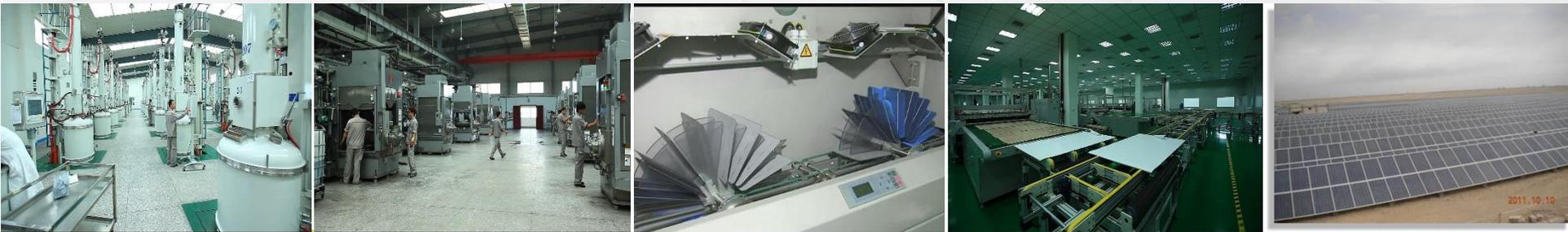




Solargiga Energy

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



2020 Interim Results

二零二零年度中期业绩

香港聯交所上市股份編號：757



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Solargiga Energy

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- 1 Corporate Overview
- 2 Market Overview
- 3 Business Review
- 4 Financial Performance
- 5 Future Plans and Strategies





Corporate Overview



Corporate Overview



- Established in 2001, the largest in Northeast China, high ranked photovoltaic manufacturer of the country. Focus on manufacturing monocrystalline products, providing one-stop solutions from ingots, wafers, modules to the development, design, construction, operation and maintenance of PV System.
- Listed in Hong Kong on 31 March 2008 (757.HK)
- 2018 Global New Energy Top 500 Enterprises (236); 2018 China Energy Group Top 500 Enterprises (314); Top 100 New Energy Enterprise Global Competitiveness (92); Top 3 Industrial Enterprises in Jinzhou City, Liaoning Province, China



Shareholding Structure as at 30 June 2020



Tan Wenhua and
his associates
22.66%



Hiramatsu International Corp.
9.68%



Wafer Works Corp
7.91%



Other Directors
0.50%



香港交易所
Public
shareholders
59.25%



Solargiga Energy

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

Number of issued shares 3,143,771,133

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





Manufacturing base



Solargiga Energy



Mainland China

- Main production base at Jinzhou of Liaoning, Xining of Qinghai, Qujing of Yunnan and Yancheng of Jiangsu.
- monocrystalline silicon ingot/wafer capacity 3.6GW.
- photovoltaic module capacity 3.5GW which 2.3GW in Liaoning and 1.2GW in Yancheng, Jiangsu. The module capacity has begun production in 2020.
- Group's marketing centers in Shanghai and Beijing.

Japan, Germany

- Established subsidiaries to enrich our distribution channels of all products and expand customer base.
- A joint venture company DCH Solargiga GmbH with power plant construction company in Germany, which is mainly engaged in photovoltaic systems business

Others

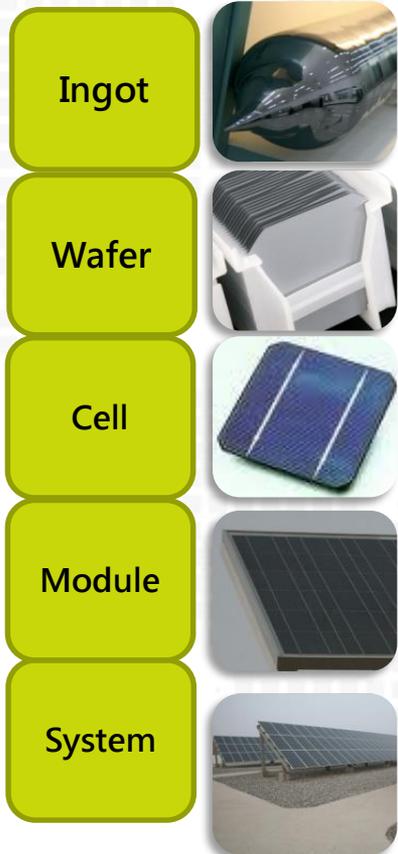
- Developing EPC business in America, Turkey, Pakistan, Southeast Asia and Africa.

Map note:

-  Manufacturing base
-  Marketing centers
-  Subsidiaries



Production Capacity and Product Range



- 3.6GW

- 3.6GW

Strategic Alliances

1. Being strategic alliances with the large solar cell-focused manufacturer. Selling wafer products to strategic partners and hence purchase the solar cells from the strategic partners.
2. And thus, it will secure the sales channel of wafer and hence ensure stable supply of solar cells.

- 3.5GW, which 2.3GW in Liaoning and 1.2GW in Yancheng, Jiangsu. The module capacity has begun production in 2020.

