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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Although the average selling price of photovoltaic products has decreased gradually as a result of the policy of grid parity, the Group has a recorded revenue of RMB6,051.956 million during the year ended 31 December 2020, representing an increase of 37% from RMB4,425.552 million during the year ended 31 December 2019. The total shipment volume for the year amounted to 6,811MW, representing a rapid growth of 65%, compared to 4,134MW in 2019.

- With the commencement of high-efficiency production capacity and transformation of existing production capacity, the total gross profit and gross profit margin were expected to improve significantly. However, the Group could not turn from loss to profit due to the following factors which are not reasonably foreseeable, although the loss attributable to equity shareholders of the Company decreased from RMB355.492 million in 2019 to RMB215.648 million in 2020:

  1. due to floods and factories explosion in Mainland China, certain suppliers of polysilicon had temporarily suspended their operations during the year resulting in a supply shortage and surging price of polysilicon. In addition, the procurement costs of auxiliary materials increased significantly and unexpectedly during the year as the supply of a number of major auxiliary materials was affected by the outbreak of the COVID-19. During the year ended 31 December 2020, the Group recorded a gross profit of RMB585.852 million and a gross profit margin of 9.7%. As compared to the RMB341.368 million gross profit and gross profit margin of 7.7% in 2019, both figures have increased but in a limited growth rate.

2. during the year, the Group changed its operation strategy by suspending the in-house manufacturing of solar cells due to the aged production line with a low production capacity and efficiency. Instead, it utilised its resources in developing niche products. Hence, a one-off impairment of property, plant and equipment in relation to solar cells production, amounting to RMB68.587 million, was recorded.

3. an unexpected increase in selling expenses (such as shipment costs) as a result of the outbreak of COVID-19.

- During the year, earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") increased significantly from RMB49.126 million in 2019 to RMB276.003 million by 462%.

- During the year, the net cash flows from operating activities continued to grow, from RMB410.143 million in 2019 increased to RMB563.539 million, by 37%.

- Basic loss per share amounted to RMB6.82 cents (2019: RMB11.07 cents loss per share).

- The board of directors of the Company does not recommend to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL RESULTS

The directors (the "**Directors**") of Solargiga Energy Holdings Limited (the "**Company**") present herewith the results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2020 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	**6,051,956**	4,425,552
Cost of sales		**(5,466,104)**	(4,084,184)
Gross profit		**585,852**	341,368
Other income and gains, net	5	**77,710**	15,970
Selling and distribution expenses		**(136,331)**	(84,583)
Administrative expenses		**(452,827)**	(409,458)
Impairment losses on financial and contract assets, net		**(38,598)**	(5,262)
Impairment of property, plant and equipment		**(68,587)**	(15,167)
Impairment losses on prepayment		**—**	(26,975)
Operating loss		**(32,781)**	(184,107)
Share of losses of associates		**(157)**	(1,330)
Impairment of an associate		**—**	(4,104)
Other investment loss		**—**	(379)
Finance costs	7	**(133,156)**	(123,130)
Loss before tax	6	**(166,094)**	(313,050)
Income tax expense	8	**(30,273)**	(41,308)
Loss for the year		**(196,367)**	(354,358)
Attributable to:			
Equity holders of the Company		**(215,648)**	(355,492)
Non-controlling interests		**19,281**	1,134
Loss for the year		**(196,367)**	(354,358)
Basic and diluted loss per share attributable to ordinary equity holders of the Company (RMB cents)	10	**(6.82)**	(11.07)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Loss for the year	**(196,367)**	(354,358)
Other comprehensive loss		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
– Exchange differences on translation of foreign operations	**32,323**	(83)
Total comprehensive loss for the year, after tax	**(164,044)**	(354,441)
Attributable to:		
Equity holders of the Company	**(183,325)**	(355,575)
Non-controlling interests	**19,281**	1,134
Total comprehensive loss for the year	**(164,044)**	(354,441)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**1,513,287**	1,407,159
Long term prepayments and other receivables		**27,566**	29,447
Goodwill		**—**	—
Right-of-use assets		**192,449**	151,136
Investments in associates		**—**	157
Equity investments designated at fair value through other comprehensive income	*12*	**190**	1,800
Deferred tax assets		**9,662**	16,573
Total non-current assets		**1,743,154**	1,606,272
Current assets			
Inventories		**435,087**	394,110
Trade, bills receivables and contract assets	*13*	**1,927,866**	1,274,917
Prepayments, other receivables and other assets	*14*	**353,163**	350,476
Current tax recoverable		**68**	3,360
Pledged deposits		**686,100**	403,191
Cash and cash equivalents		**456,265**	396,854
Total current assets		**3,858,549**	2,822,908
Current liabilities			
Interest-bearing borrowings	*15*	**2,475,519**	1,680,914
Trade and bills payables	*16*	**2,011,213**	1,502,624
Other payables and accruals	*17*	**262,323**	68,736
Contract liabilities	*18*	**61,318**	265,979
Current tax payable		**3,379**	10,476
Provision for inventory purchase commitments		**—**	49,687
Current portion of lease liabilities		**8,564**	376
Total current liabilities		**4,822,316**	3,578,792
Net current liabilities		**(963,767)**	(755,884)
Total assets less current liabilities		**779,387**	850,388
Non-current liabilities			
Interest-bearing borrowings	*15*	**4,060**	129,325
Deferred tax liabilities		**3,777**	2,564
Deferred income		**239,281**	134,509
Lease liabilities		**40,786**	1,012
Other non-current liabilities		**151,487**	127,412
Total non-current liabilities		**439,391**	394,822
Net assets		**339,996**	455,566
Equity			
Equity attributable to equity holders of the Company			
Share capital		**270,867**	276,727
Reserves		**(130,312)**	156,967
		140,555	433,694
Non-controlling interests		**199,441**	21,872
Total equity		**339,996**	455,566

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Cash generated from operations	**589,493**	410,513
The PRC income tax paid	**(24,455)**	(370)
Withholding tax paid	**(1,499)**	—
Net cash flows from operating activities	**563,539**	410,143
Net cash used in investing activities	**(222,065)**	(181,764)
Net cash used in financing activities	**(292,406)**	(80,649)
Net increase in cash and cash equivalents	**49,068**	147,730
Cash and cash equivalents at the beginning of the year	**396,854**	239,712
Effect of foreign exchange rate changes, net	**10,343**	9,412
Cash and cash equivalents at the end of the year	**456,265**	396,854

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2020 but are extracted from those financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 December 2020, the Group's current liabilities exceeded its current assets by RMB963,767,000. The liquidity of the Group is primarily depending 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 31 December 2021. Based on such forecast, the directors of the Company (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 31 December 2021. In preparing the cash flow forecast, management has considered historical cash requirements of the Group, as well as other key factors, including anticipated sales in the twelve months ending 31 December 2021 and unutilised banking facilities as at 31 December 2020 from the Group's major banks with an amount of RMB1,765,800,000 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 12 months from the reporting date. Accordingly, the financial statements have been prepared on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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:

(i) the manufacture of, trading of, and provision of processing services for polysilicon and monocrystalline silicon solar ingots/wafers ("**Segment A**");

(ii) the manufacture and trading of photovoltaic modules ("**Segment B**");

(iii) the manufacture and trading of monocrystalline silicon solar cells ("**Segment C**");

(iv) the construction and operation of photovoltaic power plants ("**Segment D**").

No operating segments have been aggregated to form these reportable segments. Comparative figures have been provided on a basis consistent with the current year's segment analysis. Revenue, costs and expenses are allocated to those reportable segments with reference to sales generated by those segments and the costs and expenses incurred by those segments.

