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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 2022

FINANCIAL HIGHLIGHTS

	Six Months Ended 30 June		
	2022	2021	Change
	RMB million	*RMB million*	
Revenue	**3,147.0**	2,820.6	+11.6%
Profit attributable to owners of the parent	**67.7**	61.3	+10.4%
Earnings per share — Basic	**RMB2.04 cents**	RMB1.86 cents	+9.7%

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 2022, together with the comparative figures for the corresponding period in 2021. 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 2022 — unaudited

		Six months ended 30 June	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**3,146,960**	2,820,623
Cost of sales		**(2,879,888)**	(2,449,107)
Gross profit		**267,072**	371,516
Other income and gains, net	*4*	**84,494**	63,239
Selling and distribution expenses		**(1,605)**	(63,761)
Administrative expenses		**(130,378)**	(135,697)
Impairment losses on financial and contract assets, net		**(860)**	(9,314)
Other expenses		**(1,000)**	—
Finance costs		**(67,182)**	(60,763)
Profit before tax	*5*	**150,541**	165,220
Income tax expense	*6*	**(16,858)**	(44,574)
Profit for the period		**133,683**	120,646
Attributable to:			
Owners of the parent		**67,733**	61,339
Non-controlling interests		**65,950**	59,307
Profit for the period		**133,683**	120,646
BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RMB cents)	*7*	**2.04**	1.86

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2022 — unaudited

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Profit for the period	**133,683**	120,646
Other comprehensive (loss)/income for the period, after tax:		
Items that may be reclassified subsequently to profit or loss:		
— Exchange differences on translation of foreign operations	**(12,335)**	28,491
Total comprehensive income for the period, after tax	**121,348**	149,137
Attributable to:		
Owners of the parent	**55,398**	89,830
Non-controlling interests	**65,950**	59,307
Total comprehensive income for the period	**121,348**	149,137

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2022

	Notes	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*8*	**1,959,189**	1,901,125
Long term prepayments and other receivables		**30,539**	17,211
Right-of-use assets		**240,537**	238,563
Investments in associates		**200**	200
Equity investments designated at fair value through other comprehensive income		**190**	190
Deferred tax assets		**6,675**	9,065
		2,237,330	2,166,354
Current assets			
Inventories		**761,541**	459,439
Trade and bills receivables	*9*	**1,675,462**	1,794,155
Contract assets	*10*	**231,597**	159,049
Prepayments, other receivables and other assets	*11*	**531,240**	521,292
Current tax recoverable		**4,954**	7,744
Financial assets at fair value through profit or loss		**697**	—
Pledged deposits		**1,090,571**	751,278
Cash and cash equivalents		**500,882**	431,861
		4,796,944	4,124,818
Current liabilities			
Derivative financial instruments		**10,623**	—
Interest-bearing bank and other borrowings		**1,991,109**	1,915,279
Trade and bills payables	*12*	**2,404,650**	2,242,716
Other payables and accruals	*13*	**458,443**	543,866
Contract liabilities		**246,514**	141,083
Current tax payable		**32,770**	25,629
Provision	*14*	**1,336**	4,700
Current portion of lease liabilities		**27,816**	20,270
		5,173,261	4,893,543
Net current liabilities		**(376,317)**	(768,725)
Total assets less current liabilities		**1,861,013**	1,397,629

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2022 (continued)

	Note	At 30 June 2022 RMB'000 (Unaudited)	At 31 December 2021 RMB'000 (Audited)
Non-current liabilities			
Convertible bonds		**245,133**	—
Interest-bearing bank and other borrowings		**377,084**	209,670
Deferred tax liabilities		**2,760**	2,418
Deferred income		**241,664**	258,065
Lease liabilities		**70,834**	73,592
Provision	*14*	**135,120**	181,605
		1,072,595	725,350
NET ASSETS		**788,418**	672,279
EQUITY			
Equity attributable to equity holders of the parent			
Share capital		**285,924**	285,924
Reserves		**88,290**	90,490
		374,214	376,414
Non-controlling interests		**414,204**	295,865
TOTAL EQUITY		**788,418**	672,279

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 June 2022 — unaudited

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
Cash generated from operations	**316,154**	313,512
Tax paid	**(4,819)**	(6,650)
Net cash flows generated from operating activities	**311,335**	306,862
Net cash flows used in investing activities	**(320,685)**	(101,738)
Net cash flows generated from/(used in) financing activities	**80,438**	(292,255)
Net increase/(decrease) in cash and cash equivalents	**71,088**	(87,131)
Effect of exchange rate changes	**(2,067)**	1,469
Cash and cash equivalents at 1 January	**431,861**	456,265
Cash and cash equivalents at 30 June	**500,882**	370,603

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 30 June 2022 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As at 30 June 2022, the Group's current liabilities exceeded its current assets by RMB376,317,000. 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 2023. 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 2023. 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 2022 from the Group's major banks with an amount of RMB2,248,744,000, which will expire on 31 December 2023.

