Solargiga Energy

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

ANNOUNCEMENT OF ANNUAL RESULTS
For the year ended 31 December 2016

FINANCIAL HIGHLIGHTS

– External shipment volume of production business for the year was approximately 1,543.40MW, increased substantially by 34.1% from approximately 1,151.10MW for 2015.

– Revenue increased by 4.2% to RMB3,020.976 million (2015: RMB2,899.550 million).

– Gross profit amounted to RMB329.077 million (2015: RMB242.538 million).

– Gross profit margin was approximately 10.9% (2015: 8.4%). Through continuous technological innovation in the production process and improvement of the cost of production, gross profit margin still managed to grow steadily in spite of the continuous drop in unit selling price. However, the technical upgrading work performed on certain machinery and equipment affected part of the production capacity. As a result, the benefits of economy of scale and the advantages of vertical integration of the upstream and downstream industry chains were not reflected. Therefore, a lower-than-expected gross profit margin and thus losses were recorded.

– Loss from operations was RMB74.289 million (2015: Profit from operations of RMB152.548 million). Loss from operations was mainly due to the lower-than-expected gross profit for the reasons above and the higher research and development expenses incurred. The large difference between 2015 and 2016 was contributed by the gain arising from the land disposal in 2015, which generated a higher other income, while such disposal was absent in 2016.

– Net loss attributable to the equity holders of the Company was RMB239.149 million (2015: Net profit of RMB15.653 million).

– Basic loss per share was RMB7.45 cents (2015: Basic earnings per share of RMB0.49 cents).

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 2016 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Revenue	3	**3,020,976**	2,899,550
Cost of sales		**(2,691,899)**	(2,657,012)
Gross profit		**329,077**	242,538
Other income and gains, net	4	**(46,591)**	141,241
Selling and distribution expenses		**(30,471)**	(28,450)
Administrative expenses		**(326,304)**	(202,781)
(Loss)/profit from operations		**(74,289)**	152,548
Share of profits less losses of associates		**(18,573)**	(13,093)
Finance costs	6	**(117,102)**	(119,984)
(Loss)/profit before tax	5	**(209,964)**	19,471
Income tax expense	7	**(17,442)**	(3,030)
(Loss)/profit for the year		**(227,406)**	16,441
Attributable to:			
Equity holders of the Company		**(239,149)**	15,653
Non-controlling interests		**11,743**	788
(Loss)/profit for the year		**(227,406)**	16,441
Basic and diluted (loss)/earnings per share attributable to ordinary equity holders of the Company (RMB cents)	9	**(7.45)**	0.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016	2015
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(227,406)**	16,441
Other comprehensive loss for the year (after tax and reclassification adjustments):		
Items that may be reclassified subsequently to profit or loss:		
– Changes in fair value of avaliable-for-sale investments	**(4,443)**	4,443
– Currency translation differences	**(21,576)**	(45,439)
Total comprehensive loss for the year, after tax	**(253,425)**	(24,555)
Attributable to:		
Equity holders of the Company	**(265,168)**	(25,343)
Non-controlling interests	**11,743**	788
Total comprehensive loss for the year	**(253,425)**	(24,555)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**1,696,321**	1,796,131
Prepayments for acquisitions of property, plant and equipment		**25,143**	46,767
Land lease prepayments		**120,050**	120,200
Prepayments for raw materials	*16*	**66,223**	83,184
Investments in associates		**41,148**	59,721
Deferred tax assets		**19,516**	23,515
Other non-current assets	*17*	**21,644**	28,710
Total non-current assets		**1,990,045**	2,158,228
Current assets			
Inventories		**670,749**	613,170
Trade and bills receivables	*10*	**485,910**	578,936
Prepayments, deposits and other receivables	*11*	**436,296**	584,134
Current tax recoverable		**13,259**	1,233
Available-for-sale investments	*12*	**–**	123,942
Pledged deposits		**384,661**	459,171
Cash and cash equivalents		**293,628**	193,953
Total current assets		**2,284,503**	2,554,539
Current liabilities			
Interest-bearing borrowings	*15*	**2,036,867**	1,931,849
Trade and bills payables	*13*	**728,247**	799,248
Other payables and accruals	*14*	**115,673**	166,346
Current tax payable		**2,038**	6,160
Provision for inventory purchase commitments		**49,408**	46,250
Finance lease payables		**5,000**	–
Total current liabilities		**2,937,233**	2,949,853
Net current liabilities		**(652,730)**	(395,314)
Total assets less current liabilities		**1,337,315**	1,762,914
Non-current liabilities			
Interest-bearing borrowings	*15*	**179,780**	348,144
Deferred tax liabilities		**2,851**	2,855
Deferred income		**180,963**	187,165
Finance lease payables		**10,840**	–
Other non-current liabilities		**84,193**	61,887
Total non-current liabilities		**458,627**	600,051
Net assets		**878,688**	1,162,863
Equity			
Share capital		**276,727**	276,727
Reserves		**533,769**	794,013
Equity attributable to equity holders of the Company		**810,496**	1,070,740
Non-controlling interests		**68,192**	92,123
Total equity		**878,688**	1,162,863