(a) Segment results, assets and liabilities

For the purpose of assessing segment performance and allocating resources between segments, the Group's 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the years ended 31 December 2020 and 2019 is set out below:

	Segment A		Segment B		Segment C		Segment D		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,709,095**	1,154,836	**4,272,656**	3,199,102	**59,822**	45,173	**10,383**	26,441	**6,051,956**	4,425,552
Intersegment revenue	**207,278**	297,787	**2,062,838**	1,227,628	**405,740**	383,001	**12,330**	2,827	**2,688,186**	1,911,243
Reportable segment revenue	**1,916,373**	1,452,623	**6,335,494**	4,426,730	**465,562**	428,174	**22,713**	29,268	**8,740,142**	6,336,795
Reportable segment profit/ (loss)	**64,416**	(324,732)	**(165,584)**	21,434	**(85,889)**	(39,139)	**(9,310)**	(11,921)	**(196,367)**	(354,358)
Reportable segment assets	**2,214,286**	1,697,870	**2,805,411**	2,019,642	**393,364**	521,575	**188,642**	190,093	**5,601,703**	4,429,180
Reportable segment liabilities	**2,195,720**	1,712,727	**2,729,005**	1,885,913	**230,847**	270,664	**106,135**	104,310	**5,261,707**	3,973,614

	Segment A		Segment B		Segment C		Segment D		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Other segment information:										
Interest income from bank deposits	**4,808**	6,516	**8,992**	5,172	**40**	6	**46**	46	**13,886**	11,740
Finance costs	**(63,793)**	(64,816)	**(48,117)**	(39,166)	**(14,537)**	(13,396)	**(6,709)**	(5,752)	**(133,156)**	(123,130)
Depreciation and amortisation	**(196,643)**	(134,172)	**(99,421)**	(73,726)	**(12,850)**	(30,755)	**(27)**	(393)	**(308,941)**	(239,046)
Impairment of property, plant and equipment	**—**	(15,167)	**—**	—	**(68,587)**	—	**—**	—	**(68,587)**	(15,167)
Share of losses of associates	**—**	—	**(157)**	(1,330)	**—**	—	**—**	—	**(157)**	(1,330)
Reversal of impairment losses/(impairment losses) on financial and contract assets, net	**7,920**	(11,918)	**(40,912)**	5,776	**(1,664)**	2,016	**(3,942)**	(1,136)	**(38,598)**	(5,262)
Impairment losses on prepayment	**—**	(26,975)	**—**	—	**—**	—	**—**	—	**—**	(26,975)
Reversal of write-down/ (write-down) of inventories	**1,564**	13,520	**(9,242)**	15,019	**2,474**	(1,534)	**19**	—	**(5,185)**	27,005
Capital expenditure*	**267,970**	335,591	**92,149**	71,391	**35**	1,024	**—**	2	**360,154**	408,008
Investments in associates	**—**	—	**—**	157	**—**	—	**—**	—	**—**	157

* Capital expenditure consists of additions to property, plant and equipment and right-of-use assets.

(b) Geographic information

Substantially all of the Group's property, plant and equipment, right-of-use assets, intangible assets and interests in associates are located or operated in Mainland China.

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

(i) Revenue from external customers

	2020	2019
	RMB'000	*RMB'000*
Mainland China	**4,634,081**	3,273,758
Export sales		
– Japan	**1,144,637**	783,353
– South Asia	**232,092**	349,266
– Europe	**38,444**	17,060
– Others	**2,702**	2,115
Sub-total	**1,417,875**	1,151,794
Total	**6,051,956**	4,425,552

(ii) Information about major customers

For the year ended 31 December 2020, revenue from a single customer, including a group of entities which are known to be under common control with that customer, which amounted to 10% or more to the Group's total revenue, is set out below:

	2020	2019
	RMB'000	*RMB'000*
Customer A		
— From Segment A	**289,057**	96,755
— From Segment B	**1,862,619**	776,605
	2,151,676	873,360

	2020	2019
	RMB'000	*RMB'000*
Customer B		
— From Segment B	**1,082,668**	559,325
— From Segment C	**—**	31,775
	1,082,668	591,100

4. REVENUE

An analysis of revenue is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sales of monocrystalline silicon solar ingots/wafers	**1,706,374**	1,106,209
Sales of monocrystalline silicon solar cells	**59,822**	45,173
Sales of photovoltaic modules	**3,828,264**	2,898,479
Sales of electricity generated	**577**	3,982
Construction services	**9,806**	22,459
Rendering of services	**447,113**	349,250
	6,051,956	4,425,552

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

	Silicon solar ingots/ wafers	**Photovoltaic modules**	**Silicon solar cells**	**Construction and operation of photovoltaic power plants**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Types of goods and service					
Sales of industrial products	**1,706,374**	**3,828,264**	**59,822**	**577**	**5,595,037**
Processing service	**2,721**	**444,392**	**—**	**—**	**447,113**
Construction services	**—**	**—**	**—**	**9,806**	**9,806**
Total	**1,709,095**	**4,272,656**	**59,822**	**10,383**	**6,051,956**
Geographic market					
Mainland China	**1,706,106**	**2,857,773**	**59,819**	**10,383**	**4,634,081**
Japan	**177**	**1,144,457**	**3**	**—**	**1,144,637**
South Asia	**—**	**232,092**	**—**	**—**	**232,092**
Europe	**110**	**38,334**	**—**	**—**	**38,444**
Others	**2,702**	**—**	**—**	**—**	**2,702**
Total	**1,709,095**	**4,272,656**	**59,822**	**10,383**	**6,051,956**
Timing of revenue recognition					
Goods transferred at a point of time	**1,706,374**	**3,828,264**	**59,822**	**577**	**5,595,037**
Service transferred over time	**2,721**	**444,392**	**—**	**9,806**	**456,919**
Total	**1,709,095**	**4,272,656**	**59,822**	**10,383**	**6,051,956**

For the year ended 31 December 2019

	Silicon solar ingots/ wafers *RMB'000*	Photovoltaic modules *RMB'000*	Silicon solar cells *RMB'000*	Construction and operation of photovoltaic power plants *RMB'000*	Total *RMB'000*
Types of goods and service					
Sales of industrial products	1,106,209	2,898,479	45,173	—	4,049,861
Processing service	39,338	300,623	9,289	—	349,250
Construction services	—	—	—	26,441	26,441
Total	1,145,547	3,199,102	54,462	26,441	4,425,552
Geographic market					
Mainland China	1,145,038	2,079,587	22,692	26,441	3,273,758
Japan	12	751,571	31,770	—	783,353
South Asia	—	349,266	—	—	349,266
Europe	497	16,563	—	—	17,060
Others	—	2,115	—	—	2,115
Total	1,145,547	3,199,102	54,462	26,441	4,425,552
Timing of revenue recognition					
Goods transferred at a point of time	1,106,209	2,898,479	45,173	—	4,049,861
Service transferred over time	39,338	300,623	9,289	26,441	375,691
Total	1,145,547	3,199,102	54,462	26,441	4,425,552

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2020 ***RMB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of industrial products	**265,979**	64,466

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of industrial products

The performance obligation is satisfied upon the acceptance of industrial products by customers and payment is generally due within 30 to 90 days from delivery, except for new customers and small-sized customers, where payment in advance is normally required.

Processing service

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days after customer acceptance.