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 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	*Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January

2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

- HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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 resource allocation and performance assessment, the Group has identified four reportable segments and their comparative figures: (i) the manufacture of, trading of, and provision of processing services for monocrystalline silicon solar ingots/wafers and related products ("Segment A"); (ii) the manufacture and trading of photovoltaic modules ("Segment B"); (iii) the construction and operation of photovoltaic power plants ("Segment C"); and (iv) the manufacture and trading of semiconductor, the trading of monocrystalline silicon solar cells and others ("Segment D").

(a) Segment results, assets and liabilities

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

	Six months ended 30 June									
	Segment A		Segment B		Segment C		Segment D		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Sales to external customers	**784,018**	1,134,807	**2,253,135**	1,634,502	**86,557**	32,674	**23,250**	18,640	**3,146,960**	2,820,623
Intersegment revenue	**53,155**	269,645	**2,541,350**	1,653,162	**91,256**	2,304	**114,367**	288,944	**2,800,128**	2,214,055
Reportable segment revenue	**837,173**	1,404,452	**4,794,485**	3,287,664	**177,813**	34,978	**137,617**	307,584	**5,947,088**	5,034,678
Reportable segment profit/(loss)	**112,495**	200,787	**55,866**	(53,967)	**(7,177)**	6,579	**(27,501)**	(32,753)	**133,683**	120,646

	Segment A		Segment B		Segment C		Segment D		Total	
	At 30 June 2022	At 31 December 2021	**At 30 June 2022**	At 31 December 2021	**At 30 June 2022**	At 31 December 2021	**At 30 June 2022**	At 31 December 2021	**At 30 June 2022**	At 31 December 2021
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Reportable segment assets	**1,192,223**	1,267,535	**4,103,815**	3,895,912	**244,815**	211,816	**1,493,421**	915,909	**7,034,274**	6,291,172
Reportable segment liabilities	**855,739**	1,073,342	**3,848,763**	3,606,280	**149,446**	112,771	**1,391,908**	826,500	**6,245,856**	5,618,893

Other segment information:

	Six months ended 30 June									
	Segment A		Segment B		Segment C		Segment D		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Interest income from bank deposits	**761**	539	**15,372**	1,193	**5**	19	**2,643**	822	**18,781**	2,573
Finance costs	**(22,196)**	(11,433)	**(22,118)**	(22,961)	**(3,279)**	(3,278)	**(19,589)**	(23,091)	**(67,182)**	(60,763)
Depreciation and amortisation	**(79,915)**	(73,822)	**(70,827)**	(43,389)	**(691)**	(18)	**(3,940)**	(20,830)	**(155,373)**	(138,059)
Reversal of impairment losses/ (impairment losses) on trade receivables and contract assets	**(367)**	999	**(5,648)**	(6,602)	**1,748**	2,086	**3,407**	(5,797)	**(860)**	(9,314)
Reversal of write-down/ (write-down) of inventories	**177**	—	**3,262**	10,631	**(1,035)**	—	**—**	—	**2,404**	10,631
Capital expenditure	**162,514**	289,675	**25,204**	12,894	**12,179**	—	**3,293**	97	**203,190**	302,666

(b) For the six months ended 30 June 2022, 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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer A		
— From segment B	**601,060**	319,208
Customer B		
— From segment A	**—**	30,466
— From segment B	**166,146**	561,699

(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	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China (place of domicile)	**2,298,342**	2,410,015
Export sales		
— Japan	**659,148**	358,639
— West Asia	**111,325**	—
— Europe	**49,171**	14,128
— South Asia	**28,805**	37,811
— Others	**169**	30
Sub-total	**848,618**	410,608
Total	**3,146,960**	2,820,623

4. OTHER INCOME AND GAINS, NET

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**37,026**	37,353
Interest income from bank deposits	**18,781**	2,573
	55,807	39,926
Other gains, net		
Net foreign exchange gain/(loss)	**994**	(398)
Net gains on disposal of property, plant and equipment	**131**	8,131
Gain from sales of other materials	**17,862**	8,597
Gain on disposal of a subsidiary	**1,713**	—
Gain on acquisition of a subsidiary	**1,512**	—
Fair value losses on financial instruments	**(2,717)**	—
Others	**9,192**	6,983
	28,687	23,313
	84,494	63,239