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 2016 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 available-for-sale 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 2016, the Group's current liabilities exceeded its current assets by RMB652,730,000. As at 31 December 2016, the Group had cash and cash equivalents of RMB293,628,000 and short-term bank loans, including current portion of long-term bank loans of RMB2,036,867,000. 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 2017. Based on such forecast, the directors believe that adequate sources of liquidity exist to fund the Group's working capital and capital expenditure requirements, and to meet its short term debt obligations and other liabilities and commitments as they become due in the twelve months ending 31 December 2017. 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 2017, unutilised banking facilities as at 31 December 2016 from the Group's major banks with an amount of RMB527,955,000 which will be expired on 31 December 2017 and an amount of RMB387,000,000 which will be expired on 31 December 2019.

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 following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of Amendments to HKAS 1, Amendments to HKAS 16 and HKAS 38 and Amendments to HKFRS 5 included in the *Annual Improvements 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial impact on these financial statements.

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

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 resources allocation and performance assessment, the Group has identified four reportable segments: (i) the manufacturing of, trading of, and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers ("Segment A"); (ii) the manufacturing and trading of photovoltaic modules ("Segment B"); (iii) the manufacturing and trading of monocrystalline silicon solar cells ("Segment C") and (iv) the construction and operating 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 2016 and 2015 is set out below:

	Segment A		Segment B		Segment C		Segment D		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customer	**652,487**	514,706	**2,230,621**	2,029,513	**71,424**	231,039	**66,444**	124,292	**3,020,976**	2,899,550
Intersegment revenue	**351,377**	489,985	**323,749**	151,603	**886,545**	803,928	**1,310**	4,194	**1,562,981**	1,449,710
Reportable segment revenue	**1,003,864**	1,004,691	**2,554,370**	2,181,116	**957,969**	1,034,967	**67,754**	128,486	**4,583,957**	4,349,260
Reportable segment (loss)/profit	**(236,863)**	(54,806)	**14,652**	56,995	**8,049**	24,438	**(13,244)**	(10,186)	**(227,406)**	16,441
Reportable segment assets	**2,250,710**	2,765,716	**832,396**	875,852	**790,248**	651,655	**401,194**	419,544	**4,274,548**	4,712,767
Reportable segment liabilities	**1,770,469**	1,927,495	**951,218**	997,789	**415,056**	340,066	**259,117**	284,554	**3,395,860**	3,549,904
Other segment information:										
Interest income from bank deposits	**740**	1,513	**4,425**	11,180	**646**	10,033	**15**	8	**5,826**	22,734
Finance costs	**(51,615)**	(54,781)	**(35,860)**	(34,295)	**(15,960)**	(15,893)	**(13,667)**	(15,015)	**(117,102)**	(119,984)
Depreciation and amortisation	**(157,920)**	(147,975)	**(19,668)**	(11,567)	**(35,069)**	(34,848)	**(11,118)**	(10,961)	**(223,775)**	(205,351)
Share of profits less losses of associates	**(18,573)**	(13,093)	**–**	–	**–**	–	**–**	–	**(18,573)**	(13,093)
Impairment losses on trade and other receivables	**(35,273)**	–	**(994)**	–	**(350)**	–	**–**	–	**(36,617)**	–
Write-down of inventories	**(825)**	(9,711)	**–**	–	**–**	–	**–**	–	**(825)**	(9,711)
Capital expenditure*	**42,790**	59,890	**79,081**	11,924	**11,537**	22,747	**21,672**	1,990	**155,080**	96,551
Investments in associates	**41,148**	59,721	**–**	–	**–**	–	**–**	–	**41,148**	59,721

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

(b) Geographic information

Substantially all of the Group's property, plant and equipment, lease prepayments, goodwill, intangible assets and interests in associates are located or operated in the PRC. The following table sets out information about the Group's revenue from external customers and the Group's non-current prepayments 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

	2016 ***RMB'000***	2015 *RMB'000*
Mainland China	**1,451,226**	912,646
Export sales		
– Japan	**1,386,488**	1,775,295
– Taiwan	**95,316**	73,803
– Other Asian Regions	**80,826**	124,063
– Europe	**6,151**	–
– America	**969**	13,743
Sub-total	**1,569,750**	1,986,904
Total	**3,020,976**	2,899,550

(ii) Non-current prepayments

	2016 ***RMB'000***	2015 *RMB'000*
Mainland China	**33,626**	54,784
Overseas		
– Taiwan	**57,740**	75,167
Sub-total	**57,740**	75,167
Total	**91,366**	129,951