Construction service

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 90 days from the date of billing.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**61,318**	265,979

5. OTHER INCOME AND GAINS, NET

	2020	2019
	RMB'000	*RMB'000*
Other income		
Government grants	**74,567**	166,152
Interest income from bank deposits	**13,886**	11,740
	88,453	177,892
Other gains/(losses), net		
Net foreign exchange loss	**(41,572)**	9,412
Net loss on disposal of property, plant and equipment	**(22,660)**	(128,879)
Gain from sales of other materials	**15,880**	216
Gain from acquisition of a subsidiary	**1,278**	—
Others	**36,331**	(42,671)
	(10,743)	(161,922)
Other income and gains, net	**77,710**	15,970

6. LOSS BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
(a) Staff costs# (including Directors' and chief executive's remuneration)		
Salaries, wages and other benefits	**242,914**	256,061
Contributions to retirement schemes	**10,866**	27,663
	253,780	283,724

	2020	2019
	RMB'000	*RMB'000*
(b) Auditor's remuneration		
Audit services	**3,321**	3,070
Tax services	**45**	23
Other services	**—**	272
	3,366	3,365

	2020	2019
	RMB'000	*RMB'000*
(c) Other items		
Depreciation of right-of-use assets	**11,967**	5,715
Depreciation of property, plant and equipment#	**296,974**	233,331
Provision for warranties	**24,075**	18,394
Research and development costs	**274,910**	230,289
Impairment losses on financial and contract assets, net	**38,598**	5,262
Impairment of property, plant and equipment	**68,587**	15,167
Impairment losses on prepayment	**—**	26,975
Net loss on disposal of property, plant and equipment	**22,660**	128,879
Gain on remeasurement of fair value of equity investment	**(1,278)**	—
Cost of inventories sold#	**5,058,236**	3,747,724
Cost of services rendered#	**407,868**	336,460

\# Cost of inventories sold and cost of services rendered include, in aggregate, RMB483,000,000 for the year ended 31 December 2020 (2019: RMB457,668,000), relating to staff costs and depreciation which amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2020 *RMB'000*	2019 *RMB'000*
Interest on bank and other loans wholly repayable within five years	**130,821**	123,003
Interest on lease liabilities	**2,335**	127
Total interest expenses on financial liabilities not at fair value through profit or loss	**133,156**	123,130

8. INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2020 *RMB'000*	2019 *RMB'000*
Current tax – the PRC		
Provision for the year	**27,069**	9,104
(Over provision)/under provision in respect of prior years	**(4,920)**	882
	22,149	9,986
Deferred tax	**8,124**	31,322
Income tax expense for the year	**30,273**	41,308

(b) A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Loss before taxation	**(166,094)**	(313,050)
Tax at the statutory tax rate	**(41,523)**	(78,263)
Tax effect of non-deductible expenses	**1,210**	2,563
Tax effect of non-taxable income	**(1,122)**	(958)
Effect of differential tax rates	**4,349**	5,805
Effect of tax concessions obtained	**(19,981)**	(1,181)
Tax effect of unused tax losses and temporary differences not recognised	**91,159**	81,615
Utilisation of unused tax loss and temporary differences not recognised in previous years	**(7,977)**	(603)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**2,785**	—
Write-off of unrecoverable deferred tax assets previously recognised	**6,293**	31,448
(Over provision)/under provision in respect of prior years	**(4,920)**	882
Tax charge at the Group effective rate	**30,273**	41,308

9. DIVIDENDS

The board does not recommend to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the ordinary equity holders of the Company of RMB215,648,000 (2019: loss of RMB355,492,000) and the weighted average of 3,161,981,309 (2019: 3,211,780,566) ordinary shares of the Company in issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

11. PREPAYMENTS FOR RAW MATERIALS

In order to secure a stable supply of polysilicon materials, the Group entered into short-term and long-term contracts with certain raw material suppliers and made advance payments to these suppliers which are to be offset against future purchases. Prepayments for raw materials where the Group expects to receive the raw materials more than twelve months after the end of the reporting period are classified as non-current assets and to receive within one year are classified as current assets. There was no prepayment for raw materials made to a related party as at 31 December 2020 (31 December 2019: Nil).

As at 31 December 2014, management reassessed the prepayments for potential impairment and identified one of the suppliers, from which the Group allegedly failed to purchase the quantities of polysilicon under the long-term supply contract ("**Supply Contract**"), and therefore made a full impairment provision of US$11,500,000. As at 31 December 2019, the amount of impairment provision remained the same which was equivalent to RMB80,266,000.

In April 2018, the supplier filed a complaint and a claim against the subsidiary of the Company for the above alleged breach of the Supply Contract.

In May 2020, the Group reached a confidential settlement agreement with the supplier and executed the settlement agreement on 13 May 2020. Among the legally bound clauses in the agreement, the dispute has been settled and the related impact has been fully recognised in the financial statements, including write-off of the above-mentioned impairment provision of US$11,500,000 (equivalent to RMB80,266,000).

12. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	RMB'000	*RMB'000*
Equity investments designated at fair value through other comprehensive income		
Unlisted equity investments, at fair value		
Jinzhou Runyang Energy Trading Co., Ltd.	**190**	—
Jiangsu Yueyang Photovoltaic Technology Co., Ltd.	**—**	1,800

In July 2019, the Group invested RMB1,800,000 in cash for 15% equity interest of Jiangsu Yueyang Photovoltaic Technology Co., Ltd. ("**Jiangsu Yueyang**"), a photovoltaic product manufacturer which commenced production in November 2019. On 31 March 2020, Jinzhou Yangguang Energy Co., Ltd ("**Jinzhou Yangguang**"), a wholly-owned subsidiary of the Company, further injected capital amounting to RMB31,200,000 into Jiangsu Yueyang and increased its equity interest in Jiangsu Yueyang from 15% to 28%.

On 1 April 2020, Jinzhou Yangguang and other investors entered into an acting-in-concert agreement which became effective on 1 April 2020. According to the acting-in-concert agreement, other investors agreed to exercise the board members' and shareholder's vote in concert with Jinzhou Yangguang. Accordingly, the Directors considered that the Company has obtained control over Jiangsu Yueyang and have consolidated Jiangsu Yueyang's financial position and performance into the Group's consolidated financial statements since 1 April 2020.

In July 2020, the Group invested RMB190,000 in cash for 19% equity interest of Jinzhou Runyang Energy Trading Co., Ltd., a photovoltaic product trading company which commenced business in June 2019.

13 TRADE, BILLS RECEIVABLE AND CONTRACT ASSETS

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**1,240,634**	1,286,963
Bills receivable	**686,613**	80,310
Less: Impairment	**(130,932)**	(92,669)
	1,796,315	1,274,604
Contract assets	**131,935**	362
Less: Impairment	**(384)**	(49)
	131,551	313
	1,927,866	1,274,917

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on processing and construction contracts. Upon completion of service and acceptance by customers, the amounts recognised as contract assets are reclassified to trade receivables.

As at 31 December 2020, bills receivable amounting to RMB260,637,000 (31 December 2019: RMB52,828,000), together with pledged deposits amounting to RMB632,615,000 (31 December 2019: RMB298,489,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB1,112,661,000 (31 December 2019: RMB377,194,000). As at 31 December 2020, borrowings amounting to RMB101,770,000 were secured by certain of the Group's trade receivables with a carrying amount of RMB101,770,000 (31 December 2019: Nil).

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**1,428,642**	971,384
1 to 2 years	**295,321**	171,110
2 to 3 years	**58,443**	119,270
Over 3 years	**13,909**	12,840
	1,796,315	1,274,604

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

The movements in the loss allowance for impairment of trade, bills receivables and contract assets are as follows:

	2020	2019
	RMB'000	*RMB'000*
At the beginning of year	**92,718**	118,202
Impairment losses	**38,598**	4,976
Amount written off as uncollectible	**—**	(30,460)
At the end of year	**131,316**	92,718

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

Affected by the outbreak of COVID-19 in 2020, part of the photovoltaic power station project construction was delayed, and credit period of some large-scale state-owned enterprises and multinational enterprises was extended. In response to the overall market credit risk increase caused by this change, management assessed credit risk of large-scale state-owned enterprises and multinational enterprises, made the provision for impairment loss accordingly.