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Salaries, wages and other benefits	**149,172**	117,824
Depreciation of right-of-use assets	**10,854**	6,417
Depreciation of property, plant and equipment	**144,519**	131,642
Reversal of write-down of inventories	**(2,404)**	(10,631)
Impairment of investment in associate	**1,000**	—
Research and development costs	**16,430**	34,855
(Reversal of provision)/provision for warranty (Note 14)	**(49,265)**	5,382
Impairment losses on trade receivables and contract assets	**860**	9,314
Gain on disposal of property, plant and equipment	**(131)**	(8,131)
Gain on disposal of a subsidiary	**(1,713)**	—
Gain on acquisition of a subsidiary	**(1,512)**	—
Fair value losses on financial instruments	**2,717**	—
Cost of inventories sold*	**2,593,219**	2,402,550
Cost of services rendered*	**286,669**	46,557

* Included in cost of inventories sold and cost of services rendered, amounts of RMB144,597,000 and RMB210,866,000 in aggregate for the six months ended 30 June 2022 and 2021, respectively, relating to staff costs and depreciation which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax — the PRC		
Provision for the period	**29,243**	50,268
Provision adjustment in respect of prior years	**(15,117)**	(3,997)
	14,126	46,271
Deferred tax	**2,732**	(1,697)
Income tax expense for the period	**16,858**	44,574

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

(a) Basic earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary equity holders of the parent of RMB67,733,000 (six months ended 30 June 2021: earnings of RMB61,339,000) and the weighted average of 3,323,771,133 ordinary shares of the Company in issue during the period (six months ended 30 June 2021: 3,295,925,829).

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares in issue for the periods ended 30 June 2022 and 2021.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a total cost of RMB203,190,000 (six months ended 30 June 2021: RMB302,666,000).

Assets with a net book value of RMB593,000 were disposed of by the Group during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB4,680,000), resulting in a net gain on disposal of items of property, plant and equipment of RMB131,000 (six months ended 30 June 2021: net gain of RMB8,131,000).

9. TRADE AND BILLS RECEIVABLES

	As at 30 June 2022 ***RMB'000*** **(Unaudited)**	As at 31 December 2021 *RMB'000* (Audited)
Trade receivables	**1,087,480**	1,205,268
Bills receivable	**698,740**	700,504
Less: Impairment	**(110,758)**	(111,617)
	1,675,462	1,794,155

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 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Within 1 year	**1,629,814**	1,733,506
1 to 2 years	**25,440**	31,686
2 to 3 years	**2,635**	24,338
3 to 4 years	**16,684**	3,582
4 to 5 years	**889**	966
Over 5 years	**—**	77
	1,675,462	1,794,155

The Group normally allows a credit period of 30 to 90 days for its customers. However, regarding domestic photovoltaic module sales, some trade receivables are granted longer credit periods of up to 180 days depending on the construction period of photovoltaic power plants.

As at 30 June 2022, bills receivable amounting to RMB346,145,000 (31 December 2021: RMB345,882,000), together with pledged deposits amounting to RMB938,753,000 (31 December 2021: RMB567,529,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB1,401,934,000 (31 December 2021: RMB1,315,712,000).

10. CONTRACT ASSETS

	As at 30 June 2022 *RMB'000* (Unaudited)	As at 31 December 2021 *RMB'000* (Audited)
Contract assets	**234,944**	160,677
Less: Impairment	**(3,347)**	(1,628)
	231,597	159,049

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Prepayments for raw materials	**352,076**	314,445
Deductible value-added tax	**63,414**	100,291
Other receivables	**115,750**	106,556
Less: Impairment	**—**	—
	531,240	521,292

12. TRADE AND BILLS PAYABLES

	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Trade payables	**1,002,716**	927,004
Bills payable	**1,401,934**	1,315,712
	2,404,650	2,242,716

(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 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Within 1 month	**698,002**	785,573
1 to 3 months	**932,639**	712,362
4 to 6 months	**444,479**	645,239
7 to 12 months	**254,099**	65,245
Over 1 year	**75,431**	34,297
	2,404,650	2,242,716

(b) As at 30 June 2022, the Group's bills payable of RMB1,401,934,000 (31 December 2021: RMB1,315,712,000) were secured by the Group's bills receivable of RMB346,145,000 (31 December 2021: RMB345,882,000) (Note 9) and by the Group's pledged deposits of RMB938,753,000 (31 December 2021: RMB567,529,000).

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2022	As at 31 December 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Other payables and accrued expenses	**406,601**	512,511
Other tax payables	**46,238**	31,217
Dividends payable	**5,604**	138
	458,443	543,866

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

In order to present a fairer and more appropriate view of the financial position and operating results of the Group, the Group revised its accounting estimates on the provision for warranties from 1% to 0.625% in accordance with HKAS, based on the technical assessment report prepared by the Company's management, as well as further referenced to the accounting estimation adopted by other companies in the industry. The Company obtained the approval on 26 August 2022 from the Company's board of directors and adopted this change from 1 January 2022.

