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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 2019

FINANCIAL HIGHLIGHTS

— During the period under review, although the average selling price continued to decline comparing to the corresponding period of last year, the size of the customer base and the purchases by individual customers grew as a result of successful customer development. Shipment of major products for the period under review amounted to 1,602MW, a growth of 32.7% comparing to 1,207MW of the corresponding period of last year. The Group's revenue for the period ended 30 June 2019 of RMB1,847.235 million represented a slight increase from RMB1,813.778 million in the corresponding period of 2018.

— Compounded with the effect of the later-than-expected introduction of China's 2019 photovoltaic power subsidy policy during the period under review, demands in the domestic market have been deferred to the second half of this year. In addition, the Group's low-cost and high-efficiency production capacity was still in adjustment phase and advantage of economy of scale has not been fully demonstrated. The Group's gross profit decreased to RMB91.266 million (corresponding period of 2018: RMB183.084 million). The gross profit margin decreased from 10.1% for the six months ended 30 June 2018 to 4.9% for the six months ended 30 June 2019.

— Based on the above reasons, the loss attributable to equity shareholders of the Company for the period under review was RMB184.206 million (corresponding period of 2018: attributable loss of RMB107.280 million).

— Net cash inflow from operating activities during the period under review decreased from RMB339.971 million in the corresponding period of last year to RMB57.602 million.

— Basic loss per share amounted to RMB5.74 cents (corresponding period in 2018: RMB3.34 cents loss per share).

— Net asset value per share amounted to RMB0.17 (HKD0.18) (note: translated at HKD1.11 to every RMB1).

— The board of directors of the Company does not recommend the distribution of any interim dividend for the six months ended 30 June 2019 (corresponding period in 2018: Nil).

INTERIM RESULTS

The directors (the "Directors") of Solargiga Energy Holdings Limited (the "Company") present herewith the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018. 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 2019 — unaudited

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**1,847,235**	1,813,778
Cost of sales		**(1,755,969)**	(1,630,694)
Gross profit		**91,266**	183,084
Other income and gains, net	*4*	**33,309**	15,068
Selling and distribution expenses		**(42,343)**	(41,588)
Administrative expenses		**(172,819)**	(197,408)
Operating loss		**(90,587)**	(40,844)
Share of losses of associates		**(608)**	(452)
Impairment losses on interests in an associate		**(4,104)**	—
Other investment loss		**(379)**	—
Finance costs		**(58,476)**	(64,380)
Loss before tax	*5*	**(154,154)**	(105,676)
Income tax (expense)/credit	*6*	**(22,957)**	1,860
Loss for the period		**(177,111)**	(103,816)
Attributable to:			
Equity holders of the Company		**(184,206)**	(107,280)
Non-controlling interests		**7,095**	3,464
Loss for the period		**(177,111)**	(103,816)
BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (RMB cents)	*7*	**(5.74)**	(3.34)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 June 2019 — unaudited

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Loss for the period	**(177,111)**	(103,816)
Other comprehensive income/(loss) for the period (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Currency translation differences	**3,073**	(14,965)
Total comprehensive loss for the period, after tax	**(174,038)**	(118,781)
Attributable to:		
Equity holders of the Company	**(181,133)**	(122,245)
Non-controlling interests	**7,095**	3,464
Total comprehensive loss for the period	**(174,038)**	(118,781)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2019 — unaudited

	Notes	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	8	**1,561,169**	1,517,027
Prepayments for acquisition of property, plant and equipment		**53,403**	62,451
Right-of-use assets		**141,778**	—
Land lease prepayments		—	141,989
Prepayments for raw materials	9	**35,116**	33,557
Investments in associates		**879**	5,591
Equity investments designated at fair value through other comprehensive income		—	2,430
Deferred tax assets		**26,598**	48,009
		1,818,943	1,811,054
Current assets			
Inventories		**471,962**	347,368
Trade and bills receivables	10	**1,646,878**	1,483,723
Contract assets	10	**4,972**	15,205
Prepayments, deposits and other receivables	11	**286,903**	240,935
Current tax recoverable		**5,454**	2,695
Pledged deposits		**472,834**	425,309
Cash and cash equivalents		**155,461**	239,712
		3,044,464	2,754,947
Current liabilities			
Interest-bearing borrowings		**1,900,750**	1,773,140
Trade and bills payables	12	**1,551,052**	1,441,065
Other payables and accruals	13	**108,986**	104,025
Contract liabilities		**280,825**	64,466
Current tax payable		**1,600**	193
Current portion of lease liabilities		**763**	—
Provision for inventory purchase commitments		**48,964**	48,883
		3,892,940	3,431,772
Net current liabilities		**(848,476)**	(676,825)
Total assets less current liabilities		**970,467**	1,134,229

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2019 — unaudited (continued)

	Notes	At 30 June 2019 RMB'000	At 31 December 2018 RMB'000
Non-current liabilities			
Interest-bearing borrowings		**13,963**	17,317
Deferred tax liabilities		**2,600**	2,678
Deferred income		**201,199**	197,225
Lease liabilities		**1,136**	—
Other non-current liabilities		**116,716**	109,018
		335,614	326,238
NET ASSETS		**634,853**	807,991
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*14*	**276,727**	276,727
Reserves		**257,806**	438,999
		534,533	715,726
Non-controlling interests		**100,320**	92,265
TOTAL EQUITY		**634,853**	807,991

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2019 — unaudited

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cash generated from operations	**60,579**	342,996
Tax paid	**(2,977)**	(3,025)
Net cash flows generated from operating activities	**57,602**	339,971
Net cash flows used in investing activities	**(160,602)**	(159,977)
Net cash flows generated from/(used in) financing activities	**18,580**	(255,812)
Net decrease in cash and cash equivalents	**(84,420)**	(75,818)
Effect of foreign exchange rate changes	**169**	680
Cash and cash equivalents at 1 January	**239,712**	191,185
Cash and cash equivalents at 30 June	**155,461**	116,047

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2019 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2019, the Group's current liabilities exceeded its current assets by RMB848,476,000. The liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations, to renew its short-term bank loans and to obtain adequate external financing to support its working capital and meet its obligations and commitments when they become due.