- Distributed power plants - Apart from the wholly-owned subsidiaries engaged in construction photovoltaic systems to expand the end-user market, 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.
- Centralised power plants - the Group will, through investing as minority shareholders, seek construction opportunities as a EPC service provider and help drive the sales of the Group's modules.



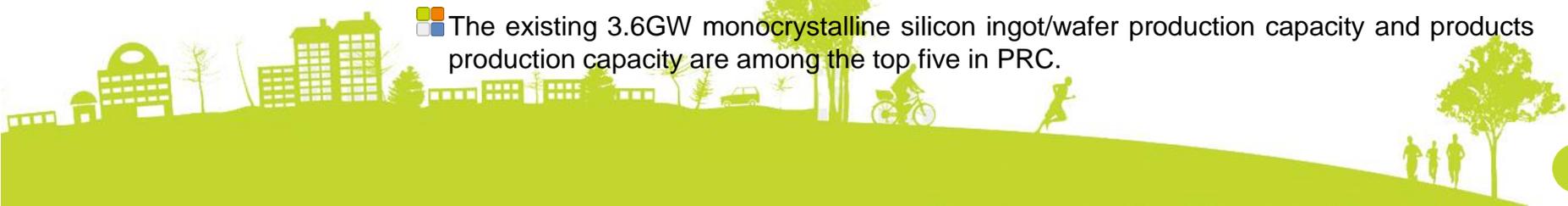
Product Procedure: 1. Monocrystalline Silicon Ingots



Solargiga Energy



- Solargiga Energy focuses on monocrystalline production. So far, it has 20 years of experience in the production of N-type/P-type monocrystalline silicon ingots. The Group is the only monocrystalline silicon manufacturer who has obtained the national product quality exemption certificate. Currently, it has 38 national utility new model patents.
- In recent years, through the transformation and upgrading of the ingot growing furnace (長晶爐), and participated in the research and design of the CL200T ingot growing furnace (單晶爐), the amount of the material put into production has reached more than 300kg and the entire mono crystalline ingot has been drawn to more than 3000mm. This achieved continuous drawing of multiple output resulted in strengthen the advanced electronic liquid level control system, automatic control process, reducing labour costs and being stable quality of the crystalline ingots. During the research and development process, it obtained 1 invention patent, 14 utility new model patents, and 2 software copyrights.
- Through the continuous upgrading and optimization of the ingot growing process in these years, it has altered the traditional finishing style, increased the yield of crystalline ingots, improved production efficiency, and achieved industry lead.
- Monocrystalline silicon ingots are excellent in terms of technical indicators, and oxygen content is controlled to below 15 ppm, forming a strictly reliable crystalline ingot index detection system.
- According to customer's requirements, the Group provides various specifications and sizes of N-type and P-type monocrystalline products, and also provides the highest quality silicon ingots for downstream components.
- The existing 3.6GW monocrystalline silicon ingot/wafer production capacity and products production capacity are among the top five in PRC.





Product Procedure: 2. Monocrystalline Silicon Wafers



Solargiga Energy



- Solargiga Energy has 13 years of wafer slicing experience and is one of the pioneers of large-size silicon wafers in the industry. According to customer's requirements, the Group provides various specifications and sizes of N-type and P-type monocrystalline products, and also provides the highest quality silicon wafers for downstream modules. Currently, it has 2 national invention patents and 8 national utility new model patents.
- The 180 μ m thin-slice technology has matured and has been supplying to the market. It has also developed and put thinner silicon wafers into production, effectively increasing the output rate by more than 11%.
- All the technological transformations on diamond saw slicing equipment were completed. The transformation project was the first in the industry to put centralized batch conversion machines into production in China. The performance are comparable to that of a specialized diamond saw machine. The output of wafer increased by more than 26% over the same period that reduced manufacturing costs.
- The research and development of the thin wire technology on the above transformed slicing equipment was completed. The entire production line completed the switch from 70 μ m electroplated diamond saw wire (金鋼綫) to 65 μ m electroplated diamond saw wire, and the output increased by more than 10% over the same period of last year.
- The advanced diamond saw cutting fluid recycling technology reduces the cutting fluid cost by 25%.
- The existing 3.6GW monocrystalline silicon ingot/wafer production capacity and products production capacity are among the top five in PRC.





Product Procedure: 3. Solar cells

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





Product Procedure: 4. Solar modules



Solargiga Energy



- The first largest OEM module manufacturer in PRC supplied to Sharp Japan for five consecutive years. Developed the anti-PID technology of module and mastered the design and production of high-end module in the Japanese market. Its OEM module accounted for more than 90% of the Sharp shipments of module in Japan.
- The unique quality control standards for Japanese production include a total of 104 inspection items from the auxiliary materials, process control requirements, and 3 to 10 times the finished module products in the environmental testing system requirements of the IEC standard.
- Master core technologies for the design and production of different modules such as lightweight components, ski components, and high-load components. Mastered the design and production technology of two-sided cell (P-PERC, N-PERT.HIT) module, and shipment for double glass components for four consecutive years.
- Developed and mastered half-slice modules, multi-gate cell modules, double-sided cell modules, high-efficiency ribbon (reflective film) modules, MBB modules, N-type double-glazed glass modules, smart photovoltaic modules, half-cell modules, and Other design techniques related to Super Top Runner Program high-end products.
- Master the capabilities of manufacturing IBC cell modules. IBC cell modules have high output performance, open circuit voltage, fill factor and other electrical performance advantages. The same-surface interconnected module process, the perfect appearance of almost black also meets the aesthetic requirements of mass consumers.
- One of the first 17 module certified enterprises of Super Top Runner Program.
- Owned 17 national utility model patents.
- Module capacity 3.5GW, which 2.3GW in Liaoning and 1.2GW in Yancheng, Jiangsu. The module capacity has begun production in 2020.