4. OTHER INCOME AND GAINS, NET

	2016	2015
	RMB'000	*RMB'000*
Other income		
Government grants	**20,913**	22,530
Interest income from bank deposits	**5,826**	22,734
Investment income from available-for-sale investment	**6,205**	–
Gain on disposal of a subsidiary	**220**	–
	33,164	45,264
Other (losses)/gains, net		
Net foreign exchange (loss)/gain	**(9,823)**	2,725
Net (loss)/gain on disposal of property, plant and equipment and land lease prepayments	**(27,219)**	100,242
Losses from sales of other materials	**(40,925)**	(10,595)
Others	**(1,788)**	3,605
	(79,755)	95,977

Note:

During the year ended 31 December 2015, the Group disposed of the land use right at Jinzhou City together with the factory premise and ancillary structures established thereon (the "Land") with net carrying value of RMB43,783,000 to Jinzhou Land Reserve Center (the "Buyer") at a cash consideration of RMB182,620,000. The Group incurred a relocation cost of RMB33,594,000 and passed the vacant possession of the Land to the Buyer during the year ended 31 December 2015. This disposal resulted in a gain on disposal of property, plant and equipment and land lease prepayments of RMB105,243,000 recognised during the year ended 31 December 2015. During the year ended 31 December 2016, no such significant disposal was incurred.

5. (LOSS)/PROFIT BEFORE TAX

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

	2016	2015
	RMB'000	*RMB'000*
(a) Staff costs# (including directors' and chief executives' remuneration)		
Salaries, wages and other benefits	**169,263**	154,848
Contributions to retirement schemes	**25,640**	26,275
	194,903	181,123

	2016	2015
	RMB'000	*RMB'000*
(b) Auditor's remuneration		
Audit services	**2,790**	2,110
Tax services	**50**	67
Other services	**225**	100
	3,065	2,277

	2016	2015
	RMB'000	*RMB'000*
(c) Other items		
Amortisation of lease prepayments	**4,409**	4,038
Depreciation#	**219,366**	201,231
Provision for warranties#	**22,306**	20,321
Operating lease charges – properties	**1,290**	1,240
Research and development costs	**143,823**	68,510
Impairment losses on trade and other receivables	**36,617**	–
Net loss/(gain) on disposal of property, plant and equipment and land lease prepayments	**27,219**	(100,242)
Cost of inventories sold#	**2,360,477**	2,403,240
Cost of services rendered#	**331,422**	253,772

Cost of inventories sold and cost of services rendered include, in aggregate, RMB376,519,000 (2015: RMB343,053,000) for the year ended 31 December 2016, relating to staff costs, depreciation and provision for warranties which amounts are also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.

6. FINANCE COSTS

	2016	2015
	RMB'000	*RMB'000*
Interests on bank and other loans wholly repayable within five years	**116,532**	124,561
Interests on finance leases	**570**	–
Total interest expenses on financial liabilities not at fair value through profit or loss	**117,102**	124,561
Less: interest expenses capitalised into construction in progress*	**–**	4,577
	117,102	119,984

* There was no interest expense capitalised for the year ended 31 December 2016. The borrowing costs were capitalised at rates of 6.81% to 7.49% for the year ended 31 December 2015.

7. INCOME TAX

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

	2016	2015
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the year	**13,442**	9,508
Under-provision in respect of prior years	**5**	386
	13,447	9,894
Deferred tax	**3,995**	(6,864)
Income tax expense for the year	**17,442**	3,030

8. DIVIDENDS

The board does not recommend to declare a final dividend for the year ended 31 December 2016 (2015: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to the ordinary equity holders of the Company of RMB239,149,000 (2015: profit of RMB15,653,000) and the weighted average of 3,211,780,566 (2015: 3,211,780,566) ordinary shares of the Company in issue during the year.

(b) Diluted (loss)/earnings per share

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2016 and 2015.

10. TRADE AND BILLS RECEIVABLES

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**526,041**	566,277
Bills receivables	**17,117**	38,472
Less: Impairment	**(57,248)**	(25,813)
	485,910	578,936

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) at the end of reporting period, based on invoice date, is as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**266,672**	244,847
1 to 3 months	**40,796**	209,479
4 to 6 months	**22,913**	51,004
7 to 12 months	**125,723**	15,387
Over 1 year	**29,806**	58,219
	485,910	578,936

The Group normally allows a credit period of 30-90 days to its customers.