If there are no changes in accounting estimates, the provision for warranties would amount to approximately RMB34,387,000 in the current period; after the change in accounting estimates, a reversal of the provision for warranties of RMB47,927,000 was recorded, which increased the total profit of the Group for the period ended 30 June 2022 by approximately RMB82,314,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations Review

Operations Summary

Clean and renewable energy has become a new trend of the world. With a well-developed technology, photovoltaic power is now the renewable energy with the greatest development potential and the lowest cost compared with the inflated fossil fuel prices, so the rapid growth in demand for photovoltaic products in the future will be inevitable. The Group focuses on the manufacturing and sales of upstream monocrystalline silicon ingots, wafers and downstream photovoltaic modules in the photovoltaic industry. Our major customers of monocrystalline silicon ingots and wafers are large midstream solar cell manufacturers and 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 czochralski monocrystalline silicon ingots, with 20 years of experience in manufacturing monocrystalline silicon ingot, the Group now has accumulated mature experience in terms of technology, domestic and overseas market development, industrial chain cooperation, brand effect, premium services, etc. Subsidiaries of the Group have obtained 287 National patents, more than 30 provincial and municipal science and technology first prizes, second prizes, achievement awards. The awards are: National high-tech enterprise, National green factory, Provincial Enterprise Technology Center, Provincial Engineering Technology Research Center, Photovoltaic Testing Center with China National Accreditation Service for Conformity Assessment's laboratory accredited, Global Top 500 New Energy Companies (No.173), Top 100 New Energy Companies Global Competitiveness (No.92), Top 500 PRC Energy Group Companies (No.267), Top 20 PRC Comprehensive Companies in 2022 (No.19),Top 20 PRC PV Module Companies in 2022 (No.12). The Group is the vice chairman unit of PRC Photovoltaic Industry Association, vice chairman unit of Semiconductor Materials Branch of and standing council unit of China Electronic Materials Industry Association, Household Photovoltaic Professional Committee unit, Standardization Technical Committee unit and Photoelectric Building Professional Committee unit of China Photovoltaic Industry Association and expert member of Photovoltaic Professional Committee of China Renewable Energy Society. Solar photovoltaic modules are rated as national grade's green design products. The Group is also the first in the world to be SHARP'S largest ODM processing services partner for photovoltaic module for nine consecutive years, the OEM for the State Power Investment Group (one of the five major power generation groups all year round), the major supplier of double-sided double glass modules in the 2018 Front Runner Plan and the major module supplier for the power configuration project of the UHV transmission base in Hainan, Qinghai Province, a national key project in 2019.

Currently, the Group has set the "one base, two wings" layout strategy, with Jinzhou in Liaoning as the base, Qujing in Yunnan and Yancheng in Jiangsu as two side wings. As at the end of June 2022, the total annual production capacity of our production bases were 6.2 GW of monocrystalline silicon ingot, 4.5 GW of monocrystalline silicon wafers, and 7.2 GW of modules due to the production scale, the high-efficiency and high production capacity layout of the Group. The Group has been starting to demonstrate stronger comprehensive competitiveness and further increase the market share of high quality but low-cost products.

Silicon ingot and wafer business

The Group is one of the earliest enterprises in the PRC to invest in the production of monocrystalline silicon ingots and wafers. At present, monocrystalline silicon ingot products are mostly used for the internal production of monocrystalline silicon wafers within the Group, and less engaged in external sales. Monocrystalline silicon wafer products of the Group are mostly sold to third-party large professional solar cell manufacturers. During the period, since monocrystalline products are advantageous over multicrystalline products in photovoltaic power generation, the market share of monocrystalline products has continued to increase rapidly. As such, demand for monocrystalline silicon wafers of the Group has continued to increase. With the continuing realisation of advantages such as the relating high potential for improvement in conversion efficiency of monocrystalline products and continuing reduction in unit costs due to improving technology, the monocrystalline technology, which has been the focus of the Group in the past two decades, has officially become the only mainstream in the market.

Apart from the traditional monocrystalline P-type products, the Group has monocrystalline N-type products with higher conversion efficiencies. Currently, photovoltaic cells are mainly produced by PERC (Passivated Emitter and Rear Cell) and PERC+technology with P-type silicon wafer base. TOPCon (Tunnel Oxide Passivated Contact) cells and heterojunction HJT cells with monocrystalline N-type silicon wafer base are expected to become the mainstream of next-generation photovoltaic cells. The Group has many years of experience in joint research and development with large multinational corporate customers. The Group has accomplished technical breakthrough and product marketisation of monocrystalline N-type silicon ingot at an earlier time. N-type silicon ingots and wafers have also been supplied to domestic and foreign customers at an earlier time, and N-type ingots are in a leading position in the industry in respect of various indicators having obvious advantages.

Major customers of external sales of monocrystalline silicon wafers included large-scale photovoltaic cell manufacturers and huge state-owned enterprises in China.