The Group applies the simplified approach to the provision for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. To measure the expected credit loss on trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

As at 31 December 2020

Large-scale state-owned enterprises, multinational enterprises and related parties

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Over 4 years**	**Total**
Expected credit loss rates	**0.32%**	**2.06%**	**13.74%**	**31.69%**	**—**	
Gross carrying amount (RMB'000)	**626,341**	**301,463**	**85,494**	**19,377**	**—**	**1,032,675**
Expected credit losses (RMB'000)	**2,002**	**6,199**	**11,750**	**6,140**	**—**	**26,091**

Except for large-scale state-owned enterprises, multinational enterprises and related parties

	Within 1 year	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Over 4 years**	**Total**
Expected credit loss rates	**9.01%**	**40.43%**	**59.96%**	**70.29%**	**100%**	
Gross carrying amount (RMB'000)	**254,118**	**94**	**6,774**	**2,265**	**76,643**	**339,894**
Expected credit losses (RMB'000)	**22,890**	**38**	**4,062**	**1,592**	**76,643**	**105,225**

As at 31 December 2019

	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Over 4 years	Total
Expected credit loss rates	13.98%	45.37%	61.43%	68.37%	100%	
Gross carrying amount (RMB'000)	154,455	24,918	6,634	49,313	21,978	257,298
Expected credit losses (RMB'000)	21,595	11,304	4,076	33,716	21,978	92,669

As at 31 December 2019, the Group has assessed that the expected loss rate for trade receivables from large-scale state-owned enterprises, multinational enterprises and related parties was minimal since these enterprises have a strong capacity to meet their contractual cash flow obligations in the near term and no bad debt experienced in the past. The Directors are of the opinion that these trade receivables from these parties will be probably recoverable. Based on the assessment of credit risks characteristics, no provision for trade receivables from large-scale state-owned enterprises, multinational enterprises and related parties was provided as at 31 December 2019.

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020	2019
	RMB'000	*RMB'000*
Prepayments for raw materials	**186,217**	262,112
Deductible value-added tax	**143,973**	61,198
Other receivables	**22,973**	33,966
	353,163	357,276
Impairment allowance	**—**	(6,800)
	353,163	350,476

Other receivables mainly represent deposits and staff advances, and an impairment analysis is performed at each reporting date by considering the probability of default. Except the separate item of prepayments which have already been impaired, as the financial assets included in the above balances relate to receivables for which there was no recent history of default, no impairment was provided during the year.

15. INTEREST-BEARING BORROWINGS AND OTHER BORROWINGS

		31 December 2020			31 December 2019		
	Notes	**Effective interest rate** ***(%)***	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current:							
Bank loans — secured	(a)	**3.640–7.500**	**2021**	**1,112,125**	5.655–9.000	2020	862,881
Bank loans — guaranteed	(b)	**2.625–9.000**	**2021**	**717,603**	4.440–7.140	2020	799,615
Other loans — secured	(c)	**0.000–7.500**	**2021**	**511,447**	—	—	—
Other loans — guaranteed		**5.000–5.475**	**2021**	**11,637**	5.475	2020	10,464
Current portion of long-term borrowings :							
Other loans — guaranteed	(b)	**1.600–6.000**	**2021**	**122,707**	1.600–7.500	2020	7,954
Total				**2,475,519**			1,680,914
Non-current:							
Other loans — guaranteed	(b)	**1.600**	**2022–2023**	**4,060**	1.600–7.500	2021–2023	129,325
Total				**4,060**			129,325

(a) The bank borrowings of the Group are secured by:

    (i) the Group's property, plant and equipment with the net book value of RMB932,208,000 (2019: RMB749,463,000);

    (ii) the Group's right-of-use assets amounting to RMB106,391,000 (2019: RMB69,843,000); and

    (iii) no deposits of the Group were used to secure bank borrowings as at 31 December 2020 (2019: RMB63,426,000).

(b) Certain subsidiaries' borrowings are guaranteed by the other subsidiaries of the Group.

(c) Other loans of the Group are secured by:

    (i) the Group's property, plant and equipment with the net book value of RMB4,410,000;

    (ii) the Group's bills receivable amounting to RMB403,677,000; and

    (iii) the Group's trade receivables amounting to RMB101,770,000.

16. TRADE AND BILLS PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**802,769**	694,660
Bills payable	**1,208,444**	807,964
	2,011,213	1,502,624

(a) The ageing analysis of trade and bills payables at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 month	**561,240**	263,656
1 to 3 months	**589,883**	470,864
4 to 6 months	**779,100**	604,466
7 to 12 months	**63,959**	137,950
Over 1 year	**17,031**	25,688
	2,011,213	1,502,624

The trade payables are non-interest-bearing and are normally settled on 90-day credit terms.

(b) As at 31 December 2020, the Group's bills payable of RMB1,112,661,000 (31 December 2019: RMB377,194,000) were secured by Group's bills receivable of RMB260,637,000 (31 December 2019: RMB52,828,000) and by Group's pledged deposits of RMB632,615,000 (31 December 2019: RMB298,489,000).

17. OTHER PAYABLES AND ACCRUALS

	2020	2019
	RMB'000	*RMB'000*
Payables for acquisition of property, plant and equipment	**93,531**	8,211
Payables for other taxes	**40,071**	30,036
Payables for freight	**28,936**	5,092
Payables for staff-related cost	**15,528**	16,762
Dividends payable	**674**	152
Other payables and accruals	**83,583**	8,483
	262,323	68,736

The above amounts are unsecured, interest-free and have no fixed terms of repayment.

18. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2020	2019
	RMB'000	*RMB'000*
Sale of industrial products	**61,318**	265,979

Contract liabilities include short-term advances received to deliver industrial products. The decrease in contract liabilities in 2020 was mainly due to the decrease in short-term advances received from customers in relation to the sale of industrial products at the end of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2020, despite the resulting impacts caused by the outbreak of COVID-19 including global economic downturn and recession in various industries, the demand for renewable energy is still up-lifting. According to the analysis of the international analyst, IHS Markit, the epidemic had brought short-term pressure to the photovoltaic industry, but a speedy recovery was recorded in the second half of 2020. The long-term demand for photovoltaics is still high, resulting in a minimal effect to the industry caused by COVID-19. IHS Markit also predicted that 158GW of new photovoltaic installations will be made next year worldwide. This represented an increase of 34% compared with the predicted figure in 2020. China, U.S., Europe and India are expected to be the major markets for solar energy, where China continues to lead the market. The future prospect of the photovoltaic industry continues to be optimistic.

2020 was the final year of "13th Five-Year Plan" of China. It was a critical year for the industry shifting from subsidised bidding photovoltaics to grid parity in China towards a self-sustaining development path. Because of the COVID-19 pandemic, the new photovoltaic installation and export volume of modules recorded negative growth in first quarter of 2020. Nevertheless, the market recovered rapidly in the second quarter. According to the data from the China Photovoltaic Industry Association (CPIA) (中國光伏行業協會), the overall production of the photovoltaic industry grew steadily in first three quarters of 2020. The export volume of polysilicon, wafers, cells and modules was higher than that in the same period last year. It indicates that China's photovoltaic development is still progressing steadily. China's National Energy Administration (NEA) announced that in the newly installed capacity of China's power supply in 2020 was 190.87GW, in which 48.2 GW was photovoltaic capacity. The newly installed photovoltaic capacity was 18.7GW in the first three quarters announced by the NEA, which means there was 29.5GW installed in the fourth quarter. This is a new high of nearly three years since the peak of the installed capacity in 2017. In addition, the President of China, Xi Jinping, announced during the United Nations General Assembly held in September 2020 that China strives to reach the peak of carbon dioxide emissions by 2030 and to achieve carbon neutrality by 2060, whilst the total installed capacity of wind and solar power generation will reach 1.2 billion kilowatts or even more. China enters the "14th Five-Year Plan" in 2021. Photovoltaic power generation will no longer be subsidized and enter into the grid parity generation. It is foreseeable that the Chinese government will continue to introduce various photovoltaic policies to support the "14th Five-Year" energy plan in 2021 in order to stimulate the development of the photovoltaic industry and achieve the country's overall energy goals. Besides, some industrial projects that were delayed by the epidemic in early 2020 will also be completed in 2021. CPIA predicted that during the "14th Five-Year Plan" period, the average annual domestic photovoltaic installed capacity will be 70 to 90GW. It is predicted that the development of China's photovoltaic industry will continue to improve in 2021.