The movements in the allowance for doubtful debts during the year are as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**25,813**	24,445
Exchange adjustments	**1,618**	1,368
Impairment losses recognised	**29,817**	–
At 31 December	**57,248**	25,813

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB57,248,000 (2015: RMB25,813,000) with a carrying amount before provision of RMB57,248,000 (2015: RMB25,813,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

The ageing analysis of trade and bills receivables that are neither individually or collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000
Not past due	**272,491**	445,250
Less than 1 month past due	**8,677**	37,749
1 to 3 months past due	**30,997**	18,807
4 to 6 months past due	**88,632**	23,869
7 to 12 months past due	**55,620**	12,271
Over 1 year past due	**29,493**	40,990
	485,910	578,936

As at 31 December 2016, bills receivables had been pledged as security to a bank for obtaining loans amounting to RMB4,000,000 (31 December 2015: for issuing bills payable to suppliers amounting to RMB24,500,000).

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments for raw materials	**160,384**	272,616
Deductible value-added tax	**229,614**	259,985
Other receivables	**53,098**	51,533
Less: Impairment	**(6,800)**	–
	436,296	584,134

The movements in the allowance for other receivables during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	**–**	–
Impairment losses recognised	**6,800**	–
At 31 December	**6,800**	–

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB6,800,000 (2015: Nil) with a carrying amount before provision of RMB6,800,000 (2015: Nil).

Except for those other impaired receivables, the financial assets included in the above balances related to receivables for which there were no recent history of default and no fixed term of repayment.

12. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	RMB'000	*RMB'000*
Unlisted equity investments, at fair value:		
In Mainland China	–	123,942
	–	123,942

Available-for-sale investments was financial products purchased from bank with principal guaranteed and floating interests. As at 31 December 2016, the Group sold the available-for-sale investment. As such, the Group recognised an investment income on disposal of an available-for-sale investment of RMB6,205,000 in its financial statements.

13. TRADE AND BILLS PAYABLES

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**546,813**	558,200
Bills payables	**181,434**	241,048
	728,247	799,248

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

	2016	2015
	RMB'000	*RMB'000*
Within 1 month	**311,257**	404,101
1 to 3 months	**119,240**	40,532
4 to 6 months	**218,125**	274,617
7 to 12 months	**61,451**	27,626
Over 1 year	**18,174**	52,372
	728,247	799,248

(b) As at 31 December 2016, the Group's bills payables were not secured by Group's bills receivables. As at 31 December 2015, the Group's bills payables of RMB24,500,000 were secured by Group's bills receivables of RMB24,500,000.

14. OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB'000	*RMB'000*
Other payables and accrued expenses	**78,831**	141,722
Other tax payables	**13,103**	10,176
Receipts in advance	**23,588**	14,306
Dividends payable	**151**	142
	115,673	166,346

15. INTEREST-BEARING BORROWINGS

		2016			2015		
	Notes	**Effective interest rate (%)**	**Maturity**	***RMB'000***	Effective interest rate (%)	Maturity	*RMB'000*
Current:							
Bank loans – secured	(a)	**4-7.8**	**2017**	**1,105,045**	1.31-5.6	2016	764,376
Bank loans – guaranteed	(b)	**1.3734-8**	**2017**	**763,458**	2.276-9	2016	1,110,109
Current portion of long-term borrowings							
Bank loans – secured	(a)	**5.39**	**2017**	**15,000**	6.15	2016	12,000
Bank loans – guaranteed	(b)	**5.225**	**2017**	**33,000**	5.5-6.05	2016	45,000
Third parties – guaranteed	(b)	**3.3-6.15**	**2017**	**120,364**	3.3	2016	364
Total				**2,036,867**			1,931,849
Non-current:							
Bank loans – secured	(a)	**5.39**	**2018-2027**	**179,000**	6.15	2017-2027	194,000
Bank loans – guaranteed	(b)	**–**	**–**	**–**	5.5-7.748	2017	33,000
Third parties – guaranteed	(b)	**3.3**	**2018-2020**	**780**	3.3-6.15	2017-2020	121,144
Total				**179,780**			348,144

(a) The bank borrowings are secured, among which RMB1,299,045,000 (2015: RMB848,946,000) was secured by certain of the Group's bills receivables, property, plant and equipment and land lease prepayments with the net book value of RMB650,993,000 (2015: RMB613,361,000) and none of them (2015: RMB121,430,000) was secured by other assets (2015: available-for-sale investments of RMB123,942,000).

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

	2016	2015
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,916,503**	1,931,485
In the second year	**16,000**	48,000
In the third to fifth years, inclusive	**55,000**	64,000
Beyond five years	**108,000**	115,000
	2,095,503	2,158,485
Other borrowings repayable:		
Within one year	**120,364**	364
In the second year	**364**	120,364
In the third to fifth years, inclusive	**416**	780
	121,144	121,508
	2,216,647	2,279,993

16. 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 is no prepayment for raw materials made to a related party as at 31 December 2016 (31 December 2015: Nil).

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

Based on the updated assessment by management for the year ended 31 December 2016, no further impairment or reversal of impairment was made during the year ended 31 December 2016. The movement during the year merely represented exchange adjustments.