The Group has carried out a review of its cash flow forecast for the twelve months ending 30 June 2020. Based on such forecast, the directors believe that adequate sources of liquidity exist to fund the Group's working capital and capital expenditure requirements, and to meet its short-term debt obligations and other liabilities and commitments as they become due in the twelve months ending 30 June 2020. In preparing the cash flow forecast, management has considered historical cash requirements of the Group, as well as other key factors, including unutilised banking facilities as at 30 June 2019 from the Group's major banks with an amount of RMB1,879,000,000.

Based on the above factors, the directors are confident that the Group will have sufficient funding to enable the Group to operate as a going concern and meet its financial obligations as and when they fall due for at least twelve months from the reporting date. Accordingly, the interim consolidated financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Details of the changes in accounting policies are discussed in note 2(a) for HKFRS 16.

Several other amendments and interpretation listed below have been applied for the first time in 2019, but they do not have any significant impact on the condensed consolidated interim financial statements of the Group:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

(a) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 *Operating Leases — Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee — Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in non-current liabilities or current liabilities.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position. This includes the lease assets recognised previously under finance leases that were reclassified from property, plant and equipment.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	144,399
Decrease in prepaid land lease payments	(141,989)
Increase in total assets	2,410
Liabilities	
Increase in lease liabilities	1,261
Increase in current portion of lease liabilities	1,149
Increase in total liabilities	2,410
Decrease in retained earnings	—

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 are as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	2,758
Less:	
Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	—
Add:	
Commitments relating to leases previously classified as finance leases as at 31 December 2018	—
Other adjustments	—
Lease commitments as at 1 January 2019 under IFRS 16	—
Weighted average incremental borrowing rate as at1 January 2019	5.32%
Lease liabilities as at 1 January 2019	2,410

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is

reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the low-value assets lease recognition exemption to leases of office equipment that are considered of low value (i.e., below RMB30,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss:

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movement during the period are as follow:

	Buildings and structures *RMB'000*	Land Use Rights *RMB'000*	Total *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	1,245	143,154	144,399	2,410
Additions/(decrease)	—	—	—	—
Depreciation charge	(498)	(2,123)	(2,621)	—
Currency translation differences	—	—	—	—
Interest expense	—	—	—	64
Payments	—	—	—	(575)
As at 30 June 2019	747	141,031	141,778	1,899

(b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's interim condensed consolidated financial information.

(c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified four reportable segments: (i) the manufacturing of, trading of, and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers ("Segment A"); (ii) the manufacturing and trading of photovoltaic modules ("Segment B"); (iii) the manufacturing and trading of monocrystalline silicon solar cells ("Segment C"); and (iv) the construction and operation of photovoltaic power plants ("Segment D"). No operating segments have been aggregated to form these reportable segments. Revenue, costs and expenses are allocated to the reportable segments with reference to sales generated by those segments and the costs and expenses incurred by those segments.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the bases as they are presented in the Group's financial statements. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the period is set out below:

	Six months ended 30 June 2019				
	Segment A	**Segment B**	**Segment C**	**Segment D**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue from external customers	**373,899**	**1,435,479**	**31,495**	**6,362**	**1,847,235**
Inter-segment revenue	**286,174**	**712,665**	**322,541**	**1,420**	**1,322,800**
Reportable segment revenue	**660,073**	**2,148,144**	**354,036**	**7,782**	**3,170,035**
Reportable segment loss	**(124,472)**	**(26,851)**	**(17,127)**	**(8,661)**	**(177,111)**

	As at 30 June 2019				
	Segment A	**Segment B**	**Segment C**	**Segment D**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Reportable segment assets	**2,476,306**	**1,553,218**	**638,441**	**195,442**	**4,863,407**
Reportable segment liabilities	**2,282,330**	**1,485,416**	**354,687**	**106,121**	**4,228,554**

	Six months ended 30 June 2018				
	Segment A	Segment B	Segment C	Segment D	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	393,449	1,360,733	47,789	11,807	1,813,778
Inter-segment revenue	976,384	1,119,918	280,934	610	2,377,846
Reportable segment revenue	1,369,833	2,480,651	328,723	12,417	4,191,624
Reportable segment (loss)/profit	(79,291)	10,869	(16,262)	(19,132)	(103,816)

	As at 31 December 2018				
	Segment A	Segment B	Segment C	Segment D	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment assets	3,159,913	544,437	672,223	189,428	4,566,001
Reportable segment liabilities	2,649,294	636,327	373,507	98,882	3,758,010

Other segment information:	**Six months ended 30 June**									
	Segment A		**Segment B**		**Segment C**		**Segment D**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest income from bank deposits	**531**	432	**1,177**	1,393	**275**	191	**27**	9	**2,010**	2,025
Finance costs	**(32,043)**	(35,708)	**(17,508)**	(18,083)	**(6,508)**	(7,738)	**(2,417)**	(2,851)	**(58,476)**	(64,380)
Depreciation and amortisation	**(73,571)**	(68,738)	**(30,147)**	(20,261)	**(15,717)**	(17,822)	**(137)**	(151)	**(119,572)**	(106,972)
Impairment losses on interests in an associates	**—**	—	**(4,104)**	—	**—**	—	**—**	—	**(4,104)**	—
Impairment losses on trade receivables and contract assets	**1,054**	(12,793)	**(3,966)**	(4,997)	**1,698**	153	**(1,235)**	6,558	**(2,449)**	(11,079)
(Write-down)/reversal of write-down of inventories	**(16,967)**	(30,736)	**13,049**	(7,286)	**681**	1,571	**(11)**	(10)	**(3,248)**	(36,461)
Capital expenditure	**136,257**	72,547	**27,639**	62,344	**—**	4,786	**—**	5	**163,896**	139,682
Investments in associates	**—**	—	**879**	5,591	**—**	—	**—**	—	**879**	5,591

(b) For the six months ended 30 June 2019, 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	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A		
— From segment B	**289,089**	—
Customer B		
— From segment A	**—**	11,977
— From segment B	**218,700**	307,747
— From segment C	**—**	5

(c) Geographic information

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of a customer is based on the location to which the goods were delivered or the services were provided.