According to the Sustainable Energy in America Factbook, an annual joint report from Bloomberg New Energy Finance (BNEF) and the Business Council for Sustainable Energy (BCSE), US made 16.5GW of photovoltaic installations in 2020, a recorded high since 13.6GW in 2016, representing an increase of 24% compared to 13.3GW in 2019. Due to the outbreak of COVID-19, only 3.5GW of photovoltaic installations were added in the second quarter decreased by 6% comparing to the data of the previous quarter. However, newly installed capacity in the third quarter in 2020 increased to 3.8GW, representing an increase of 9%. The data reflects that the US photovoltaic industry was not greatly affected by the epidemic where only a short-term decline is recorded. This shows that the US photovoltaic industry is entering a period of recovery and the industry is getting rid of the haze of the epidemic faster than expected. At the end of 2020, the US government transited and a two-year extension on tax relief measures for the US solar energy industry was introduced, whilst more clean energy policies is expected to be introduced in 2021 and the US would return to the Paris Climate Agreement which aims for a carbon-free power generation to be reached in 2035. These factors above would all be beneficial to the development of the US solar industry. Based on the data from the US Energy Information Administration (EIA), the US solar public power generation in 2021 is expected to reach 15.4GW, which will exceed nearly 12GW in comparison to 2020.

SolarPower Europe released the latest EU Market Outlook for Solar Power. It states that despite the huge impact brought by the epidemic to Europe, Europe's new photovoltaic installed capacity in 2020 was 18.2GW, representing an increase of 11% comparing to 2019. It was the fastest growing year since 2011. Among EU member states, Germany, the Netherlands, Spain, Poland, and France have become the top five European new photovoltaic installation markets and Germany continues to be the largest photovoltaic market in Europe. In September 2020, the European Commission officially released the 2030 Climate Target Plan and the policy impact assessment report. It proposed the greenhouse gas emission reduction target in 2030 from 40% to 55% and achieving net zero greenhouse gas emissions by 2050. Relevant legislation will be amended by June 2021. Based on the interim forecast of SolarPower Europe, the demand is expected to increase by 23% in 2021, and the installed capacity will reach 22.4GW, which will break the record set since 2011.

India is the most affected market as a result of the epidemic. A sluggish demand in the installed capacity in the country and a sharp slowdown in the progress of various constructions has been shown in the past year. According to the latest report of Mercom India Research, India's newly installed photovoltaic capacity was 3.2GW in 2020, a decrease of 56% compared to 7.3GW in 2019, representing a five-year low. The international analysist IHS Markit predicted that India's installed capacity will exceed 14GW in 2020, which clearly shows a huge difference. However, India still has a high potential for installed capacity. It is estimated that the photovoltaic installed capacity of India will exceed 10GW in 2021, and the potential for development is still considerable.

In other regions, more than 110 countries have clear expectations of zero carbon emissions in the coming decades. As such, Canada, Japan and South Korea have successively announced the zero carbon commitment by 2050 and carbon neutral has become the major global consensus. Since the third quarter of 2020, all regions have entered a period of recovery. Although the actual development of the photovoltaic industry in 2021 still depends on the trend of the new crown epidemic and the progress of vaccine research and development, the prospect of renewable energy represented by solar energy continues to be optimistic in overall.

Operations Review

Operations Summary

As a clean energy source, photovoltaic power generation replacing traditional petrochemical energy sources has become a global trend. Even though the current COVID-19 epidemic has suppressed the growth in the demand for photovoltaic products temporarily, the trend of rapid growth in the demand for photovoltaic products in the future is unwavering. The Group focuses on the manufacturing and sales of upstream monocrystalline silicon ingots, wafers and downstream photovoltaic modules in the photovoltaic industry. Among them, the major customers of monocrystalline silicon ingots and wafers are large midstream solar cell manufacturers and the major customers of photovoltaic modules are large domestic state-owned enterprises, multinational corporations and other photovoltaic end-user customers. This enables the Group to fully demonstrate its current advantages in the production of such products. Moreover, the Group is engaged in the installation of photovoltaic systems and the development, design, construction, operation and maintenance of photovoltaic generation plants.

Silicon ingot and wafer business

Monocrystalline silicon ingot products are mostly used for the internal production of monocrystalline silicon wafers within the Group, and are less engaged in external sales. Monocrystalline silicon wafer products of the Group are mostly sold to third-party professional solar cell manufacturers. During the year, with the advantages in the application of monocrystalline products 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. Further, in addition to the traditional monocrystalline P-type products, shipment volume of monocrystalline N-type products with higher conversion efficiencies are also increasing. With the continuing realisation of advantages in the improvement in conversion efficiency, more stable decay rate in its photovoltaic systems, continued reduction in unit costs, etc, it is expected that the advantages of monocrystalline products will become more obvious in the field of photovoltaic power generation. The monocrystalline technology focused by the Group in the past two decades has officially defeated that of multicrystalline and became the only mainstream in the market.

The Group has a leading position in the monocrystalline silicon solar ingot and wafer manufacture industry in terms of technology, whilst product quality and stability are amongst those of the industry leaders. During the year, since most of the ingot products have been reserved for internal use, the external shipment volume of monocrystalline silicon ingots was 710.8MW (204.2MW in 2019). External shipment volume of monocrystalline silicon wafers increased significantly to 3,145.8MW (2,014.6MW in 2019). Major customers of external sales included TW Solar Group (通威太陽能集團), Sumin New Energy Group (蘇民新能源集團), Shangrao Jietai New Energy Technology Co., Ltd. (上饒捷泰新能源科技有限公司), Aiko Solar Energy Technology Co., Ltd (愛旭太陽能科技有限公司) and huge state-owned enterprises in China, such as Huanghe Hydropower Development Co., Ltd. (黃河上游水電開發有限責任公司) ("**Qinghai SPI**").

The Group has completed the testing and adjustments of its newly invested low-cost high-efficiency monocrystalline silicon solar ingot and wafer project, located in Qujing, Yunnan, the PRC. It commenced manufacturing in scale from 2020 onwards. Not only do the relevant investments enjoy various preferential investment policies from the local government, but more importantly, the local electricity cost, which is the major manufacturing cost of ingot-pulling, is also lower than that at previous major production base in Jinzhou, Liaoning, by more than 50% which strengthened the ability to increase gross profit margin. Accordingly, the Group is currently actively planning the expansion of the monocrystalline silicon solar ingot and wafer capacities in Qujing, Yunnan in order to take advantage of the local external production environment, and enable the Group to fully demonstrate its current technological advantages in production.

Solar cell and module businesses

The production line of the Group previously covered the upstream photovoltaic monocrystalline silicon ingots and wafers, mid-stream solar cells and downstream photovoltaic modules. However, due to the ageing of the production line of solar cell and its low production capacity without economies of scale, the Group adjusted its operating strategy to utilise its resources in developing niche products and no longer continued to manufacture any solar cells. The net amount of existing ageing production line of solar cells and related machinery equipment was accounted for as one-off asset impairment loss during the year. This resulted in unsatisfactory operating performance during the year.