17. OTHER NON-CURRENT ASSETS

Other non-current assets represent the deductible input value added taxes (“VAT”) that are not expected to be utilised within one year. These deductible input VATs are arisen from the purchases of the property, plant and equipment for a photovoltaic power plant, which are eligible for deduction within the whole life of the power plant in Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2016, the newly-added global installed photovoltaic capacity was 73GW, with China continuing to take the lead in the global solar market. The global photovoltaic industry has been flourishing with a steady growth in scale, an effective rise in capacity utilization and a significant increase in profitability.

According to the latest photovoltaic power generation statistics published by the National Energy Bureau, the annual newly-added installed photovoltaic capacity was 34.54GW in 2016 (2015: 15.13GW) in China and its cumulative installed capacity reached 77.42GW, both of which ranked first worldwide. In particular, the cumulative installed capacity of photovoltaic power plants and distributed power plants amounted to 67.10GW and 10.32GW, respectively. Distributed power plants developed rapidly in terms of installed capacity, with a newly-added installed photovoltaic capacity of 4.24GW in 2016, representing a growth of 200% as compared with 2015.

Due to technical improvement in the production process and enhancement of production efficiency, the average selling price of photovoltaic products declined gradually during the past years while the gross profit margin of the industry remained stable. The China market is expected to maintain a sound development trend in 2017. According to the China Photovoltaic Industry Association, the global photovoltaic market is expected to maintain its growth momentum. The Guiding Opinions on Energy-related Work for 2017 (《二零一七年能源工作指導意見》) issued by the National Energy Bureau urged to stress on the development of solar energy while continuing to implement the Photovoltaic Power Generation Top Runner Program (領跑者計劃) in order to drive down the costs of photovoltaic power generation.

Since introduction of the "Top Runner Program" (the "Program"), it has been able to promote healthy competition through high standards of technical certification and efficiency requirements. However, due to the Program, more weight is being placed on the feed-in-tariff. As such, auctions intensified and the tender offer of photovoltaic power plants are getting lower and lower, resulting in closure of manufacturers who find it difficult to effectively control the cost to be eliminated in the tendering process. In view of this, the National Energy Bureau launched an upgraded version of the national "Top Runner Program", also known as the "Super Runner Program", focusing on large-scale and advanced technology companies. "Super Runner Program" sees efficient product development as its main focus, the main products include double-sided photovoltaic modules, black silicon battery components, intelligent components. The Group's high-end product, N-type double-sided photovoltaic modules, are expected to gain attention from the market.

Regarding the Japan market, the Governmental program Zero Energy Homes ("ZEH") is expected to continue being a major catalyst for solar installation growth in the residential market. The ZEH program was launched in the beginning of 2016, in order to minimize energy consumption and improve the energy efficiency of residential homes with a target of 50% of all new homes to be ZEH by 2020.

In respect of USA market, according to GTM research and the preliminary study carried out by the Solar Energy Industries Association ("SEIA") of USA, the cumulative installed solar photovoltaic capacity has now topped 40GW in USA, up from 25GW in 2015. The photovoltaic installations reached a historic high of 14.6GW, up 95% from 7.5GW in 2015. For the first time, solar energy has also become the top source of new electricity-generating capacity, accounting for 39% of all new power. According to GTM Research and SEIA, the cumulative solar market in USA is estimated to nearly triple in size over the next five years.

For emerging markets, India became the fourth largest solar market in 2016, with an annual installed photovoltaic capacity of 5.8GW. Based on the statistics published by the Ministry of New and Renewable Energy of India ("MNRE"), the cumulative installed solar photovoltaic capacity in India surpassed 9GW by the end of 2016. IHS predicts that the annual installed photovoltaic capacity of India may reach 10GW. India's goal is to increase its solar capacity to 100GW by 2022. On the other hand, according to the report of GTM Research, the cumulative installations in Mexico, Brazil and Chile are expected to reach 26GW by 2021. The Middle East and Turkey will add 19GW from Algeria, Turkey, Jordan, Egypt and the U.A.E, while Thailand, The Philippines, South Korea, Taiwan and Indonesia will add 23GW in total.

Operations Review

The Group is a leading supplier of upstream and downstream vertically integrated solar energy services in the PRC. We sell our photovoltaic products to upstream, midstream and end-user customers in photovoltaic industry. We focus on the vertical integration for monocrystalline products, providing one-stop solutions for the solar energy industry ranging from the manufacturing and sales of silicon ingots and wafers, photovoltaic cells and photovoltaic modules, the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. The scope of its business covers the whole industry chain of photovoltaic industry.

Under the vertical integration strategy, the Group's current production chain includes 1.2GW monocrystalline ingot, 900MW monocrystalline wafer, 350MW cell and 1.2GW module production capacities, and the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. During the year, upgrade and transformation work was performed on upstream ingot and wafer manufacturing capacities; this not only led to increase in research and development expenses, the Group, hence, was also not able to enjoy the full benefit of economy of scale. The Group maintained its well-established relationships with its long-term customers throughout the supply chain, stabilised its comparative advantage in the upstream and midstream business development, at the same time actively expanded its downstream businesses and thoroughly adhered to the strategy of vertical integration of the Group.