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**1,197,373**	1,353,740
Export sales		
— Japan	**352,857**	330,500
— South East Asia	**289,089**	117,448
— Taiwan	**—**	6,381
— Europe	**7,909**	4,068
— Others	**7**	1,641
Sub-total	**649,862**	460,038
Total	**1,847,235**	1,813,778

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**27,328**	10,907
Interest income from bank deposits	**2,010**	2,025
	29,338	12,932
Other (losses)/gains, net		
Net foreign exchange gain/(loss)	**3,845**	(111)
Net loss on disposal of property, plant and equipment	**(1,511)**	(144)
Gain from sales of other materials	**96**	2,527
Others	**1,541**	(136)
	3,971	2,136

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**91,007**	89,506
Depreciation of right-of-use assets/Amortisation of lease prepayment	**2,621**	2,038
Depreciation of property, plant and equipment	**116,951**	104,934
Research and development costs	**93,396**	110,019
Provision/(reversal) for warranty	**7,698**	(15,737)
Impairment losses on trade receivables and contract assets	**2,449**	11,079
Impairment losses on interests in an associate	**4,014**	–
Loss on disposal of property, plant and equipment	**1,511**	144
Cost of inventories sold*	**1,590,953**	1,260,808
Cost of services rendered*	**165,016**	369,886

* Cost of inventories sold and cost of services rendered include, in aggregate, RMB161,379,000 and RMB149,854,000 for the six months ended 30 June 2019 and 2018, respectively, relating to salaries, wages and other benefits, depreciation and provision for warranty costs which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – the PRC		
Provision for the period	**963**	1,881
Provision adjustment in respect of prior years	**690**	998
	1,653	2,879
Deferred tax	**21,304**	(4,739)
Income tax expense/(credit) for the period	**22,957**	(1,860)

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits of the Company's subsidiaries incorporated in Hong Kong for the six months ended 30 June 2019 and 2018. No provision for Hong Kong profits tax has been made as the subsidiaries either did not have any assessable profits subject to Hong Kong profits tax or had accumulated tax losses brought forward from previous years to offset the estimated profits for the period.

The Company and its subsidiaries incorporated in the British Virgin Islands and the Cayman Islands are not subject to any income tax pursuant to the local rules and regulations.

The statutory tax rate applicable to the Company's subsidiary incorporated in Germany was 15% for the six months ended 30 June 2019 and 2018. No provision for Germany income tax has been made as the subsidiary did not have any taxable profits for the period.

The statutory tax rate applicable to the Company's subsidiary incorporated in Ghana was 35% for the six months ended 30 June 2019 and 2018. No provision for Ghana income tax has been made as the subsidiary did not have any taxable profits for the period.

The income tax rate of the Company's PRC subsidiaries is 25% except for the subsidiaries mentioned below:

Jinzhou Yangguang Energy Co., Ltd. ("Yangguang") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2012 for a term of three years, and has been registered with the local tax authority to be eligible for a reduced income tax rate of 15%. Yangguang has renewed the "High and New Technology Enterprise" certificate in 2018 effective for the three years from 2018 to 2020. Accordingly, Yangguang was entitled to the 15% income tax rate for the six months ended 30 June 2019 and 2018.

Solargiga Energy (Qinghai) Co., Ltd. ("Qinghai") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2016 for a term of three years, and has been registered with the local tax authority to be eligible for a reduced income tax rate of 15%. Accordingly, Qinghai was entitled to the 15% income tax rate for the six months ended 30 June 2019 and 2018.

Jinzhou Yangguang Jinmao Photovoltaic Technology Co., Ltd. ("Jinzhou Jinmao") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2016 for a term of three years, and has been registered with the local tax authority to be eligible for a reduced income tax rate of 15%. Accordingly, Jinzhou Jinmao was entitled to the 15% income tax rate for the six months ended 30 June 2019 and 2018.

Jinzhou Huachang Photovoltaic Technology Ltd ("Jinzhou Huachang") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2014 for a term of three years, and has been registered with the local tax authority to be eligible for a reduced income tax rate of 15%. Jinzhou Huachang has renewed the "High and New Technology" certificate in 2017 effective for the three years from 2017 to 2019. Accordingly, Jinzhou Huachang was entitled to the 15% income tax rate for the six months ended 30 June 2019 and 2018.

Jinzhou Yangguang Motech Renewable Energy Co., Ltd ("Jinzhou Motech") has been accredited as "High and New Technology Enterprise" by the relevant government authority in 2017 for a term of three years, and has been registered with the local tax authority to be eligible for a reduced income tax rate of 15%. Accordingly, Jinzhou Motech was entitled to the 15% income tax rate for the six months ended 30 June 2019 and 2018.

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

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity holders of the Company of RMB184,206,000 (six months ended 30 June 2018: loss of RMB107,280,000) and the weighted average of 3,211,780,566 ordinary shares of the Company in issue during the period (six months ended 30 June 2018: 3,211,780,566).

(b) Diluted loss per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2019 and 2018.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment at a total cost of RMB163,896,000 (six months ended 30 June 2018: RMB74,500,000). Assets with a net book value of RMB2,151,000 were disposed of by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB51,591,000), resulting in a net loss on disposal of items of property, plant and equipment of RMB1,511,000 (six months ended 30 June 2018: net loss of RMB144,000). For the six months ended 30 June 2019, no further impairment losses were provided for as at 30 June 2019 (for the six months ended 30 June 2018: no impairment loss).

9. PREPAYMENTS FOR RAW MATERIALS

In order to secure a stable supply of polysilicon materials, the Group entered into short-term and long-term contracts with certain raw material suppliers and made advance payments to these suppliers which are to be offset against future purchases. Prepayments for raw materials where the Group expects to receive the raw materials more than twelve months after the end of the reporting period are classified as non-current assets and those to receive within one year are classified as current assets. There was no prepayment for raw materials made to a related party as at 30 June 2019 (31 December 2018: Nil).

As at 31 December 2014, management reassessed the prepayments for potential impairment and identified one of the suppliers, from which the Group failed to purchase the agreed quantities of polysilicon under the long-term supply contract, and therefore made a provision of RMB70,369,000.

Based on the assessment updated by management for the six months ended 30 June 2019, no further impairment was provided as at 30 June 2019. The movement in the impairment provision during the period merely represented exchange adjustments.