Regarding the photovoltaic module business, in order to meet the needs of module customers, the Group established a new module manufacturing base in Yancheng, Jiangsu. 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 addition to various preferential policies offered by the local government, the company also gained advantage in significantly reducing the investment in fixed assets by renting plant buildings. From 1 April 2020 onwards, this project has been included in the Group's consolidated financial statements, and hence the Group's effective module production capacity has been increased to 3.7GW. This allows the Group to enjoy economies of scale in module products, and a more stable export channel for the Group's 3.45GW production capacity of upstream monocrystalline silicon ingots.

The Group recorded external shipment volume of photovoltaic modules of 2,865MW in 2020, which grew by 54% when compared to external shipment volume of 1,855.7MW in 2019. The Group's module sales increased from RMB3,199.102 million last year to RMB4,272.656 million in 2020. The excellent product quality and price competitiveness, combined with the commencement of large scale production using the new high-efficiency equipment and technical transformation and equipment upgrades on the existing module manufacturing capacity, led to a continuation of rapid growth in external shipment volume and total sales. External sales 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, Suntech Power Holdings Co., Ltd. (無錫尚德太陽能電力有限公司), Sungrow Power Supply Co., Ltd (陽光電源股份有限公司), CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司) and SANSHIN ELECTRONICS CO., LTD. etc. The Group has been providing processing services of photovoltaic products for SHARP all year round and it has become SHARP's largest processing services partner for photovoltaic module for eight consecutive years.

In response to the opportunity offered by grid parity, the technical level of multi-crystalline photovoltaic products has been replaced by monocrystalline products. The P-type PERC (Passivated Emitter and Rear Cell) module of the monocrystalline product that the Group focused on has not only become the mainstream in the market, but the Group also further expanded and strengthened the development and sales of monocrystalline silicon high-efficiency module products such as N-type double-sized glass photovoltaic modules, half-cell photovoltaic modules, smart photovoltaic modules, and related high-end products. Among them, the Group is the first in the country and also leading in the industry to utilise internationally-leading FPC manufacturing technique in 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.

As a company focusing on monocrystalline silicon photovoltaic products, equipped with high-quality, self-produced upstream monocrystalline silicon ingots and mono-crystalline silicon wafers, customers' demand for the Group's mono-crystalline modules has always remained high. Currently, proportion of sales of the Group's mono-crystalline silicon photovoltaic modules has reached around 95%. Further, the Group has also added in SHARP's global leading 40-year quality assurance system for photovoltaic products. The quality of the products is stable and reliable, which could bring long-term and stable income to end-user owners.

Construction and operation of photovoltaic system business

The Group has been actively expanding the end-user power plants construction business apart from devoting its efforts in stabilising its upstream and midstream business development, thereby driving demand for products from downstream to upstream. As such, the Group explores business opportunity derived from the construction of distributed power plants. Apart from establishing internal photovoltaic power plant system companies, 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.

Operation Strategy

As a clean energy source, photovoltaic power generation had to rely on government subsidies to compete with the selling price of traditional petrochemical energy in the past. If production costs can be reduced and be competitive in the normal market without government subsidies, photovoltaic power generative may lead to a widespread application. As such, with the 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 market price, and explosive sales growth is foreseeable in the future. In this case, production related equipment also needs to be upgraded or added in order to be in line with technological development. Accordingly, the Group has continued to invest in upgrading and transforming the existing production capacity and engage in mass production adjustment of new production capacity since 2018. Also, ageing production capacity had been eliminated. The upgrading, adjustment and elimination of production equipment during this period led to the increase in production costs and expenses of the Group. Thus, the operating performance was less satisfactory. However, in 2020, the Group has finally passed the painful period and reached the goal of comprehensive upgrade of existing production capacity and mass output of new high-efficiency production capacity. Currently, the annual production capacity of monocrystalline silicon ingot of the Group is 3.45GW, monocrystalline silicon wafer capacity is 2.50GW, and module production capacity is increased to 3.70GW.

The major concern for the aforementioned monocrystalline silicon wafer production capacity being less than that of monocrystalline silicon ingot, is that the types of photovoltaic products were originally divided into two technologies, monocrystalline and multicrystalline, for many years. The production ways of their corresponding monocrystalline silicon ingot and multicrystalline silicon ingots are different. With the conversion efficiency improvement of monocrystalline silicon products and the ability of continuously reducing production costs becoming clearer and more feasible, the market share of the multicrystalline technology has been quickly replaced by the monocrystalline technology. Yet, production of monocrystalline and multicrystalline silicon wafers in the manufacturing process are the same and therefore the production capacity of multicrystalline slicing with multicrystalline silicon ingots has been greatly released. Hence, the difference in the production capacity of the Group's monocrystalline silicon ingots and that of monocrystalline silicon wafers will be smoothly compensated by third-party processing service providers that have already released multicrystalline slicing capacity. As a result, the Group could focus on its limited resources on the development of monocrystalline ingots and niche module products.

By adopting a dual-track strategy of continuous development of upstream mono-crystalline silicon ingots and wafer products, as well as downstream module products, the Group effectively utilises its resources and the business strategy could hence be more flexible. For example, in the event of a poor sales market for monocrystalline silicon wafers, the Group can outsource these monocrystalline silicon wafers to third-party cell manufacturers to the production of solar cells, which will then be returned to the Group for further production into modules and be sold to downstream third-party large module customers. On the other hand, if the sales market for monocrystalline silicon wafers is favourable, the Group can sell the monocrystalline silicon wafers directly to these third-party cell manufacturers, then purchase solar cells from market to manufacture the downstream modules products. Therefore, in the event where the industry is changing drastically, the Group could flexibly plan the business strategy of monocrystalline silicon wafers, and the supply of solar cells which are required for the Group's module production can also be well guaranteed. To summarise, the Group's upstream monocrystalline silicon ingot/wafers and downstream photovoltaic module products each have solid customer bases, and the synergy between them can further strengthen the Group's advantages in vertical integration of upstream and downstream monocrystalline products.

Regarding the production of upstream mono-crystalline silicon ingot and wafer products, the Group's low-cost high-efficiency production base of mono-crystalline silicon ingot and wafer located in Qujing, Yunnan has completed its production adjustment, and the results of which have been showing gradually. Further, after the Group's transformation and upgrading works performed at the original production bases in Jinzhou, Liaoning and Xining, Qinghai, increase in the production capacity and cost reduction have been demonstrated, which further improve the Group's overall gross profit margin.

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 not only maintains a more stable terminal product estuary, but also indirectly drives the utilisation rate of each production segment of the Group from the bottom up. As such, the newly-established module manufacturing base in Yancheng, Jiangsu has commenced production in addition to the current module capacity owned by its wholly-owned subsidiaries based in Jinzhou, Liaoning, in order to meet the needs of module customers. The Group's effective module production capacity is then increased to 3.7GW which can greatly increase the economies of scale in module products.

Operating Performance

Reaping the benefits of the results from strengthening the customer relationship of downstream module products over the years, the Group's high-end photovoltaic products continued to be welcomed by domestic state-owned enterprises and multinational corporations. Total shipment volume increased from 4,134MW in 2019 to 6,811MW in 2020, representing a growth of 65%. Although the unit selling price per watt of photovoltaic products has been reducing year by year as a result of the removal of government subsidies so that the price can be marketized, the Group's revenue still increase from RMB4,426 million in 2019 to RMB6,052 million in 2020, representing a significant increase of 37%. However, even though the net loss for the year dropped significantly from RMB354.358 million in 2019 to RMB196.367 million in 2020, the Group could not turn loss into profit, mainly due to the following reasons which cannot be reasonably foreseen:

(1) as high-efficiency production capacity has successively commenced mass production during the year and the transformation of existing production capacity was completed, it was originally expected that the gross profit margin could be greatly improved. However, some of the suppliers of polysilicon had temporary suspended their operations during the year which resulted in a supply shortage and surging price of polysilicon. In addition, the procurement costs of auxiliary materials increased significantly during the year as the supply of major auxiliary materials was

affected by the outbreak of the COVID-19. The increase in the price of materials had led to the actual gross profit margin increased only from 7.7% in 2019 to 9.7% in 2020 and the growth in gross profit margin has been restricted.