While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through establishing strategic partnerships, the Group and its partners will be able to leverage on their respective strengths and experiences in laying a solid foundation for broader co-operation in the future. One of the most significant was the establishment of a company with Motech Solar Group, a specialist solar cell manufacturer in the end of 2015. The company mainly engages in the manufacturing of photovoltaic modules. With the progressive commissioning of production capacity in 2016, the advantages of economy of scale will be demonstrated progressively from 2017 onwards.

After the transformation of monocrystalline wafer production technology and capacity, the production capacity of monocrystalline wafer will be close to that of monocrystalline ingots in 2017. As such, the increase in photovoltaic module capacity becomes compatible with that of upstream capacity. This will strengthen the upstream and downstream supply and demand stability. And through strategic alliances, such as Motech which is a large solar cell-focused manufacturer, demand for the Group's middle segment of the production chain in which the Group is relatively weaker, solar cell, will be met by more stable supply. Based on the above, coupled with the gradual expansion of monocrystalline product market share, the advantages of vertical integration will be fully reflected. The Group's total annual production volume of photovoltaic modules then reached 1.2GW (31 December 2015: 600MW). Through the domestic and foreign companies engaged in the photovoltaic system business, to capture the overseas market business opportunities, and also through the domestic appetite to the distributed power plants, it will lead to strong demand for the Group's upstream monocrystalline product production and sales.

During the year, certain segment of machinery and equipment was under upgrade and transformation and hence production capacity was less than expected and the benefit of vertical integration was not reflected. As a result, the Group was not able to capitalise on the advantages of economies of scale. Further, to complement the upgrade and transformation, the Group has incurred an increased amount of research and development expenses for the continuous enhancement of manufacturing process and existing and new products. This led to an increase in administrative expenses. As such, an operating loss of RMB74.289 million was recorded, compared to an operating profit of RMB152.548 million in 2015.

Under its vertically-integrated strategy, management has put in place measures to exploit comparative strengths of the Group to further develop the downstream monocrystalline solar market through direct contacts with grid companies, electricity users or solar plant installation contractors and the management is of the view that the Group is well-positioned to capture the growth in the market.

Silicon Ingot and Wafer Business

The Group's all-rounded photovoltaic industry chain with its vertically integrated business model covering both upstream and downstream businesses allows external sales, which mainly included sales to huge state-owned enterprises in China, such as State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC"), CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司) ("CGN"), China Huadian Corporation (中國華電集團公司) ("Huadian"), Beijing Enterprises Holdings Limited (北京控股有限公司) ("BEH"), of its upstream products such as silicon ingots, wafers and cells which are produced and processed in-house, apart from being used in its downstream business. To address the demand of customers and its downstream businesses, the Group maintained stable capacity for silicon ingots production during the year.

During the year, demand for monocrystalline N-type products has increased which led to growing market share of monocrystalline N-type products. This was mainly driven by the higher conversion efficiency, thereby leading to the sales growth of monocrystalline N-type products. With the continued realisation of advantages in better improvement in conversion efficiency, stabler decay rate in its photovoltaic systems, continued reduction in unit costs, etc of monocrystalline products, it is expected that the advantage of monocrystalline products will become more obvious in the field of photovoltaic power generation, and the market share of monocrystalline silicon products will increase significantly. Further, as mentioned above, through long term strategic partnerships, especially Motech being a well-known solar cell-focused manufacturer. This allows the Group to enjoy priority distribution channels for the sales of its monocrystalline wafers, and ensure long-term stable utilisation of the Group's capacity and shipment volume.

The Group have secured a leading position in the monocrystalline silicon solar ingot manufacture industry in terms of technology, product quality and quantity. Major products are silicon ingots of 8 inches to 8.7 inches in diameter. The photovoltaic conversion efficiency of its monocrystalline silicon products are amongst industry leading ratios. Apart from the traditional P-type high-end products, the Group also provides N-type high performance products with a photovoltaic conversion efficiency of 22%–23% for the Japanese market where the requirements on quality standard is stringent. During the year, the external shipment volume of silicon ingots was 234.8MW, representing an increase of 309% compared to 57.4MW in 2015. The increase mainly due to the increase in the volume of subcontracting of ingots.

During the year, certain segment of machinery and equipment was under upgrade and transformation and hence production capacity was less than expected. As a result, the Group was not able to capitalise on the advantages of economies of scale. Further, to complement the upgrade and transformation, the Group has incurred an increased amount of research and development expenses for the continuous enhancement of manufacturing process and existing and new products. Although the production capacity was affected and was not fully utilised as mentioned above, the Group expects the production capacities and production volume to resume normal in 2017.