10. TRADE AND BILLS RECEIVABLE, AND CONTRACT ASSETS

(a) Trade and bills receivable

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,550,529**	1,387,746
Bills receivable	**216,062**	213,893
Less: Impairment	**(119,713)**	(117,916)
	1,646,878	1,483,723

The ageing analysis of trade and bills receivable (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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**195,245**	546,396
1 to 3 months	**363,210**	349,844
4 to 6 months	**558,836**	164,867
7 to 12 months	**351,924**	339,784
Over 1 year	**177,663**	82,832
	1,646,878	1,483,723

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

As at 30 June 2019, bills receivable amounting to RMB174,259,000 (31 December 2018: RMB141,283,000), together with pledged deposits amounting to RMB305,616,000 (31 December 2018: RMB243,284,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB749,466,000 (31 December 2018: RMB661,518,000), and for issuing letters of guarantee amounting to RMB11,817,000 (31 December 2018: RMB46,984,000).

(b) Contract assets

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets	**5,910**	15,491
Impairment	**(938)**	(286)
	4,972	15,205

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments for raw materials	**165,007**	174,486
Deductible value-added tax	**98,014**	53,146
Other receivables	**30,682**	20,103
Less: Impairment	**(6,800)**	(6,800)
	286,903	240,935

12. TRADE AND BILLS PAYABLE

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**535,531**	546,547
Bills payable	**1,015,521**	894,518
	1,551,052	1,441,065

(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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**321,817**	449,254
1 to 3 months	**417,880**	319,128
4 to 6 months	**607,638**	267,889
7 to 12 months	**161,354**	365,662
Over 1 year	**42,363**	39,132
	1,551,052	1,441,065

(b) As at 30 June 2019, the Group's bills payable of RMB749,466,000 (31 December 2018: RMB661,518,000) were secured by the Group's bills receivable of RMB174,259,000 (31 December 2018: RMB141,283,000) (Note 10) and by Group's pledged deposits of RMB293,799,000 (31 December 2018: RMB196,300,000).

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other payables and accrued expenses	**86,772**	82,730
Other tax payables	**22,066**	21,147
Dividends payable	**148**	148
	108,986	104,025

14. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

(b) Share capital

The Company's ordinary shares are set out below:

	As at 30 June 2019		As at 31 December 2018	
	No. of shares	**Amount *RMB'000* (Unaudited)**	No. of shares	Amount *RMB'000* (Audited)
At 30 June/31 December	**3,211,780,566**	**276,727**	3,211,780,566	276,727

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the period under review, the global photovoltaic industry continued to maintain steady growth. According to the data released by the China Photovoltaic Industry Association (CPIA), the global installed capacity of photovoltaics in the first half of 2019 was approximately 47 GW. According to Bloomberg New Energy Finance, the global installed capacity of photovoltaics will exceed 117 GW in 2019, while IHS the international analysis agency is more optimistic about the global photovoltaics market in 2019, which is expected to reach 129 GW.

2019 is the first year for the new photovoltaics subsidy bidding mechanism in China's photovoltaics market. It is also the first year of parallel development of grid parity and bidding projects. The industry has gradually shifted from bidding photovoltaics to grid parity. The market is undergoing a structural transformation, capacity and product quality improvement, encourage high-end and high-efficiency products, promote technological progress, reduce power generation costs, reduce subsidy dependence, promote the industry to high-quality development, and accelerate the achievement of comprehensive affordable grid parity. As the new photovoltaics policy became clear in the second quarter of this year, China's newly installed capacity for photovoltaic power generation dropped to 11.4 GW (down more than 50% year-on-year). The newly installed capacity of distributed photovoltaic power plants is about 4.6 GW (down 61.7% year-on-year), centralized photovoltaic power plants is about 6.8 GW (down 43.3% year-on-year), and the accumulated installed capacity for photovoltaic power generation is about 186 GW.

In May of this year, the National Energy Administration of China announced the first batch of 14.78 GW of photovoltaic grid parity demonstration projects, of which about 30% of the projects were confirmed to be connected to the grid by the end of this year. With subsidy projects, photovoltaic poverty alleviation projects, Top Runners projects continue to advance and parity projects have been successively launched, China's domestic market is expected to recover in the second half of this year. It is expected that the market will expand in the second half of the year, and the annual installed capacity is expected to exceed 40 GW, the proportion of parity projects is expected to be around 20%, and continues to rank first in the world.

The Chinese government has also developed a special photovoltaic poverty alleviation program* (光伏扶貧方案) to, apart from helping conserve energy and reduce carbon emission, improve the lives of the poor through photovoltaic power generation. In December 2017, the National Energy Bureau and the State Council Poverty Alleviation Office* (國務院扶貧開發領導小組辦公室) jointly issued the "Notice on the Release of the First Batch of Photovoltaic Poverty Alleviation Projects of the 13th Five-Year Plan"* (《關於下達"十三五"第一批光伏扶貧項目計劃的通知》), and where 8,689 village-level photovoltaic poverty alleviation power stations with a total installed photovoltaic

capacity of 4.186GW (after correction it is 3.85GW) and must be fully connected to the grid before 30 June 2019 (inclusive). In April 2019, the second batch of "Photovoltaic Poverty Alleviation Projects of the "13th Five-Year Plan" (《"十三五"第二批光伏扶貧項目計劃》) was jointly issued, and a total of 3,961 village-level photovoltaic poverty alleviation power stations were issued, with a total installed capacity of 1.67 GW. In principle, the photovoltaic poverty alleviation project issued this time should be completed and connected to the grid by the end of this year. This photovoltaic poverty alleviation program places its focus on the distributed power plants market. After the completion of the power plants, it will give full advantages of the photovoltaic industry and enhance the economic strength of the poor villages and is also conducive to the continued growth in the Group's market share of the monocrystalline silicon products.

On the other hand, driven by the demand of overseas markets, China's major photovoltaic manufacturing companies have shown a boom in production and sales, and continue to grow. In the first half of the year, China's polysilicon production was 155,000 tons (up 8.4% year-on-year), wafer production was 63 GW (up 26% year-on-year), cells production was about 51 GW (up 30.8% year-on-year), and modules production was about 47 GW (up approximately 11.9% year-on-year).