Products: Module Product Certification



Solargiga Energy

TUV、VDE、UL Certification

First batch of Photovoltaic Power Generation Top Runner Program (领跑者) certified enterprises



VDE认证

太阳能产品认证证书

证书编号: CQC14024140155

申请人名称及地址
锦州锦德光伏科技有限公司
辽宁省锦州市经济技术开发大道东中街1-10号

制造商名称及地址
锦州锦德光伏科技有限公司
辽宁省锦州市经济技术开发大道东中街1-10号

生产企业名称及地址
锦州锦德光伏科技有限公司 (VU21992)
辽宁省锦州市经济技术开发大道东中街1-10号

产品名称和系列、规格、型号
地面用晶体硅光伏组件
见附件

产品标准和技术要求
IEC61730-2:2004

认证模式
产品型式试验+初次工厂检查+获证后监督

上述产品符合CQC33-471341-2009认证规则的要求, 特发此证。
发证日期: 2016年03月03日

证书有效期内本证书的有效性依据发证机构的定期监督获得保持。

主任:

中国质量认证中心
中国·北京·西四环南路188号9区100070
<http://www.cqc.com.cn>

太阳能产品认证证书

证书编号: CQC15024133622

申请人名称及地址
锦州锦德光伏科技有限公司
辽宁省锦州市经济技术开发大道东中街1-10号

制造商名称及地址
锦州锦德光伏科技有限公司
辽宁省锦州市经济技术开发大道东中街1-10号

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Major Customers



Solargiga Energy

SHARP

夏 普



国家电投
SPIC

BG北控 北京控股集团有限公司
BEIJING ENTERPRISES GROUP COMPANY LIMITED

信義玻璃

XINYI GLASS

信义玻璃控股有限公司

中广核  CGN

中国华电集团公司
CHINAHUADIAN CORPORATION

 三信電気株式会社
SANSHIN ELECTRONICS CO., LTD.

 通威太阳能
TW SOLAR

Aikosolar 
爱旭太阳能

 中来股份
JOLYWOOD

MOTECH

茂迪新能源有限公司





Customers Distribution





Market Overview



China

- ■ According to the estimates of the international analysis agency HIS Markit, due to the outbreak of the novel coronavirus epidemic, global year-on-year new photovoltaic installations in 2020 will be lower than it was estimated before the epidemic. Market demand should, however, only be delayed and will not disappear. The momentum of medium to long-term demand will remain strong.
- ■ The photovoltaic policy of 2020 has continued the overall framework of 2019, entering the final year of the parallel development of grid parity and subsidised bidding projects. The photovoltaic market continues to undergo a structural change, which includes improvement in both quality and efficiency in production capacity and products, and promotion of high-end high-efficiency products, in order to advance technology and lower electricity generation costs. Further, through the policy of gradual reduction of government subsidies, the industry has moved towards high-quality development and has accelerated the goal of achieving full grid parity.
- ■ During the period, the Chinese market was affected by the novel coronavirus epidemic, customer demand was delayed, and overall market shipments were lower than expected. However, since the novel coronavirus epidemic in China has been effectively controlled, China's domestic photovoltaic market demand has gradually recovered. Demand is expected to recover in the second half of the year. Therefore, it is expected that the annual new installed capacity can still reach 40–50 GW, and the boom is expected to continue into 2021.