The Group's production base of monocrystalline silicon ingot and monocrystalline silicon wafer located in Qujing, Yunnan, the PRC with annual production capacity of 0.9 GW project has carried out mass production since 2021. As the investment in Qujing, Yunnan not only enjoys various preferential investment policies from the local government, but more importantly, the decrease in local electricity cost (being the major manufacturing cost component of ingot-pulling) of more than 50% compared to that at previous major production base in Jinzhou, Liaoning, which will strengthen the improvement of the Group's overall gross profit margin as a result of the reduction of production cost in the long run. Therefore, the Group has been expanding the production capacity of monocrystalline silicon ingot and monocrystalline silicon wafers in Qujing, Yunnan under the rapid growth of customer demand. As of the end of June 2022, the annual production capacity of monocrystalline silicon ingots in Qujing, Yunnan, has increased to 5 GW from 4.3 GW at the end of 2021, and the annual production capacity of monocrystalline silicon wafers has also increased to 2.8 GW from 2.5 GW at the end of 2021. It is expected that by the end of 2022, the annual production capacity of monocrystalline silicon ingot and silicon wafers in Qujing, Yunnan will be increased to 6.0 GW and 3.6 GW respectively, representing 81% of the Group's total annual production capacity of monocrystalline silicon ingots of 7.4 GW and 49% of the group's total annual production capacity of monocrystalline silicon wafers of 7.4 GW, respectively. With the substantial release of this low-cost and high-efficiency production capacity, not only the gross profit margin will boost up in the future, but also the Group's self-developed technological advantages and progress can be fully unleashed.

Module businesses

In order to concentrate resources to develop other more niche products, the Group has adjusted its operating strategy by no longer manufacturing solar cells since 2020, but instead manufacturing upstream monocrystalline silicon wafers (ingot) and downstream modules as dual major products.

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 P-type PERC module of the monocrystalline products that the Group focuses on has not only become the mainstream in the market, but it also further expanded and strengthened the development and sales of monocrystalline silicon high-efficiency module products such as P-type double-sided double glass modules, half-cell photovoltaic modules, multi busbar cell module, and other high-end products.

The current main base of the Group for monocrystalline module production is located in Yancheng, Jiangsu. In addition to the various preferential investment policies from the local government, the Company can take advantage of significantly lowering the investment in capital expenditure by renting plant buildings. Moreover, the area around the Yangtze River Delta is an agglomeration area for the supply of raw and auxiliary materials which provides advantage in terms of procurement. In order to meet the needs of module customers, the Group continues to expand module production capacity in Yancheng, Jiangsu, to further strengthen the economic scale advantage of module products. As of the end of June 2022, the module production capacity of the production base in Yancheng, Jiangsu was 5.4 GW, while the total module production capacity of the Group was 7.2 GW. It is expected that by the end of 2022, the production capacity of Yancheng, Jiangsu would be increased to 6.4 GW, which would also drive the Group's overall module production capacity to 8.2 GW.

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), Shandong Hi-Speed New Energy Group and Astronergy etc. The Group has been SHARP's largest processing services partner for photovoltaic module for nine consecutive years and has been cooperating in continually expanding module sales for foreign customers.

The Group focuses on the manufacturing of monocrystalline silicon photovoltaic products. Currently, proportion of sales of the Group's monocrystalline silicon photovoltaic modules has reached over 98%. 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.

Construction and operation of photovoltaic system business

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

Relying on the rich technological experience accumulated in the photovoltaic industry, the Group is carrying out a series of research and development projects in cooperation with Shenyang Jianzhu University, the National Housing and Residential Environment Engineering Technology Research Center and other institutions, of which four series of BIPV products have passed China Compulsory Certificate ("CCC") certification, China Quality Certificate Centre ("CQC") certification, and GB8624–2012 building materials and products combustion performance test certification. The Group expects that with the continuous development of BIPV business, the photovoltaic system construction and application business would have further growth.

Semi-conductor business

China has become the fastest growing country in the global semiconductor industry. It is also the world's largest semiconductor application market. The Group is engaged mainly in production and sales of 4–6 inches semiconductor grade monocrystalline silicon ingot with heavy doping (including arsenic, antimony and phosphorus products which are at the leading level of the industry) and 4–6 inches semiconductor grade monocrystalline silicon ingot with lightly doping. The semiconductor business has shown rapid growth since it was officially put into operation in 2019. The Group expects that in the context of the continuous growth of the Chinese semiconductor market, the semiconductor business will continue to maintain strong growth in the next few years, and will contribute profits to the Group.

Operation Strategy

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

By adopting a dual-core products strategy of continuous development of upstream monocrystalline silicon ingots and wafer product as well as downstream module products, the Group effectively utilises its existing resources. Regarding the production of upstream monocrystalline silicon ingot and wafer products, the Group continued to pursue excellence in its production efficiency due to greater economies of scale. Regarding the downstream photovoltaic modules, since our photovoltaic module customers are mostly domestic state-owned enterprises or large multinational corporations, the market position and strength possessed by these module customers are the 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, which maintains a more stable terminal product estuary.