Cell Business

The Group's production lines of solar cells are located at the manufacturing base of the Group in Jinzhou, Liaoning. During the year, the annual production capacity of solar cells was 350MW. Such solar cells are on the one hand sold internally to provide high-quality raw materials supply for the downstream module business of the Group, and also sold to the customers in China and Japan. The Group's solar cell manufacturing capacity is highly flexible, products range was hence extensive, which include monocrystalline, multicrystalline, P-type high end, N-type double sided solar cells, etc. Focusing on the implementation of the vertical integration strategy, most of the solar cells have been reserved for internal utilisation.

Module Business

In 2016, the demand for solar modules has grown rapidly and it led to an increase in solar module sales. With the continued recovery in the global solar market, expected market demand will continue to rally, the Group expects that earnings will remain stable. During the year, external shipment of the Group reached 769MW, compared to 616MW for the year ended 31 December 2015, representing an increase of 25%. The increase in external shipment was mainly made possible with the progressive commissioning of the additional module manufacturing capacity during the year in order to satisfy more of the orders. As mentioned above, as the production capacity commissions progressively, the Group expects the advantage of economy of scale to be demonstrated progressively in 2017 onwards. Photovoltaic module capacity becomes compatible with that of upstream capacity. This will strengthen the upstream and downstream supply and demand stability.

Further, apart from continuing strong co-operations with its key customers, including Chinese state-owned enterprise and Japanese conglomerate, the Group has developed new customer relationships during the year. As mentioned above, through the expansion of module production capacity in 2016, it not only enabled the Group to cope with more orders from the Chinese state-owned enterprises, hence improving the geographical shipment proportion. The proportion has improved from 69% overseas versus 31% local sales in 2015 to 52% overseas versus 48% local sales. Through continued business development with various huge state-owned enterprises in China, such as SPIC, CGN, Huadian and BEH, the clientele has been widened ensuring stable flow of revenue, and also mitigated the risk of concentrated external shipment to one major customer. This is approaching a more sustainable balance set out by the management.

Construction and Operating of Photovoltaic Systems Business

To consolidate its advantages of the business model of vertical integration, the Group actively expanded the business of end-user market apart from its efforts in stabilizing its upstream and midstream business development, thereby driving demand for products from downstream to upstream. Various projects of different sizes located in PRC are under development.

Financial Review

Revenue

2016 marked another record-breaking year with external shipment of 1,543.4MW and revenue of RMB3,020.976 million, represented an increase of 392.3MW and RMB121.426 million respectively compared with the year ended 31 December 2015. The increase represents 34.1% and 4.2% respectively. As the average selling price of photovoltaic products has been declining gradually, the increasing percentage in revenue could not reach the increasing percentage of the external shipment volume. The Group expected demand for its products to remain strong as the global and especially the Chinese solar energy market continue to flourish.

Cost of sales

For the year ended 31 December 2016, cost of sales increased by 1.3% to RMB2,691.899 million from RMB2,657.012 million for the year ended 31 December 2015. Cost of sales represented 89.1% of total revenue. The increase in cost of sales mainly due to the increase in the external sales volume.

Gross profit and gross profit margin

For the year ended 31 December 2016, the Group recorded a gross profit of RMB329.077 million and a gross profit margin of 10.9%, as compared to a gross profit of RMB242.538 million and a gross profit margin 8.4% for the year ended 31 December 2015.

Since the second half of 2015, driven by the construction of power plants in the PRC market and abroad, demand for photovoltaic modules continues to shoot up. Through continuous technological innovation in the production process and improvement of the cost of production, gross profit margin still managed to grow steadily in spite of the continuous drop in unit selling price. However, the technical upgrading work performed on certain machinery and equipment affected part of the production capacity. As a result, the benefits of economy of scale and the advantages of vertical integration of the upstream and downstream industry chains were not reflected. Therefore, a lower-than-expected gross profit margin and thus losses were recorded.

Selling and distribution expenses

Selling and distribution expenses mainly comprised freight charges and marketing and promotional expenses. Selling and distribution expenses increased by approximately 7.1% to RMB30.471 million for the year ended 31 December 2016 from RMB28.450 million for the year ended 31 December 2015, representing 1% of the total turnover of the Group (2015: 1%). The increase in selling and distribution expenses was mainly due to the increase in the sales volume.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for the year of 2016 amounted to RMB326.304 million, increasing by 60.9% as compared to RMB202.781 million in 2015. The increase in administrative expenses was mainly due to the increase in research and development expenses for the continuous enhancement of manufacturing process and existing and new products.