Market Overview

USA

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

India

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

Other regions

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

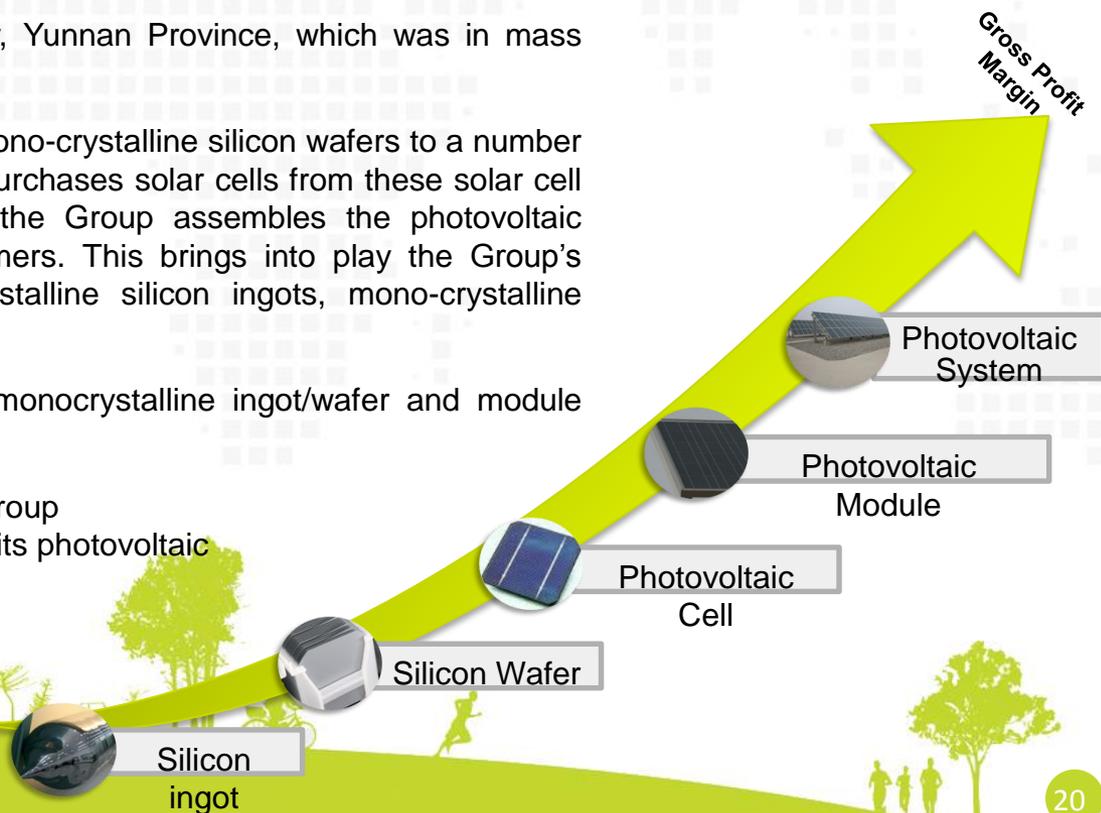


Business Review



1. Focus on the manufacturing of monocrystalline products, concentrate internal resources, and strengthen upstream monocrystalline silicon ingot/wafer products and downstream terminal components products sales

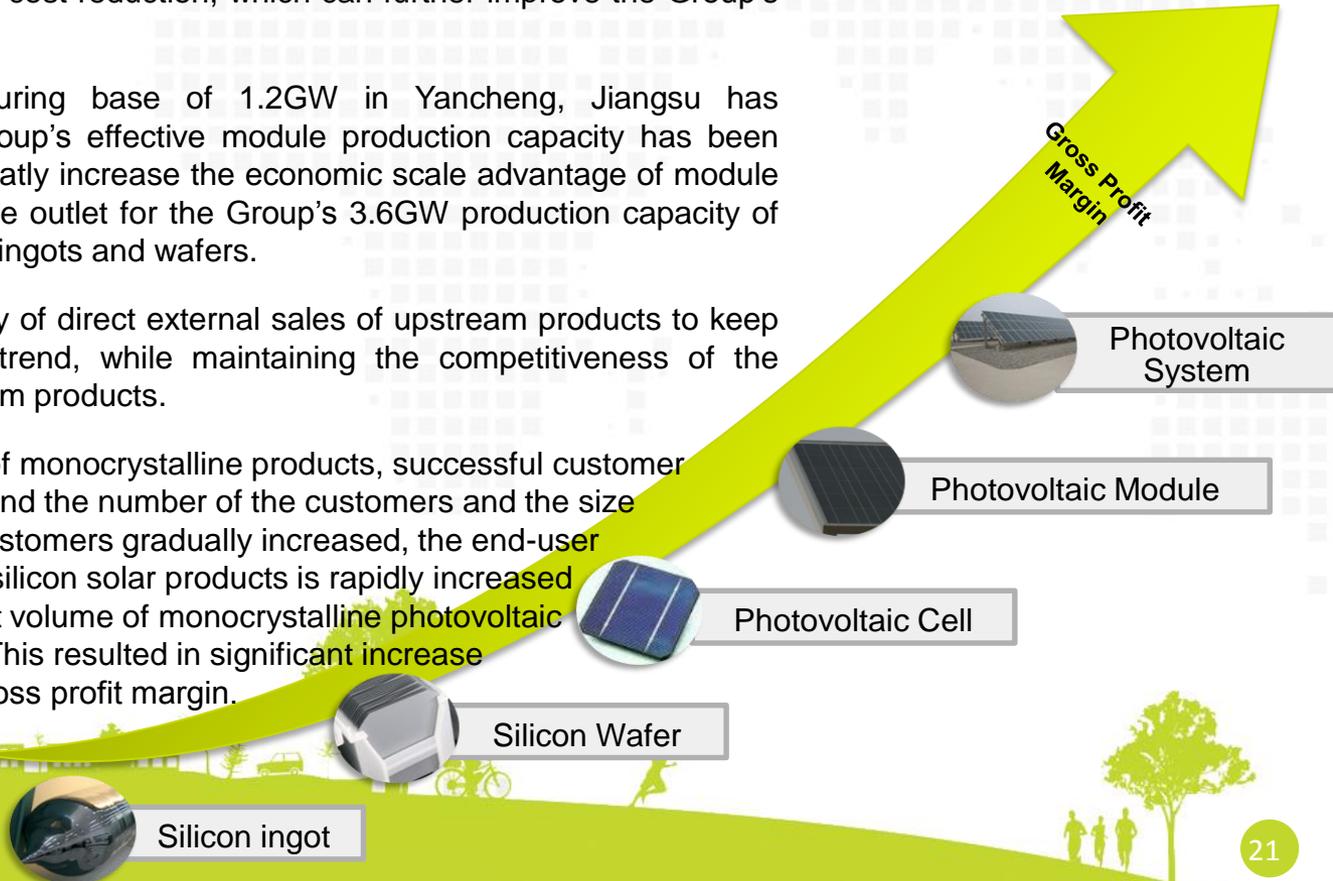
- The Group focuses on the manufacturing of monocrystalline products. Through satisfying external demands for its photovoltaic modules, at the same time, boosting the internal demands for its monocrystalline silicon ingots/wafers.
- A project of the Group located in Qujing City, Yunnan Province, which was in mass production.
- For solar cell segment, it sells self-produced mono-crystalline silicon wafers to a number of professional solar cell manufacturers, and purchases solar cells from these solar cell manufacturers, and, with these solar cells, the Group assembles the photovoltaic modules for sales to external module customers. This brings into play the Group's existing production advantages of mono-crystalline silicon ingots, mono-crystalline silicon wafers and photovoltaic modules.
- After the expansion, production capacity of monocrystalline ingot/wafer and module reached 3.6GW and 3.5GW respectively.
- Through this capacity allocation strategy, the Group will be able to satisfy the external demands for its photovoltaic modules, of which the Group has its largest manufacturing capacity, while, at the same time, boost the internal demands for its monocrystalline silicon ingots/wafers.