Operating Performance

During the period, the total external shipment volume of major products, monocrystalline silicon ingots and wafers, was 2,182.3MW, similar to 2,241.9MW in the same period last year. The external shipment volume of another major product, photovoltaic modules increased from 1,085.9MW in the same period last year to 1,318.1MW during the period, representing a growth rate of 21.4%. For photovoltaic module products in the first half of this year, the external shipment volume of modules increased due to the continued growth in downstream photovoltaic demand.

The Group keeps making profit. It is not only due to the external environment of supply and demand and the release of low-cost and high-efficiency production capacity, but also necessary to maintain leading technology in the ever-advancing photovoltaic industry to build up a cost advantage in order to continuously make profits. The Group has gained success in research and development in recent years, and has overcome various production bottlenecks. The Group has successfully incorporated the most advanced production technologies into mass production, such that the production costs of our various product lines have significantly decreased. For example, in the production of monocrystalline silicon ingots, from 20 years of accumulated technology advantages, we have mastered a number of leading technologies for monocrystalline silicon ingots and silicon wafer production, such as with the upgrade of the thermal system required for the production of monocrystalline silicon ingots, the material feeding volume of monocrystalline furnace has increased by approximately 33% compared with last year which greatly reduced the production cost, the increase of growth rate of monocrystalline silicon ingot by 10% compared with last year through the research and development to design new type of the water-cooling and heat-conducting device, the long-life quartz crucible developed in cooperation with suppliers could be used for up to 500 hours, the RCZ production process which could draw 9 ingots in one pot, the weight of each silicon ingot increased by 18% compared with last year, which greatly enhanced the production capacity, etc. Various advanced production technologies significantly reduced production costs and ensured product quality and stability is in a leading position in the industry. Furthermore, for high quality N-type silicon wafers required for the next-generation N-type cell, the Group has also reached the technical position and accomplished marketisation ahead, and has achieved the development direction of leading N-type crystalline silicon products which could readily meet the market demands for shipment in large quantities at any time.

For the monocrystalline modules, apart from the mainstream P-type PERC monocrystalline modules, the Group devoted to the development and sales of monocrystalline high-efficiency module products, such as P-type double-sided double glass modules, half-cell photovoltaic modules, multi busbar cell module, and related high- end products. In particular, Black Solar ("BS") module products of N-type monocrystalline Interdigitated Back Contact ("IBC") solar cell uses the internationally leading and the first domestic FPC module packaging technology, and is in the leading position in the industry. Having a black surface with beautiful design, the products are uniquely produced as rectangular, square, triangular and other special-shaped modules. It could be connected to each other with perfectly matching roof shape to achieve efficient use of space, representing highest-end product of roof modules. The Flexible Printed Circuit ("FPC") packaging technology of BS modules is still the packaging process with the world's highest precision. It is the benchmark for the monocrystalline N-type IBC cell modules products, leading the monocrystalline N-type cell module industry packaging technology for 2 to 3 years. During the period, certain new multi-busbar BS module products were launched which expanded the product range, provided more choices for overseas customers, and created more benefits for the modules. Besides, the module production line of the Group can also produce multi-busbar half-cell double-sided double glass of 182mm and 210mm large-size modules which the conversion could reach more than 660 watts. In addition, the related equipment automated intelligence and packaging technology are in the leading position in the industry. According to the analysis of the recent bidding in China's photovoltaic market, 182mm and above photovoltaic modules accounted for more than four-fifths of the bidding product specifications. Since the Group's monocrystalline silicon ingot, monocrystalline silicon wafer and photovoltaic module production lines can all produce large-size scarce products such as 182mm and 210mm 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 TOPCon modules and BIPV products, aiming to upgrade the mass production technology of TOPCon modules and BIPV products, so as to expand the market sales of corresponding products.

Looking ahead, given (a) leading technological cost advantages and large-size product lines with higher bargaining power, the Group will be able to continue to gain the market share; (b) the major production base with a lower electricity costs and more favorable production environment with policy support, the Group will be able to significantly reduce the production cost; (c) the Group continues to expand low-cost, high-efficiency new production capacity through more refined production process, and the existing production capacity has also been upgraded and transformed, and achieved stable operation, which can further demonstrate the advantages of economies of scale, such as lower procurement, logistics and production costs; (d) the long-standing diversified and accumulated technological advantages of various product lines; and (e) the strong client base in PRC and overseas, with increasing demand from new and old customers, it is expected that the Group's external shipment volume and revenue will continue to grow, and the production costs will decrease. Total gross profit and gross profit margin performance will be further improved in the long run.