In the Indian market, according to research data from Cleantechnica, among the 7.8 GW of new generation capacity generated in the first half of 2019, solar energy accounted for 3.5 GW (up 39% year-on-year). India's Ministry of New and Renewable Energy plans to increase 8.5 GW of photovoltaics installed capacity from April 2019 to March 2020, including 1 GW of rooftop photovoltaics installed capacity, the target was 23% lower than the previous year (2018–2019). Since August 2019, India's photovoltaics product security tariff import tariffs will drop from 25% to 20%. Considering the decline in Indian import tariffs and the decline in photovoltaics module costs, India's photovoltaics installed capacity is expected to maintain rapid growth. The Indian government plans to achieve a total of 175 GW of renewable energy generation by 2022, of which the installed capacity of photovoltaics is 100 GW.

According to Wood Mackenzie and Solar Energy Industry Association (SEIA)'s U.S. Solar Market Insight Report, the United States added 2.7 GW of photovoltaics installed capacity in the first quarter of 2019, and solar power accounted for 51% of the total new generation capacity in the United States. In 2019, the U.S. solar market is expected to grow by 25% compared to 10.6 GW of installed capacity in 2018, possibly reaching 13 GW, making it the second largest year of installed capacity in the United States in the history. The rapid growth of solar markets such as Florida and Texas is an important reason for pushing up the expectations of U.S. solar installations in 2019. As costs fall and investment tax credits (ITCs) gradually decrease, solar installed capacity is expected to more than double during the next five years of prosperity, reaching 16.4 GW by 2021. The Solar Energy Industry Association (SEIA) estimates that extending the Solar Investment Tax Credit Policy (ITC) will boost solar's share of U.S. electricity generation by a third by 2030, solar analysts are confident that the health of the industry will not be significantly compromised in the long term by its tapering of the investment tax credit policy (ITC).

The Europe market has maintained a large market demand after the cancellation of the minimum import price (MIP) measures in 2018. It is expected that the growth rate in 2019 will be significantly above 11 GW. Emerging markets are also rising rapidly, due to the continuous increase in electricity prices and the lack of power supply, Australia's large-scale terrestrial photovoltaics will overtake household photovoltaics in 2018, and it is expected to remain above 4 GW in 2019. Mexico and Turkey are developing rapidly. In the domestic "630 FIT rush", Vietnam's accumulated photovoltaics installation reached 4.3 GW as of June 2019.

Operations review

The Group focuses on the vertical integration for photovoltaic monocrystalline products, providing one-stop solutions for the photovoltaic industry ranging from the manufacturing and sales of silicon ingots and wafers, photovoltaic cells and photovoltaic modules, the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. Apart from not self-manufacturing polysilicon, the scope of its business covers the whole chain of the photovoltaic industry.

Although the Group possesses the capacities to manufacture the aforementioned mono-crystalline silicon ingots, mono-crystalline silicon wafers, solar cells and modules, the production capacity of each is not exactly the same. Currently, the Group's production capacities for monocrystalline silicon ingots and monocrystalline silicon wafers are both 1.8GW respectively. Monocrystalline solar cell annual production capacity remains at 400MW with photovoltaic module production capacities at 2.2GW. Through this capacity allocation strategy, it satisfies the external demands for its photovoltaic modules and boosts the internal demands for its monocrystalline silicon ingots/wafers. At the same time, maintaining certain extent of the mid-stream solar cell capacity enable the Group to make good use of the advantages of vertical and continuous production in the entire industrial chain. Hence, most of the solar cells required for the downstream production of modules of the Group are through external procurement.

Since our photovoltaic module customers are mostly domestic state-owned enterprises or large multinational corporations, the market position and strength possessed by these module customers are the most powerful in the overall photovoltaic industry chain. Therefore, the Group has established a direct supply relationship with large module customers through significant module production capacity, which not only maintains a more stable terminal product estuary, but also drives the utilisation rate of each production segment of the Group from the bottom up.

Secondly, the Group's vertical integration of upstream and downstream capacities, by adopting a dual-track strategy of continuous development of upstream monocrystalline silicon ingots, silicon wafer niche products and downstream module products, while not expanding the capacity of the mid-stream solar cell capacity, effectively focuses the Group's resources and withstands the fluctuations in upstream monocrystalline silicon

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

In terms of operating results, reaping the benefits of the results from strengthening the customer relationship of downstream module products over the years, the Group's high-end photovoltaic products continued to be welcomed by domestic state-owned enterprises and multinational corporations. Total shipment increased from 1,207MW in the first half of 2018 to 1,602MW in the first half of 2019, a growth reaching 32.7%. Among which, nearly 80% of the revenue was generated from the shipment of downstream module product sales.

However, although the shipment of the Group's main module products increased significantly, due to the increase in module production capacity during the period compared with the same period of last year, compounded with the effect of the later-than-expected introduction of China's 2019 photovoltaic power subsidy policy, demands in the domestic market have been deferred to the second half of this year. Therefore, although the sales volume of the Group's module products has grown during the period, it is still not up to expectation, and the advantage of economy of scale has not been fully demonstrated.

In addition, regarding the production of upstream monocrystalline silicon ingot and wafer products, the Group's low-cost and high-efficiency production capacity located in Yunnan Qujing was still in adjustment phase during the period and advantages were not yet shown, which forced the Group to continue to rely heavily on the monocrystalline ingot and wafer products from its production base in Liaoning Jinzhou. While the local electricity cost in Liaoning Jinzhou is more than double that of Yunnan Qujing, it has directly and indirectly contributed to higher production cost of monocrystalline silicon ingots and wafers. As such, the Group's overall gross profit was greatly compressed. The gross profit margin reduced from 10% in the first half of 2018 to 5% in the first

half of 2019, resulting in an operating loss of RMB90.587 million in the first half of 2019, whereas an operating loss of RMB40.844 million was recorded in the first half of 2018.