2. production capacity increase and cost reduction leading overall gross profit margin improvement, and taking upstream products into account

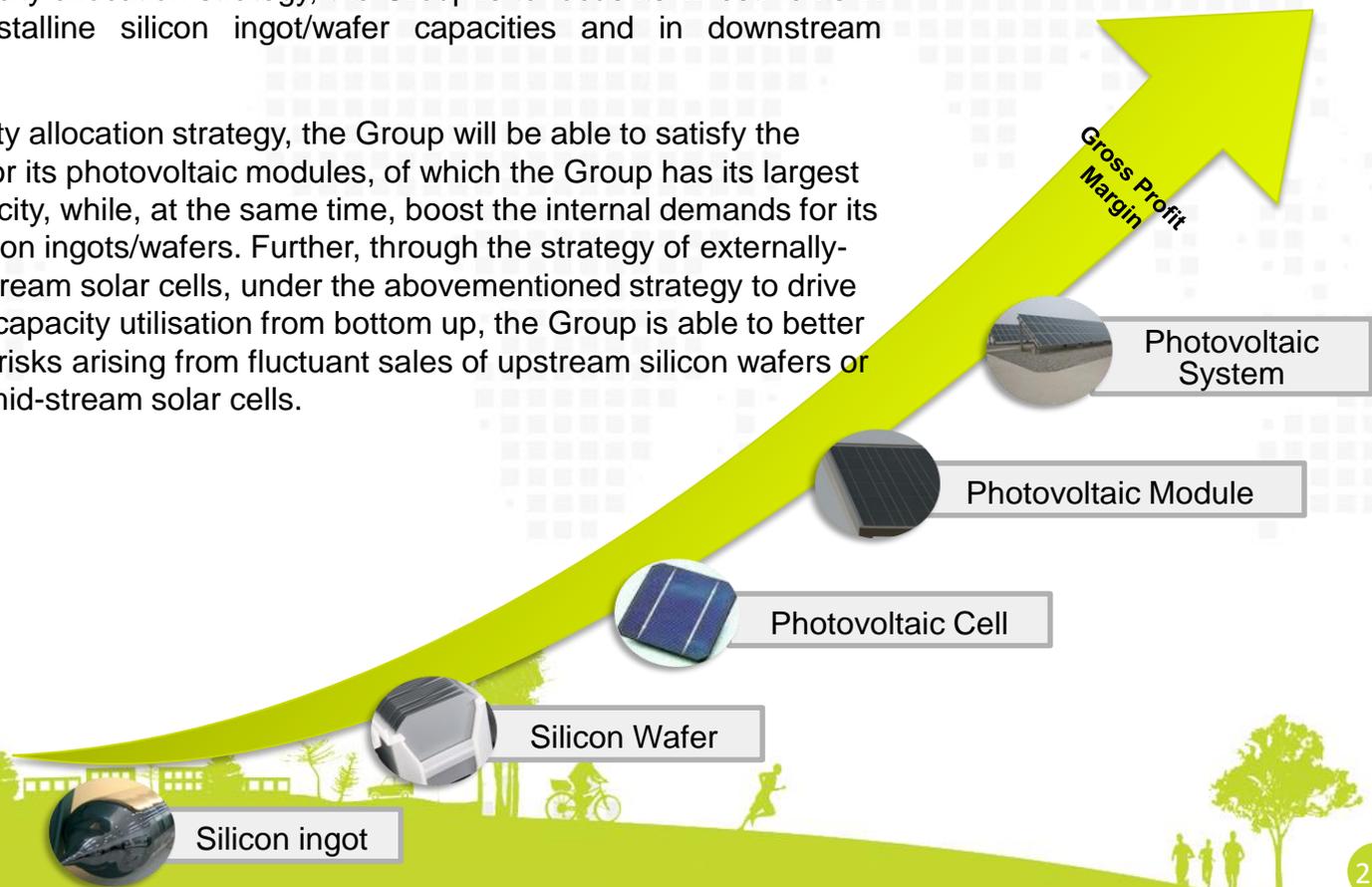
- The Group's low-cost high-efficiency production capacity located in Yunnan Qujing has completed its adjustment phase. Its results are now showing gradually. Further, after the Group's transformation and upgrading work performed on the original production bases in Jinzhou, Liaoning and Xining, Qinghai, they are demonstrating their advantages in production capacity increase and cost reduction, which can further improve the Group's overall gross profit margin.
- the Group's module manufacturing base of 1.2GW in Yancheng, Jiangsu has commenced production. The Group's effective module production capacity has been increased to 3.5GW. This will greatly increase the economic scale advantage of module products, and allow a more stable outlet for the Group's 3.6GW production capacity of upstream monocrystalline silicon ingots and wafers.
- The Group also adopts a strategy of direct external sales of upstream products to keep abreast of upstream product's trend, while maintaining the competitiveness of the Group's upstream and downstream products.
- In recent years, the advantages of monocrystalline products, successful customer development of customer base, and the number of the customers and the size of each purchase by individual customers gradually increased, the end-user market share of monocrystalline silicon solar products is rapidly increased and the ratio of external shipment volume of monocrystalline photovoltaic modules increased significantly. This resulted in significant increase in the Group's gross profit and gross profit margin.