Financial Review

Revenue

The revenue of the Group increased by 11.6% from approximately RMB2,820.6 million for the first half of 2021 to approximately RMB3,147.0 million for the period. The growth in external shipment volume for the period is 5.2% compared to the same period last year. The growth in revenue was mainly attributed to the increase in external shipment volume and average selling price of photovoltaic modules.

Cost of sales

Cost of sales for the period has increased from approximately RMB2,449.1 million in the first half of last year to approximately RMB2,879.9 million for the period. The increase was mainly due to growth in revenue.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB267.1 million and a gross profit margin of 8.5% in the first half of 2022, as compared to a gross profit of approximately RMB371.5 million and a gross profit margin of 13.2% in the corresponding period in 2021, which decreased by 28.1% and 4.7% points respectively. The drop in gross profit margin was mainly due to the increase in cost of raw materials — polysilicon and increase in sales of one of the Group's major products, photovoltaic modules, with lower gross profit margin than other products.

Selling and distribution expenses

Selling and distribution expenses mainly comprised terminal handling charges, packaging expenses and other incidental expenses. Although there was an increase in external shipment volume, the selling and distribution expenses decreased from approximately RMB63.8 million in the first half of 2021 to approximately RMB1.6 million for the period. The decrease was mainly due to reversal of provision for warranty.

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 RMB130.4 million, as compared to approximately RMB135.7 million from the corresponding period of 2021. The decrease was mainly due to effective planning and control on other administrative expenses by the Group.

Finance costs

Finance costs represented mainly bank loan interests. The Group's finance costs increased from approximately RMB60.8 million in the first half of 2021 to approximately RMB67.2 million for the period, represented an increase of 10.6% due to increase in interest-bearing bank and other borrowings for the investments in acquiring equipment for high-efficient production capacity and purchasing raw materials for the expanded production capacity. The Group aims to lower the finance costs gradually in the future and to obtain more sources of financing.

Income tax

Income tax expense amounted to approximately RMB16.9 million in the first half of 2022, as compared to approximately RMB44.6 million in the first half of 2021. The income tax expense for the period was mainly derived from the provision of income tax for the profitable subsidiaries of the Group. The decrease in income tax expenses was mainly because the profits before tax in 2022 included more non-taxable items and adjustment of over-provision in prior years.

Profit attributable to owners of the parent

The increase in profit attributable to owners of the parent of approximately RMB67.7 million was shown in 2022, as compared to the profit attributable to owners of the parent of approximately RMB61.3 million in 2021 mainly due to increase in revenue and reversal of provision for warranty.

Inventory turnover days

The Group has been focusing its efforts in raising the inventory turnover and lowering the inventory turnover days in order to mitigate the risk of rapid decline inventory prices caused by continuous technological advancement of photovoltaic products, and at the same time, reducing the backlog of funds and further strengthen the Group's operation working capital. In order to avoid the impact of price fluctuations of raw and auxiliary materials, the Group therefore increased the safety stock level of inventories. In addition, an increase amount of raw materials were purchased to cope with the utilisation of new high-efficient production capacity. Therefore, the inventory turnover days of the period increased to 38 days (31 December 2021：26 days).

Trade receivables turnover days

The sales of photovoltaic modules accounted for about 72% of the Group's overall sales for the period. According to the standard terms of the industry's module sales contracts, the recovery of module receivables depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. Therefore, the trade receivables turnover days of module business are generally longer. Furthermore, the sales amount of photovoltaic modules accounted for a relatively high proportion of the total sales amount of that for the six months ended 30 June 2022, and most of those trade receivables were yet to be due; as a result, higher trade receivables turnover days was noted. Trade receivables turnover days for the period has increased to 110 days (31 December 2021：98 days), but is still at a reasonable level.

Trade payables turnover days

The trade payables turnover day was 145 days for the period, which was significantly higher comparing to 123 days as at 31 December 2021. The main reason was that the Group has completed a comprehensive upgrade on production capacity and addition of high-efficiency production capacity during the period, and hence an increased amount in raw materials were purchased for use in the expanded production capacity. As a result, the ratio of trade payables to cost of sales at the end of the period increased. In addition, the Group has formed strategic partnerships with our major suppliers. Under stable and frequent co-operations, the suppliers have gradually 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 from bank and other borrowings. As at 30 June 2022, the current ratio (current assets divided by current liabilities) of the Group was 0.93 (31 December 2021 : 0.84). The Group had net borrowings of approximately RMB776.7 million as at 30 June 2022 (31 December 2021 : RMB941.8 million), including cash at bank and on hand of RMB500.9 million (31 December 2021 : RMB431.9 million), pledged deposits of RMB1,090.6 million (31 December 2021 : RMB751.3 million), bank and other loans due within one year of RMB1,991.1 million (31 December 2021 : RMB1,915.3 million) and non-current bank and other loans of RMB377.1 million (31 December 2021 : RMB209.7 million). The net debt to equity ratio (net debt divided by total equity) was 98.5% (31 December 2021 : 140.1%).