However, disregarding the aforementioned factors, and after the policy becomes more clarified, the domestic market demand is expected to rebound. Although the average unit selling price in the future will still continue to gradually decrease with the advent of the era of full grid parity, the Group can rely on (1) the new production base having low external electricity costs, which directly and indirectly reduces the production costs (2) the commissioning of its low-cost high-efficiency production lines, and (3) technological integration advantages of its various product lines. It is expected that the effective display of economic scale and production advantages will drive the Group's gross profit back to its normal levels.

While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through external demand for the Group's downstream modules driving the internal demand of its upstream ingots and wafers, also through further strengthening its strategic partnerships with third party mid-stream solar cell manufacturers, the Group and its partners will be able to leverage their respective strengths and experiences in laying a solid foundation for broader co-operation in the future.

Silicon ingot and wafer business

Apart from not producing its own polysilicon, a chemical product, in the scope of its business, the Group covers an all-rounded photovoltaic industry production chain under its vertically integrated business model. As such, the Group both self-manufactures and process upstream of ingots, wafers and solar cells for the utilisation by its downstream modules, in order to enhance the respective external market competitiveness of each product segment, and to allow for their external sales. During the period, demand for monocrystalline products had continuously increased which led to rapid growing market share of monocrystalline products. In addition to the traditional monocrystalline P-type products, shipment volume of monocrystalline N-type products with higher conversion efficiencies are also increasing. With the continued realisation of advantages in better improvement in conversion efficiency, more stable decay rate in its photovoltaic systems, continued reduction in unit costs, etc. of monocrystalline products, it is expected that the advantages of monocrystalline products will become more obvious in the field of photovoltaic power generation, and the market share of monocrystalline silicon products will further increase significantly. Guided by this advantageous environment in the industry, the Group, through its long-term strategic partnerships with well-known solar cell-focused manufacturers, not only enjoys priority distribution channels for the sales of its monocrystalline wafers, but also ensures the long-term stable utilisation of the Group's capacity and shipment volume. The benefits of the Group's upstream and downstream vertical integration are fully realised.

The Group have consolidated its leading position in the mono-crystalline silicon solar ingot and wafer manufacture industry in terms of technology and product quality. The quality of its monocrystalline silicon products is amongst those of the industry leaders. During the period, not counting those utilised internally, the external shipment volume of mono-crystalline silicon ingots has remained stable at 214.1MW, comparing to the 206.4MW in the corresponding period of 2018. External shipment volume of mono-crystalline silicon wafers has surged strongly to 618.5MW (323.3MW in the corresponding period of 2018). Major customers of external sales included Aikosolar Group (愛旭太陽能集團), TW Solar Group (通威太陽能集團) and huge state-owned enterprises in China, such as State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC").

In addition, regarding the phase one 600MW monocrystalline silicon solar ingot and wafer project, newly invested by the Group, located in Qujing City, Yunnan Province, China, as the local electricity costs at the new plant being lower than that at our major production base by more than 50%, it will drive down the various direct and indirect cost of production. Added to that, the effect of the commissioning of the low-cost high-efficiency production capacity will significantly lift the Group's overall gross profit. Therefore, The Group is currently actively planning the expansion of the monocrystalline silicon solar ingot and wafer capacities in Yunnan, Qujing, in order to take advantage of the local external production environment, and enable the Group to fully demonstrate its current technological advantages in production.

Solar cell business

The Group's production lines of solar cells are located at the Group's manufacturing base in Jinzhou, Liaoning. During the year, the annual production capacity of solar cells was 400MW (2018: 400MW). Solar cells are mainly provided internally to the downstream module business of the Group. Only a small portion of solar cells with special specifications are sold to our selected customers in China and Japan. The Group's solar cell manufacturing capacity is highly flexible. Our products range is hence extensive, which includes mono-crystalline, multi-crystalline, P-type high end, N-type double-sided solar cells, etc. Focusing on the implementation of the vertical integration strategy on monocrystalline products, most of the solar cells are mainly provided to the use of the Group's downstream solar modules companies.

In addition, the Group has also been collaborating with university teams of the highest levels in the field of global perovskite (鈣鈦礦) research in projects to jointly develop perovskite solar cells in order to pave the way for solar cell development in the next decade and keep abreast of the latest trends in the photovoltaic industry.

Module business

During the first half of 2019, the Group's photovoltaic module shipments maintained an upward trend. The Group's external shipment during the period was 800.6MW, a 24% increase from the 643.3MW in the corresponding period of 2018. Although the market price continued to decline during the period, the Group's total module sales in the first half of the year increased from RMB1,360.73 million in the corresponding period of last year to RMB1,435.48 million in the first half of 2019. Although the shipment of the Group's main module products increased significantly, due to the increase in module production capacity during the period compared with the same period of last year, compounded with the effect of the later-than-expected introduction of China's 2019 photovoltaic power subsidy policy, demands in the domestic market have been deferred to the second half of this year. Therefore, although the sales volume of the Group's module products has grown during the period, it is still not up to expectation, and the advantage of economy of scale has not been fully demonstrated. However, relying on the Group's excellent product quality and price competitiveness, as the domestic market demand begins to ferment, it is expected that the external shipments and total sales will continue to grow and the expected economies of scale will be realised.

External sales of module products was mainly made to huge Chinese state-owned enterprises and overseas multinational enterprises, such as State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC"), Xinyi Solar Group (信义光能集團), Beijing Enterprises Holdings Limited (北京控股集團有限公司) ("BEGCL"), SHARP Corporation and SANSHIN ELECTRONICS CO., LTD., etc.

On the other hand, following the increasing awareness of the benefits of higher conversion efficiency and more competitive costs offered by the Group's focused monocrystalline photovoltaic modules, and responding to the opportunity offered by grid parity, market share of monocrystalline module products continues to grow quickly. Demand for N-type mono-crystalline and P-type PERC photovoltaic modules have surged. In addition to flexibly supporting the manufacturing of mono- and multi-crystalline photovoltaic modules, the Group will continue to expand and strengthen the development and sales of monocrystalline silicon high-efficiency module products such as N-type double-sized glass photovoltaic modules, half-cell photovoltaic modules, P-type monocrystalline solar cell Passivate Emitter and Rear Cell (PERC), smart photovoltaic modules, and related high-end products. Among them, installation of the new production lines of our BS modules of N-type monocrystalline IBC solar cell, which produces higher current output, open circuit voltage, fill factor and other electrical performance advantages, have been completed and external sales has been recorded during the first half of 2019. BS modules utilises, first in the country, this internationally-leading FPC manufacturing technique, with SHARP Corporation ("SHARP"), the Group's key strategic partner, being its major sales customer.