3. Through the natural integration mechanism of capacity allocation strategy to reduce the risk of market fluctuations

- Regarding the capacity allocation strategy, the Group is to focus its investments in upstream monocrystalline silicon ingot/wafer capacities and in downstream module capacity.
- Through this capacity allocation strategy, the Group will be able to satisfy the external demands for its photovoltaic modules, of which the Group has its largest manufacturing capacity, while, at the same time, boost the internal demands for its monocrystalline silicon ingots/wafers. Further, through the strategy of externally-procuring the mid-stream solar cells, under the abovementioned strategy to drive the Group's overall capacity utilisation from bottom up, the Group is able to better mitigate the market risks arising from fluctuant sales of upstream silicon wafers or unstable supply of mid-stream solar cells.





Business Overview: Ingot & Wafer Segment



Solargiga Energy



- ■ ■ During the period, with the advantages in application of mono-crystalline products over multicrystalline products in photovoltaic power generation, the market share of mono-crystalline products has continued to increase rapidly. As such, demand for what the Group has been focusing on all along, mono-crystalline products, has continued to increase. Its market share is fast growing. Since most of the ingot products have been reserved for internal use, the external shipment volume of mono-crystalline silicon ingots was 217.3MW. Conversely, external shipment volume of monocrystalline silicon wafers has rose significantly to 1,435.6MW.
- ■ ■ With the continued realisation of advantages in better improvement in conversion efficiency, more stable decay rate in its photovoltaic systems, continued reduction in unit costs, etc. of mono-crystalline products, it is expected that the advantages of mono-crystalline products will become more obvious in the field of photovoltaic power generation. Guided by this advantageous environment in the industry, through its long-term strategic partnerships with well-known solar cell-focused manufacturers, the Group does not only enjoys priority distribution channels for the sales of its mono-crystalline wafers, but also ensures the long-term stable utilisation of the Group' s capacity and shipment volume. The benefits of the Group' s upstream and downstream vertical integration are fully realised.
- ■ ■ The Group has completed the testing and adjustments of its newly invested low-cost high-efficiency mono-crystalline silicon solar ingot and wafer project, located in Qijing, Yunnan. It not only commenced manufacturing in scale from 2020 onwards. With the lower local electricity costs, being lower than that at previous major production base in Jinzhou, Liaoning, by more than 50%, it lifted the Group' s overall gross profit and gross profit margin. Therefore, The Group is currently actively planning the expansion of the monocrystalline silicon solar ingot and wafer capacities in Yunnan, Qijing, in order to take advantage of the local external production environment, and enable the Group to fully demonstrate its current technological advantages in production.