(2) as 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, the Group adjusted its operating strategy during the year by suspending the in-house manufacturing of solar cells due to the aged production line with a low production capacity and efficiency. Instead, it utilises limited resources to fully develop niche products such as upstream monocrystalline silicon ingots, monocrystalline silicon wafers and downstream modules. Since the Group is not expected to produce solar cells on its own, the net amount of such aged production line and the related machinery and equipment was recognised as a one-off asset impairment loss during the year.

(3) unexpected increase in selling expenses (such as shipment costs) as a result of the outbreak of COVID-19.

To summarise, due to the aforementioned unexpected reasons, the growth of the Group's gross profit margin reduced drastically and unexpected costs also increased significantly. However, due to the successful research and development of the Group and breakthroughs in various production bottlenecks during the year, the most advanced production technology had been smoothly applied to mass production. Thus, if the unexpected factors were not present, the production cost of each product line of the Group should reduce greatly, and the overall gross profit margin should also improve. For example, the Group's monocrystalline silicon ingot production system adopted fast closing technology, which shortened the closing time by 70%. Further, through the transformation and upgrading of the water cooling device, the growth rate of monocrystalline silicon ingot can be increased from 1.25mm/min to 2.0mm/min. Whilst we had also developed a 500-hour long-life crucible, a major auxiliary material for the production of monocrystalline silicon ingot, jointly with specific suppliers, it could realise the RCZ production process of continuously drawing 9 ingots in one pot, which can significantly reduce the production cost. On the other hand, the module production line of the Group can also produce multi-busbar half-cell double-sided double glass 182mm and 210mm large-size modules which the conversion could reach more than 600 watts. In addition, the related equipment automation 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 two-third 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, they could further enhance the Group's ability to increase the selling price and provide opportunity for a substantial increase in gross profit margin.

Looking ahead, as a result of (a) leading technology cost advantages and large-size product lines with higher bargaining power, the Group will be able to increase the market share and further drive a significant increase in gross profit margin; (b) the new production base with a lower electricity costs and with policy support, the Group can significantly reduce the production cost of the local external environment; (c) the high-efficiency new production capacity has begun mass production as expected, the existing production capacity had also been upgraded, which could lead to the advantages of economies of scale; (d) the long-term diversified technological advantages of each product line; and (e) the strong client base in China and overseas, with increasing demand from new and old customers, it is expected that the Group's external shipments and revenue would continue to grow, and the production cost would decrease more than the selling price. The gross profit margin and gross profit ratios will return to a normal level.

Financial Review

Revenue

The cost of photovoltaic power generation must continue to decline as technology continues to improve in order to replace traditional petrochemical energy on a large scale basis and to effectively achieve the goal of green and clean energy. Although the average selling price of photovoltaic product declined gradually over the year, and the growth in overall market demand has been suppressed due to the COVID-19 pandemic, the Group has been striving to strengthen the relationship with its customers of both upstream monocrystalline silicon ingots and wafers and downstream modules over the years, hence the high-end photovoltaic products remain welcomed by state owned enterprises and multinational enterprises. As a result, total external shipment volume increased significantly by 65% as compared to last year. The Group has continued to maintain its growth and recorded a revenue of RMB6,051.956 million for the year ended 31 December 2020, represented a growth rate of 36.8% from RMB4,425.552 million in 2019.

Cost of sales

For the year ended 31 December 2020, cost of sales increased from RMB4,084.184 million in 2019 to RMB5,466.104 million, representing an increase of 33.8%, mainly due to the increase in shipment volume. Cost of sales represented 90.3% of total revenue, representing a limited decrease of 2.0 percentage points from 2019. Some suppliers of polysilicon had temporary suspended their operations because of floods and factories explosion during the year, resulting in a supply shortage and surging price of polysilicon. In addition, the procurement costs of auxiliary materials increased significantly during the year as the supply of a number of major auxiliary materials was being affected by the outbreak of the COVID-19.

Gross profit and gross profit margin

With the commencement of high-efficiency production capacity and transformation of existing production capacity, the total gross profit and gross profit margin were expected to improve significantly. However, as mentioned above, the outbreak of COVID-19 has led to a significant increase in procurement costs. The Group recorded gross profit amounted to RMB585.852 million, at a gross profit margin of 9.7% during the year, as compared to RMB341.368 million gross profit and gross profit margin of 7.7% in 2019, both figures have increased but in a limited growth rate.

Selling and distribution expenses

Selling and distribution expenses mainly comprised of packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased to RMB136.331 million in 2020 from RMB84.583 million in 2019. The increase in selling and distribution expenses were mainly due to the increase in external shipment volume in 2020 and the unexpected increase in overseas shipment costs as a result of outbreak of COVID-19.

Administrative expenses

Administrative expenses mainly comprised of staff costs and research and development expenses. The administrative expenses for the year amounted to RMB452.827 million, as compared to RMB409.458 million in 2019. The increase was mainly due to increase in investment in research and development of various niche products and technological innovations in production and related expenses.

Impairment of property, plant and equipment

An impairment of property, plant and equipment, amounting to RMB68.587 million, was recognised during the year, increased by RMB53.42 million from 2019. The production line of the Group previously covered the upstream photovoltaic monocrystalline silicon ingots and wafers, mid-stream solar cells and downstream photovoltaic modules. However, the scale of solar cell production was relatively small and outdated, the Group has changed its operating strategy to discontinue the production of photovoltaic solar cells and reserved more resources on other profitable products.

Impairment losses on trade receivables and contract assets

An impairment losses on trade receivables and contract assets of RMB38.598 million was recognised during the year (2019: RMB5.262 million). Affected by the outbreak of COVID-19 in 2020, part of the photovoltaic power station project construction was delayed, and credit period of some large-scale state-owned enterprises and multinational enterprises was extended. In addition, the default in the domestic bond market has caused the credit ratings of some large-scale state-owned enterprises, which below the second level, to be downgraded, and the overall market credit risk has increased compared to previous years. In response to the overall market credit risk increase caused by this change, management assessed credit risk of large-scale state-owned enterprises and multinational enterprises, made the provision for impairment loss accordingly.

Finance costs

Finance costs mainly represented bank loan interests. The Group's finance costs increased from RMB123.130 million in 2019 to RMB133.156 million in 2020, representing an increase of 8.1%. As mentioned above, external shipment volume of the Group has grown significantly by 65%. Given the significant increase in corresponding shipment volume, the Group's finance cost has increased in a lesser extent. It was a result of better financial control on the use of funds during the year. The Group expects to lower the finance costs gradually in the future and to obtain more sources of financing.

Income tax

Income tax expense was RMB30.273 million in 2020, while income tax expense amounted to RMB41.308 million in 2019. The income tax expense was mainly derived from the provision of income tax for the profitable subsidiaries of the Group. The decrease in income tax expense was mainly due to the Group reversed deferred tax assets in 2019, and no material reversal made in 2020.

Loss attributable to the equity shareholders

In 2020, the Group recorded a loss attributable to the equity shareholders of RMB215.648 million as compared to a loss attributable to the equity shareholders of RMB355.492 million in 2019.

Inventory turnover days

It is the Group's strategy to maintain a high inventory turnover rate and low inventory turnover days, in order to mitigate the impact of falling average price of photovoltaic products caused by technological improvement. At the same time, it can also reduce the backlog of funds and better utilise the operating funds. The inventory turnover days of the Group during the year was reduced to 27 days (2019: 33 days).