Earnings before interest, taxes, depreciation and amortisation

During the period, the Group's earnings before interest, taxes, depreciation and amortisation ("EBITDA") was approximately RMB373.1 million (11.9% of the revenue) (corresponding period of 2021 : approximately RMB364.0 million, 12.9% of the revenue). The main reason for the increase in EBITDA was attributed to the increase in revenue and reversal of provision for warranty during the period.

Net cash inflow from operating activities

The Group continued to invest and upgrade the existing production capacity which, together with the economies of scale reflected in high-efficiency production capacity, resulted in an increase in operating profit. The net cash inflow from operating activities increased from approximately RMB306.9 million in the first half of 2021 to approximately RMB311.3 million for the period, representing a growth rate of 1.4%.

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.

Convertible Bonds

On 14 April 2022, Qujing Yangguang New Energy Co., Ltd. ("Qujing Yangguang", an indirect non-wholly owned subsidiary of the Company), an investor, Mr. Tan Wenhua and Mr. Tan Xin entered into the subscription agreement, pursuant to which Qujing Yangguang issued the convertible bonds at a principal amount of RMB250,000,000 to the investor. For further details on the subscription agreement and the convertible bonds, please refer to the announcement of the Company dated 14 April 2022.

Human resources

As at 30 June 2022, the Group had 4,191 employees (31 December 2021：3,937 employees).

Future prospects and strategies

Photovoltaic power generation is popular in recent years, so it is expected that the global newly installed capacity of photovoltaic power generation will continue to grow rapidly in 2022. Coupled with a series of government promulgated policies to support the development of the photovoltaic industry with an aim to lead the energy industry transition from traditional energy sources to renewable energy sources in an orderly manner, it is expected that PRC and the global mid and long-term demand for photovoltaic products will continue to experience robust growth. Following the grid parity, photovoltaic products will be able to move further towards full-scale marketised competition in the photovoltaic industry and away from policy subsidies, and will progress towards self sustainable development, advance technological progress, reduce cost of power generation to promote the achievement in comprehensive grid parity and will draw explosive growth in demand.

In order to grasp these historic opportunities and respond to the rapid increase in demand, the Group has been expanding production capacity of monocrystalline silicon ingot, wafer and modules to take advantage of the external production environment in different areas, enabling the Group to fully utilise its current technological advantages in production. It is estimated that the production capacity of monocrystalline silicon ingot will be expanded from 6.2GW by the end of June 2022 to 7.4GW by the end of 2022. The production capacity of monocrystalline silicon wafer will be expanded from 4.5GW by the end of June 2022 to 7.4GW by the end of 2022. The production capacity of modules will be expanded from 7.2GW by the end of June 2022 to 8.2GW by the end of 2022.

As a renewable and clean energy source, in respect of photovoltaic power generation, the road to grid parity may be a painful change, but the expected explosive growth in the market after reaching grid parity will provide an opportunity for the industry. Positing itself as a leading supplier of monocrystalline silicon ingots/wafers and photovoltaic modules, the Group is fully prepared by relying on its existing advantages and will do its utmost, to embrace the long-term promising prospect for the photovoltaic industry, help achieve the goal of "carbon neutrality" in 2060 in China and contribute to the sustainable development of the global environment.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 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 2022.

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 2022.

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 2022.

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 2022 and up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

On 29 April 2022, Qujing Yangguang (a subsidiary of the Company) and Guotai Junan Securities Co., Ltd. (國泰君安証券股份有限公司)("Guotai Junan") entered into a service agreement (the "Service Agreement"), pursuant to which Guotai Junan has agreed to place, on a best-effort basis, up to 27,138,643 Qujing Shares to investors and the amount of proceeds to be raised would be no more than RMB460,000,000 (the "Capital Injection"). The Service Agreement, the Capital Injection and the transactions contemplated thereunder are subject to approval by the shareholders of the Company, which was obtained at an extraordinary general meeting of the Company held on 17 August 2022. Completion of the Capital Injection is subject to the fulfilment of the relevant conditions precedent. For further details on the Service Agreement and the Capital Injection, please refer to (i) the announcement and the circular of the Company dated 29 April 2022 and 29 July 2022, respectively; and (ii) the poll results announcement of the Company dated 17 August 2022.

Save as disclosed above, as at the date of this announcement, there are no other important events affecting the Group which has occurred since 30 June 2022.

PUBLICATION OF FINANCIAL INFORMATION

The interim report for the six months ended 30 June 2022 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, 26 August 2022

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, Mr. Lian Tao and Ms. Chung Wai Hang.