Business Overview: Cell Segment



Solargiga Energy

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





Business Overview: Module Segment



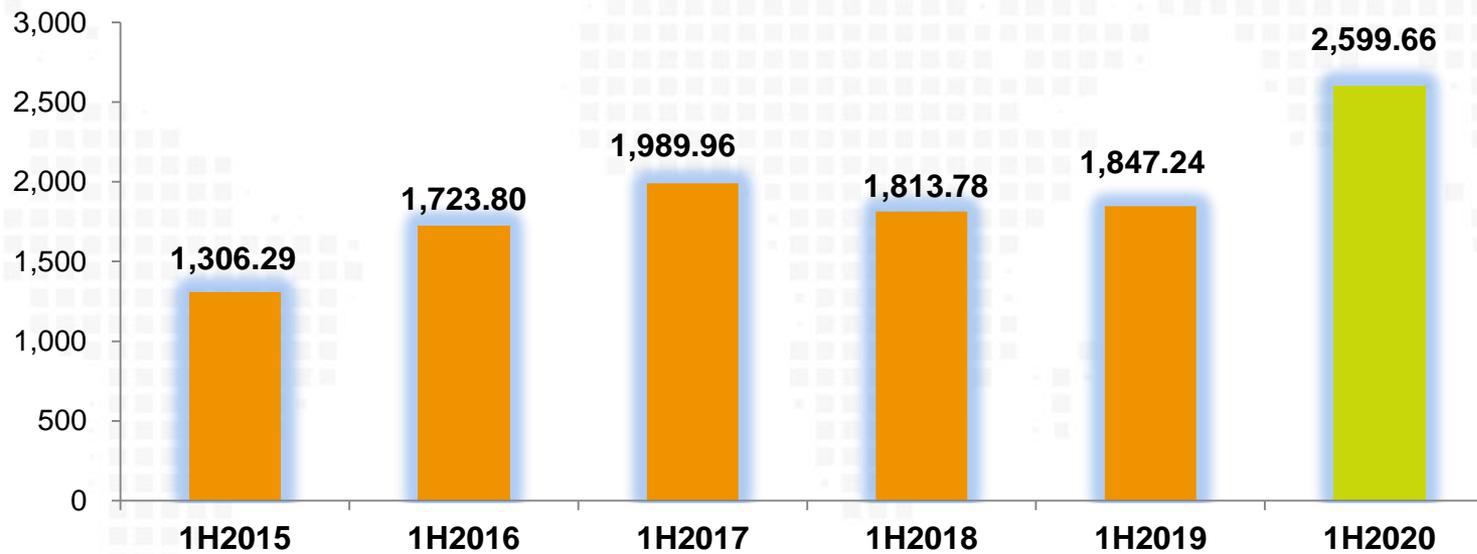
- ■ During the first half of 2019, the Group's photovoltaic module shipments maintained an upward trend. The Group's external shipment during the period was 800.6MW, a 24% increase from the 643.3MW in the corresponding period of 2018.
- ■ Relying on the Group's excellent product quality and price competitiveness, 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.
- ■ 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.



Financial Performance



Revenue (RMB million)