As a company focusing on monocrystalline silicon photovoltaic products, equipped with high-quality, self-produced upstream monocrystalline silicon ingots and monocrystalline silicon wafers, customers' demand for the Group's monocrystalline modules has always remained high. Currently, proportion of sales of the Group's mono-to-multi-crystalline silicon photovoltaic modules has remained at 80:20 and the market share of monocrystalline silicon photovoltaic products is expected to rise continuously.

In summary, through customer demand for the Group's downstream modules, it has successfully driven the internal demand for the Group's upstream monocrystalline ingots and monocrystalline wafers. Adopting a dual-track strategy of continuous development of upstream monocrystalline silicon ingots, silicon wafer niche products and downstream module products, the Group effectively demonstrates the advantages of vertical integration of upstream and downstream capacities, and better withstands the fluctuations in upstream monocrystalline silicon wafer market or mitigate any instability in the supply of mid-stream solar cells.

Construction and operation of photovoltaic system business

To consolidate its advantages of the business model of vertical integration, the Group actively expanded the business of end-user market apart from its efforts in vertical integration business development, thereby driving demand for products from downstream to upstream. As such, in respect of the business opportunity derived from the construction of distributed power plants, apart from the Group's internal companies focusing on photovoltaic power plant system, the Group also plans to establish joint venture companies with companies from other industries in order to share the profits and also provide extra distribution channels for the Group's module sales. In respect of large-scale centralised power plants, the Group will, through investing as minority shareholders, seek construction opportunities as an EPC service provider and help to drive the sales of the Group's modules.

Financial Review

Revenue

The cost of photovoltaic power generation will continue to decline as technology continues to improve in order to replace traditional petrochemical energy in a larger scale and to effectively achieve the goal of green and clean energy. As such, although the average selling price during the period continued to decline comparing to the corresponding period of last year, the Group's revenue of RMB1,847.235 million still represented a slight increase from RMB1,813.778 million in the corresponding period of 2018. In terms of external shipment, as a result of successful customer development, the size of the customer base and the purchases by individual customers grew. External shipment volume increased significantly by 32.7% compared to the corresponding period of last year.

Cost of sales

Up to 30 June 2019, cost of sales increased from RMB1,630.694 million from the corresponding period last year to RMB1,755.969 million, representing an increase of 8%, which resulted from the increase in shipment volume.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB91.266 million and a gross profit margin of 4.9% in the first half of 2019, as compared to a gross profit of RMB183.084 million and a gross profit margin of 10.1% in the first half of 2018. Both gross profit and the gross profit margin recorded declines, main reasons being:

(1) Although the shipment of the Group's main module products increased significantly, due to the increase in module production capacity during the period compared with the same period of last year, compounded with the effect of the later-than-expected introduction of China's 2019 photovoltaic power subsidy policy, demands in the domestic market have been deferred to the second half of this year. Therefore, although the sales volume of the Group's module products has grown during the period, it is still not up to expectation, and the advantage of economy of scale has not been fully demonstrated.

(2) Regarding the production of upstream monocrystalline silicon ingot and wafer products, the Group's low-cost and high-efficiency production capacity located in Yunnan Qujing was still in adjustment phase during the period and advantages were not yet shown, which forced the Group to continue to rely heavily on the monocrystalline ingot and wafer products from its production base in Liaoning Jinzhou. While the local electricity cost in Liaoning Jinzhou is more than double that of Yunnan Qujing, it has directly and indirectly contributed to higher production cost of monocrystalline silicon ingots and wafers. As such, the Group's overall gross profit was greatly compressed.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased to RMB42.343 million in the first half of 2019 from RMB41.588 million in the first half of 2018. The increase in selling and distribution expense was mainly due to the increase in volume of external shipment in the first half of 2019.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses decreased by 12% from RMB197.408 in the first half of 2018 to RMB172.819 million in the first half of 2019.

Finance costs

Finance costs represented mainly bank loan interests. The Group's finance costs decreased from RMB64.380 million in the first half of 2018 to RMB58.476 million in the first half of 2019, a decrease of 9%. The effective control on finance costs shows the Group's better financial control on the use of funds during the period and the better financing terms obtained from the banks. The Group expects to continue reducing finance costs in the future and will obtain various different financing channels.

Income tax

Income tax credit was RMB22.957 million in the first half of 2019, while an income tax credit amounted to RMB1.860 million was recorded in the first half of 2018. Income tax credit recorded in 2018 was mainly due to the recognition of the Group's deferred tax assets.

Loss attributable to the equity holders

In the first half of 2019, the Group recorded a loss attributable to the equity shareholders of RMB184.206 million, as compared to a loss attributable to the equity shareholders of RMB107.280 million in the first half of 2018.

Inventory turnover days

In order to reduce committed capital and, at the same time, further strengthen the Group's operation working capital, the Group has been committed to effective control of inventory. During the period, the Group's inventory turnover rose slightly to 42 days (31 December 2018: 37 days). It was mainly due to the later-than-expected introduction of China's 2019 photovoltaic power subsidy policy, and demands in the domestic market have been deferred to the second half of this year, resulting in a slight increase in inventory held on hand.

Trade receivable turnover days

The Group completed the vertical integration of upstream and downstream monocrystalline silicon products since 2011. Apart from not producing polysilicon in-house, the scope of the Group's business covers self-production of monocrystalline silicon ingots, monocrystalline silicon wafers, solar cells and solar modules. However, in order to establish direct supply relationships with large terminal photovoltaic module customers in stronger market positions, and to further stabilise the Group's overall sales, the capacity of module production gradually increased from 400MW in 2013 to 2.2GW in June 2019. Under the rapid growth of the capacity of module production, the solar modules sales accounted for approximately 80% of the Group's overall sales.

According to the terms of the industry's general module sales contract, the recovery of module receivable depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. In addition, 10% or above of the total amount of receivables are retained as warranties. These warranties will generally be recovered in around one year. As a result, the trade receivables turnover days of module business are generally longer. As the Group's module sales has sustained rapid growth in the proportion of operating income, the trade receivables turnover days increased.

