1,671.3 million for the period. The decrease was mainly due to a reduction in the external shipping volume of photovoltaic modules and in line with the decrease in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB22.0 million and a gross profit margin of 1.3% in the first half of 2024, as compared to a gross profit of approximately RMB233.8 million and a gross profit margin of 6.7% in the corresponding period in 2023, which decreased by 90.6% and 5.4% points respectively. The decrease was mainly due to a sharp decline in photovoltaic module prices and write down of inventories.

Selling and distribution expenses

Selling and distribution expenses mainly comprised business promotion expenses, packaging expenses and other incidental expenses. The selling and distribution expenses decreased from approximately RMB60.3 million in the first half of 2023 to approximately RMB38.9 million for the period. The decrease was mainly due to the decrease in photovoltaic module prices, which affected the estimated warranty obligations. This led to a reversal of warranty provisions in the current period, whereas provisions were made in the previous period.

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 RMB102.8 million, as compared to approximately RMB115.8 million from the corresponding period of 2023. The decrease was mainly because the Group enhanced efforts to increase operational efficiency, strict control costs, and reduce overall headcount.

Impairment losses/reversal of 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. An impairment losses on trade receivables and contract assets of RMB0.3 million (the first half of 2023: reversal of impairment losses of RMB12.0 million) was recognised during the period. This change reflects the Group's updated assessment of credit risk based on current economic conditions and debtor-specific factors.

Impairment losses of property, plant, and equipment

An impairment loss of approximately RMB48.8 million for property, plant, and equipment was recorded in the first half of 2024 (first half of 2023: Nil) due to the recoverable amount being lower than the carrying amount of property, plant, and equipment.

Finance costs

Finance costs were mainly derived from bank and other borrowings. The Group's finance costs decreased from approximately RMB35.8 million in the first half of 2023 to approximately RMB31.4 million for the period, represented a decrease of 12.3%. The Group is aiming to lower the finance costs gradually in the future and to obtain more sources of financing.

Income tax

Income tax credit amounted to approximately RMB4.0 million in the first half of 2024, as compared to income tax expense of approximately RMB22.4 million in the first half of 2023. The income tax credit for the period was mainly derived from the recognition of deferred tax assets of the Group. The decrease in income tax expenses was mainly due to a decrease in the assessable profit of certain profitable subsidiaries of the Group in Mainland China.

Loss attributable to owners of the parent

Loss attributable to owners of the parent was approximately RMB101.1 million for the period, as compared to the profit attributable to owners of the parent of approximately RMB99.9 million in the corresponding period in 2023 mainly due to decrease in revenue and gross profit.

Inventory turnover days

Due to a reduction in the external shipping volume of photovoltaic modules, the inventory turnover days of the period increased to 53 days (31 December 2023: 24 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 certain 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 increased to 218 days (31 December 2023: 94 days) due to the settlement delay by some customers. The Group did not experience any significant credit risks due to strict credit control policies.

Trade payables turnover days

The trade payables turnover day was 235 days for the period, which was significantly higher comparing to 168 days as at 31 December 2023. 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 2024, the current ratio (current assets divided by current liabilities) of the Group was 1.1 (31 December 2023: 1.1). The Group had net borrowings of approximately RMB259.0 million as at 30 June 2024 (31 December 2023: RMB-712.5 million), including cash at bank and on hand of RMB198.7 million (31 December 2023: RMB578.4 million), pledged deposits of RMB624.0 million (31 December 2023: RMB1,358.0 million), bank and other loans due within one year of RMB1,073.1 million (31 December 2023: RMB1,195.7 million) and non-current bank and other loans of RMB8.6 million (31 December 2023: RMB28.2 million). The net debt to equity ratio (net debt divided by total equity) was 23.8% (31 December 2023: −59.7%).

Earnings before interest, taxes, depreciation and amortisation

During the period, the Group's earnings before interest, taxes, depreciation and amortisation ("EBITDA") was approximately RMB4.2 million (0.3% of the revenue) (corresponding period of 2023: approximately RMB263.5 million, 7.6% of the revenue). The main reason for the decrease in EBITDA was attributed to the decrease 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 RMB121.7 million in the first half of 2024, compared to a net cash outflow of approximately RMB314.8 million in the same period of 2023. The main reason for the net cash outflow from operating activities are the reduction in revenue and gross profit.

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.

Human resources

As at 30 June 2024, the Group had 2,555 employees (31 December 2023: 2,887 employees).

Business Outlook

With years of technological advances and cost reductions, and the introduction of a series of government favourable policies to continuously support the development of the photovoltaic industry with an aim to lead the energy industry transition from traditional fossil energy sources to renewable and clean energy sources in a steady manner which will continue to stimulate the widespread use of the photovoltaic power generation, it is expected that these factors add impetus to the continued growth in the PRC's and the global mid and long-term demand for photovoltaic products. 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, the acceleration of the advance technological progress and innovation, reduce cost of power generation to strengthen the achievement in comprehensive grid parity and will bring a sustainable and high-quality development for photovoltaic demand.

In order to better cope with the competition arising from over-capacity of photovoltaic module production in the photovoltaic industry and thoroughly capture these development opportunities and meet the growing demand for photovoltaic products, the Group has upgraded 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 to meet the needs of photovoltaic end-user customers in all aspects.

On the one hand, with the advancement of science and technology, the increasing depletion of traditional energy sources and the intensification of environmental problems, people's environmental awareness has increased and the demand for clean energy continues to grow. On the other hand, macro-control measures around the world are creating favorable conditions for the development of the photovoltaic industry, and the photovoltaic industry's status in international trade is gradually increasing. As a result, the photovoltaic industry has gradually moved towards a more mature and stable development stage. As positioning itself as the leading supplier and manufacturer of monocrystalline silicon photovoltaic modules in the photovoltaic industry, the Group is well positioned to rely on its existing advantages and will do its utmost to embrace the long-term promising prospect for the photovoltaic industry. Despite the current over-capacity challenge in the photovoltaic module industry in the PRC, the Directors are confident in the Group's long-term development and believe that the Group will remain vigilant and be able to navigate through the current market cycles.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: 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 C1 to the Listing Rules throughout the six months ended 30 June 2024.

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 C3 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 2024.

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 2024.

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 2024 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

At the date of this announcement, there are no important events affecting the Group which has occurred since 30 June 2024.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2024 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, 27 August 2024

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.