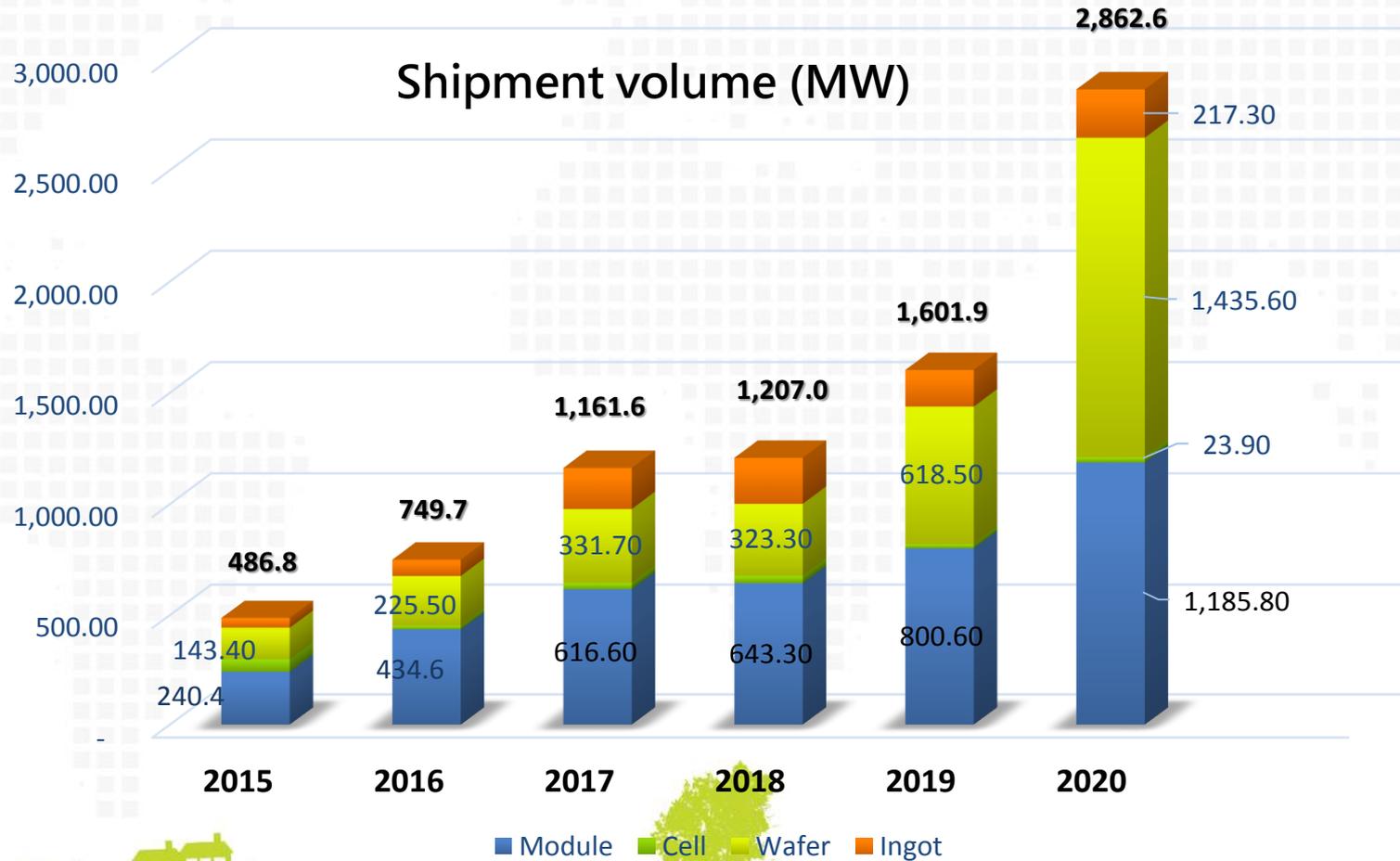




For 6 months ended Shipment Volume



Solargiga Energy





Gross Profit and Gross Profit Margin

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

In 2019, under the situation where the adjustment to the Group's low-cost and high-efficiency production capacity located in Yunnan Qujing led to the inability in mass production, and the then existing production capacity being arranged upgrading and transformation affected actual output, the Group's economic scale was not demonstrated. Since 2020, the benefits of the significant reduction in production costs is gradually appearing. Increase in customer demand leading to improved capacity utilisation rate followed. Advantages of the Group's economic scale started to show.

Hence, even though the market prices in 2020 continued to decline comparing to the same period last year, the Group was still able to improve its gross profit and gross profit margin. Further, although the delay in customer demands has led to lower-than-expected external shipment during the period due to the coronavirus pandemic, the Group still recorded growth in both total sales and external shipment, which also helped improve the Group's gross profit and gross profit margin.

Gross Profit (RMB '000)	
1H2018	183,084
1H2019	91,266
1H2020	279,135

Gross Profit Margin (%)	
1H2018	10.1%
1H2019	4.9%
1H2020	10.7%





Financial Results Highlight



Solargiga Energy

(RMB'000)	1H2020	1H2019	Change
Revenue	2,599,661	1,847,235	40.7%
Gross Profit	279,135	91,266	205.8%
Gross Profit Margin (%)	10.7%	4.9%	5.8pp
Loss attributable to Equity Shareholders of the Company	(54,493)	(184,206)	70.4%
Basic loss per share (RMB cents)	(1.71)	(5.74)	4.03

<u>Condensed Statement of Cash flow</u>			
Net cash flows generated from operating activities	130,920	57,602	73,318
Net cash flows used in investing activities	(72,966)	(160,602)	87,636
Net cash flows (used in) / generated from financing activities	(158,606)	18,580	(177,186)





Financial Results Highlight



Solargiga Energy

(RMB'000)	As at 2020.6.30	As at 2019.12.31	Change
Current Assets	1,734,138	1,606,272	127,866
Current Liabilities	4,478,395	3,578,792	899,603
Total Assets	5,428,325	4,429,180	999,145
Total Liabilities	4,974,238	3,973,614	1,000,624
Net Assets	454,087	455,566	(1,479)





Financial Ratios



Solargiga Energy

- In terms of inventory reserve strategy, the Group has been focusing its efforts in raising inventory turnover and lowering the inventory turnover days in order to mitigate the risk of a sudden decline in inventory prices, help reduce committed capital and, at the same time, further strengthen the Group's operation working capital. However, as customer demands has been delayed due to the novel coronavirus pandemic during the period, inventory levels has risen at period end. The Group's inventory turnover days has hence increased slightly to 40 days during the period, which was still being maintained at a reasonable level (31 December 2019: 33 days).
- Module sales have continued to grow substantially in recent years, and the current module sales account for more than 70% of the Group's overall sales. According to the terms of the industry's general module sales contract, the recovery of module receivable depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. In addition, 10% of the total amount of receivables are retained as warranties. These warranties will generally be recovered in around one year. As a result, the trade receivables turnover days of module business are generally longer. Hence, even in the situations where the levels of trade receivables increased, due to the continuously effective management of accounts receivable, the collection has been improved, resulting in the Group's trade receivables turnover days being reduced to 104 days (31 December 2019: 113 days).

	2020.6.30	2019.12.31	Change
Turnover Day Analysis			
Trade Receivables Turnover (Days)	104	113	(9)
Trade Payable Turnover (Days)	139	130	9
Inventory Turnover (Days)	40	33	7
Gearing Analysis			
Current Ratio (Times)	0.82	0.79	0.03
Net Debt to Equity Ratio (%)	233.6%	221.7%	11.9pp



Future Plans and Strategies



In 2020, China's photovoltaic policy has continued the overall framework of 2019, entering the final year of the parallel development of grid parity and subsidized bidding projects. Affected by the novel coronavirus pandemic, the demand for newly installed capacity in China and around the globe in 2020 may be lower than expected. However, the impact of this short-term delay in demand should be limited. The momentum of the Chinese and global medium to long-term demand will remain strong.



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



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