From the rapid growth of the ratio of revenue in modules sales of the Group, the trade receivables turnover days of the Group increased to 154 days (31 December 2018: 141 days) in the first half of 2019.

Trade payable turnover days

The trade payables turnover day was 153 days, which rose significantly comparing to 124 days of last year, was mainly due to the strategic partnerships established with our major suppliers, under stable and frequent co-operations, and the suppliers have gradually increased our lines of credits and payment terms.

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flows from bank borrowings. As at 30 June 2019, the current ratio (current assets divided by current liabilities) of the Group was 0.78 (31 December 2018: 0.80). The Group had net borrowings of RMB1,286.418 million as at 30 June 2019 (31 December 2018: RMB1,125.436 million), including cash in bank and on hand of RMB155.461 million (31 December 2018: RMB239.712 million), pledged deposits of RMB472.834 million (31 December 2018: RMB425.309 million), bank loans due within one year of RMB1,900.750 million (31 December 2018: RMB1,773.140 million) and non-current bank and other loans of RMB13.963 million (31 December 2018: RMB17.317 million). The net debt to equity ratio (net debt divided by total equity) was 202.6% (31 December 2018: 139.3%).

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

During the period, earnings before interest, taxes, depreciation and amortisation ("EBITDA") was RMB23.894 million (1.3% to revenue) (corresponding period of 2018: RMB65.676 million, 3.6% to revenue). The main reason for the decrease in EBITDA was due to the Group's net loss during the period.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies

giving rise to this risk are primarily the US Dollar and Euro. The Directors do not expect any significant impact from the change in exchange rates since the Group uses foreign currencies received from overseas customers to settle the amounts due to overseas suppliers or loans denominated 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 the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Human resources

As at 30 June 2019, the Group had 3,691 (31 December 2018: 3,669) employees.

Future prospects and strategies

Year 2019 is the first year of implementing a new mechanism for photovoltaic subsidy bidding, and it is also the first year of parallel development of grid parity and bidding projects. The market is undergoing a structural transformation, capacity and product quality improvement encourage high-end and high-efficiency products, promote technological progress, reduce power generation costs, reduce dependence on subsidies, promote the industry to high-quality development, and accelerate the achievement of comprehensive grid parity.

In 2019, as the new photovoltaic policy became clearer in the second quarter, industry insiders generally believe that in the first half of the year, everyone is waiting to see and study policies. As the policy will be implemented in the second half of the year, and the domestic market will resume. At that time, explosive growth is expected. At the same time, as parity-projects intensifies the pressure in cost transmission, the industrial integration will be accelerated, and some non-competitive photovoltaic companies will gradually withdraw from the market, so the operators who can survive this level will be able to enjoy fruitful results. Therefore, it is expected that the photovoltaic market will prosper and those operators who survive shall enjoy fruitful results.

Tao Ye (陶冶), deputy director of the Renewable Energy Development Center of the Energy Research Institute of the National Development and Reform Commission of China (中国发改委能源研究所可再生能源发展中心), said: "As of June this year, domestic photovoltaic newly installed capacity amounted to 11.4GW, although a year-on-year decline, but according to the latest policy indicators released this year, newly installed capacity this year is expected to exceed 40GW, and the proportion of parity-projects is expected to be reach 20%. Newly installed capacity is expected to reach 45GW to 50GW in 2020". Hence the analysis predicts that by the end of 2020, cumulative solar power installed capacity will above 250GW.

The advantage of high conversion ratios, stable decay rate in its photovoltaic systems, continued reduction in unit cost, etc. of monocrystalline products are highlighted. In addition, with the increased attention by national policy on distributed solar power plants, markets of monocrystalline products are expected to grow continually. Hence, market share of monocrystalline products will continue to rise. Therefore, monocrystalline products has become the popular choice in solar project. The proportion of solar plants installing monocrystalline photovoltaic systems and the monocrystalline products used by distributed power plants have increased as a result.

The Group focuses on single crystal products in photovoltaic products and has industry-leading production technology of mono-crystalline products. In the upstream and downstream of the vertical integration of the photovoltaic industry, while not producing chemical raw material polysilicon, its business form covers the entire photovoltaic industry. The chain can fully leverage the synergies between the Group's businesses. The focus is on the production of upstream mono-crystalline silicon ingots and silicon wafers, and planning the downstream module production capacity, in order to focus on the production of upstream niche products, mono-crystalline silicon ingots and wafers, retaining only a small scale solar cell manufacturing capacity, and through significant module production capacity, the Group not only maintains direct contact with downstream module customers with huge market power, establishes stable supply and demand relations but also keeps a finger on the pulse of the end-user market, and can also bring out the upstream high-end mono-crystalline silicon ingot and wafer products. Through the potential of continuous improvement in production costs of the upstream high-end mono-crystalline ingot and wafer products, the Group's innate advantage will be demonstrated.

Although the average unit selling price of the product in the future is still expected to gradually decline with the advent of grid parity, the Group can rely on (1) the new production base having low external electricity costs, which directly and indirectly reduces the production costs (2) the commissioning of its low-cost high-efficiency production lines, and (3) technological integration advantages of its various product lines. It is expected that the effective display of economic scale and production advantages will not only lead to continuous growth in the Group's future external shipment volume and revenue, it is also expected that the magnitude of decrease in cost of the Group's products will be greater than that of the decrease in unit selling price, hence driving the Group's gross profit ratios to return to a normal level.

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for six months ended 30 June 2019 (for six months ended 30 June 2018: 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 2019.

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 2019.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2019.

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 2019.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2019 containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and the Company (http://www.solargiga.com) in due course.

By Order of the Board
Solargiga Energy Holdings Limited
Wang Junze
Executive Director

Hong Kong, 30 August 2019

As at the date of this announcement, the executive Directors are Mr. Tan Wenhua (Chairman), Mr. Tan Xin and Mr. Wang Junze, the non-executive Director is Mr. Hsu You Yuan and the independent non-executive Directors are Ms. Fu Shuangye, Dr. Wong Wing Kuen, Albert and Ms. Feng Wenli.