Trade receivable turnover days

In response to the increasing demand for photovoltaic modules, the revenue derived from the sales of photovoltaic modules has increased significantly and accounted for over 70% of the Group's overall revenue. According to the general terms module sales contract in the industry, 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. As a result, the trade receivables turnover days of module business are generally longer. Even so, due to the constant effective management of accounts receivables, the collection of receivables has been improved. Furthermore, transactions with certain major customers with stronger settlement ability has increased, resulting in the Group's trade receivables turnover days being reduced to 95 days in 2020 (2019: 113 days).

Trade payable turnover days

As the business development becomes more stable, the proportion of sales derived from the Group's modules has increased gradually, leading to an increase in purchase of solar cells for which its credit period is relatively shorter than other materials. As a result, the trade payable turnover days during the year was reduced to 116 days (2019: 130 days).

Liquidity and financial resources

The principal source of working capital of the Group during the year were cash flows from bank borrowings. As at 31 December 2020, the current ratio (current assets divided by current liabilities) of the Group was 0.80 (31 December 2019: 0.79). The Group had net borrowings of RMB1,337.214 million as at 31 December 2020 (31 December 2019: RMB1,010.194 million), including cash and cash equivalents of RMB456.265 million (31 December 2019: RMB396.854 million), pledged deposits of RMB686.100 million (31 December 2019: RMB403.191 million), bank and other loans due within one year of RMB2,475.519 million (31 December 2019: RMB1,680.914 million) and non-current bank and other loans of RMB4.060 million (31 December 2019: RMB129.325 million). The net debt to equity ratio (net debt divided by total equity) was 393.3% (31 December 2019: 221.7%).

Net cash inflow from operating activities

As mentioned above, as the Group's inventory turnover days and trade receivable turnover days have been improved during the year, the net cash flows from operating activities has grown by 37% from RMB410.143 million in 2019 to RMB563.539 million in 2020.

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

During the period, earnings before interest, taxes, depreciation and amortisation ("EBITDA") amounted to RMB276.003 million, represented a significant increase of 462% as compared to RMB49.126 million during the year ended 31 December 2019. The main reason for the increase in EBITDA was due to the substantial growth in revenue derived from the Group's major products, monocrystalline silicon wafers and modules and the achievement of efficiency in production during the year.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk are primarily the US Dollar and Euro. The Directors do not expect any significant impact from the change in exchange rates since the Group uses foreign currencies received from customers to settle the amounts due to suppliers which naturally mitigates the exchange rate risk. In addition, the Group will consider the differences in interest rates and fluctuations in the exchange rates of foreign currency denominated and local currency-denominated loan balance, and the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Human resources

As at 31 December 2020, the Group had 3,890 (31 December 2019: 4,025) employees.

Future prospects and strategies

Photovoltaic policy of China in 2020 has continued the overall framework of 2019. It entered the final year of parallel development of grid parity and subsidised bidding projects by stepping out of government subsidies, and progressing towards self sustainable development, advancing technological progress, reducing cost of power generation to promote the achievement in comprehensive grid parity. Although demand was temporarily dampened due to the outbreak of COVID-19 pandemic in 2020, the overall new installations continued to grow rapidly. It is expected that mid and long-term demand will continue to grow strongly in China and globally. As for the photovoltaic products, due to the advantages of high conversion ratios, stable photovoltaic system decay rate, continued reduction in unit cost, etc. of monocrystalline products, market share of monocrystalline products will continue to rise and replace multicrystalline products. Hence, the number of solar plants equipped with mono-crystalline photovoltaic systems and the number of mono-crystalline products used in distributed power plants have been increasing.

In order to respond to the rapid increase in global demand, the Group is actively planning to continue with the expansion of 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 would be expanded from the current 3.45GW to 8.55GW by the end of 2021, and further expanded to 20.05GW by the end of 2022. The production capacity of monocrystalline silicon wafer would be expanded from the current 2.50GW to 4.60GW by the end of 2021, and further expanded to 14.60GW by the end of 2022. The production capacity of modules would be expanded from the current 3.70GW to 8.86GW by the end of 2021, and further expanded to 14.46GW by the end of 2022.

As mentioned above, the production capacity of monocrystalline silicon wafer is lower than that of monocrystalline silicon ingot was mainly due to the current trend of rapid replacement of multicrystalline products by monocrystalline products. Hence, a substantial amount of production capacity of multicrystalline slicing with multicrystalline silicon ingots has been released. The difference in the production capacity of the Group's monocrystalline silicon ingots and that of monocrystalline silicon wafers will be gradually eliminated by third-party processing service providers that have excess multicrystalline slicing capacity. As a result, the Group could focus on its limited resources on the development of monocrystalline ingots and niche module products. Besides, in the planning for 2022, the upstream monocrystalline silicon ingot production capacity will be significantly higher than the downstream module production capacity. It is to consider that the future supply and demand is growing rapidly. Compared with downstream modules, production of upstream monocrystalline silicon ingot needs higher technical thresholds and higher gross profit margins. Therefore, the oligopoly market trend of the monocrystalline silicon ingot suppliers will continue to exist. As the first batch of domestic enterprises engaging in the production of monocrystalline silicon ingot, with 20 years experience in manufacturing of monocrystalline silicon ingot, leading the industry with accumulated technological advantages, when more resources would be invested in the oligopoly market of upstream monocrystalline silicon ingots, there would be better market bargaining power which can strengthen the Group's profitability. Additionally, to avoid sales competition with existing overseas OEM customers, the Group has not yet engaged in large-scale self-owned module brand sales. The overseas module sales strategy still focus on processing services. Therefore, the module's capacity expansion plan would have a lower growth rate and resources could be concentrated on the development of upstream monocrystalline ingot products.

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. The Group is fully prepared and will do its utmost, to embrace the growth and development in the photovoltaic industry in the good times after reaching grid parity.

EVENT AFTER REPORTING PERIOD

On 21 January 2021, the Company entered into the subscription agreement with the Madam SZE Tan Hung (the "**Subscriber**"), an independent third party, pursuant to which the Subscriber conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 180,000,000 subscription shares at the subscription price of HK$0.29 per subscription share. The total consideration payable by the Subscriber under the subscription agreement amounts to HK$52,200,000 (equivalent to RMB43,567,000). All of the conditions precedent of the subscription agreement have been fulfilled and completion took place on 28 January 2021.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's consolidated financial results for the year ended 31 December 2020, and has discussed and reviewed the risk management, internal control and reporting matters.

DIVIDEND

No final dividend was paid in 2020 (2019: Nil). The Directors do not recommend the payment of a final dividend for 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 June 2021 to 24 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 June 2021.

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

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 transferred to the Company on 7 April 2020, and were cancelled on 2 June 2020. Save as disclosed above, during the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions 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 been complied with the Model Code throughout the financial year ended 31 December 2020.

CORPORATE GOVERNANCE

The Company reviews and enhances its corporate governance practices continuously and is committed to a high standard of corporate governance. The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "**Corporate Governance Code**") set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020.

PUBLICATION OF FINANCIAL INFORMATION

The 2020 annual report containing all the detailed information will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.solargiga.com) in due course.

SCOPE OF WORK OF AUDITOR

The figures in respect of the consolidated statement of profit or loss, consolidated statement comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year as set out in this announcement have been agreed by our auditors, Messrs. Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by the Group's auditor, Ernst & Young, in this respect did not constitute audits, reviews and other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Group's auditor on the preliminary results announcement.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company be held on 24 June 2021. Notice of the annual general meeting will be published and issued to shareholders in due course.

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

Hong Kong, 31 March 2021

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