Finance costs

Finance costs represented mainly bank loans interests. The finance costs of the Group decreased from RMB119.984 million for the year ended 31 December 2015 to RMB117.102 million for the year ended 31 December 2016. The decrease in finance cost was mainly due to better financial control on the use of funds and the repayment of certain loans during the year. Since the Group has been increasing the number of its financing banks, it will have better bargaining power for financing and hence, it is expected from 2017 onwards, the finance costs would be reduced as a result.

Income tax

Income tax expense was RMB17.442 million for the year ended 31 December 2016, while an income tax expense amounted to RMB3.03 million was recorded for the year ended 31 December 2015. Income tax expense recorded for 2016 was attributable to the taxable profits generated by the solar cell and photovoltaic module businesses in China.

(Loss)/profit attributable to the equity shareholders

For the year ended 31 December 2016, the Group recorded a loss attributable to the equity shareholders of RMB239.149 million as compared to the profit attributable to the equity shareholders of RMB15.653 million for the year ended 31 December 2015.

Inventory turnover days

The inventories of the Group comprised mainly raw materials, namely polysilicon and other auxiliary raw materials, and finished goods. During the year ended 31 December 2016, the inventory turnover days of the Group were 86 days (2015: 89 days). The Group is putting in enormous effort toward maintaining a level of lower inventory turnover days. During the year, a long-term purchase contract with a polysilicon supplier has expired. Not only will the pressure to purchase from this supplier be lowered dramatically, the purchase bargaining power with suppliers will also improve. And so, polysilicon inventory would decrease, inventory turnover days will come down and working capital will increase.

Trade receivable turnover days

For the year ended 31 December 2016, the trade receivable turnover days of the Group was 63 days (2015: 53 days). Generally, the Group allows a longer credit period for photovoltaic module sales than other products. The increase in trade receivable turnover days was due to an increase in proportion of photovoltaic module sales in the turnover and the higher sales amount of photovoltaic modules near the end of the year.

Trade payable turnover days

As a result of stable business development in an upward market, the property of module to overall sales has increased, which led to an increase in solar cell purchases. The solar cell purchases usually has a shorter payment terms. Accordingly, trade payable turnover days during the year decreased to 102 days (2015: 108 days).

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flows from bank borrowings. As at 31 December 2016, the current ratio (current assets divided by current liabilities) of the Group was 0.78 (31 December 2015: 0.87). The Group had net borrowings of RMB1,538.358 million as at 31 December 2016 (31 December 2015: RMB1,626.869 million), including cash at banks and on hand of RMB293.628 million (31 December 2015: RMB193.953 million), pledged bank deposits of RMB384.661 million (31 December 2015: RMB459.171 million), bank loans due within one year of RMB2,036.867 million (31 December 2015: RMB1,931.849 million) and non-current bank and other loans of RMB179.780 million (31 December 2015: RMB348.144 million). After the balance sheet date, the Group agreed to dispose of a wholly-owned subsidiary, Golmud Solargiga Energy Electric Power Co., Ltd. (subject to shareholders' approval). It would improve the Group's financial structure and the related debt ratios. Meanwhile, the Group has been increasing the number of its financing banks and the banking facilities. It is expected that in 2017, the finance costs would be reduced as a result.

Contingent liabilities

Financial guarantees issued

At 31 December 2016, the Group has undertaken to guarantee a bank loan to an associate, Jinzhou Aoke New Energy Co., Ltd.* (錦州奥克陽光新能源有限公司) ("Jinzhou Aoke"). to the extent of RMB31,450,000 (31 December 2015: RMB37,000,000). As most of the loan balances are secured by the fixed assets of the associate, the directors consider fair value of the above financial guarantee is insignificant.

The directors do not consider it probable that a claim will be made against the Group under the above guarantee. The maximum liability of the Group at the end of the reporting period under the above guarantee issued is the outstanding amount of the loan advanced by the bank to the associate of RMB31.450 million.

The Group agreed to acquire the 63% equity interest in Jinzhou Aoke after the year end date and Jinzhou Aoke which would become a wholly-owned subsidiary of the Company upon completion. It would in turn to create effective conditions for future improved profitability. Thus, the contingent liabilities of the above guarantee issue would not exist.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases and 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, Euro, Hong Kong Dollar and Japanese yen. 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 difference in interest rates and fluctuations in the exchange rates of foreign currency-denominated and local currency-denominated loan balance, and the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

* *For identification only*

Human resources

As at 31 December 2016, the Group had 3,664 (31 December 2015: 3,748) employees.

Future prospects and strategies

Focusing on the development of monocrystalline products, the Group commands industry-leading technology for the production of monocrystalline products. It also runs on a unique business model covering the whole industry chain of the photovoltaic industry, fully leveraging the synergy among business segments of the Group and providing the Group with obvious competitive advantage on the market.

2016 is the first year of the Thirteenth Five-Year Plan of China. After the successful implementation of the Twelfth Five-Year Plan of China and the "Notice relating to the Issuance of the Implementation Plan of Photovoltaic Power Generation Infrastructure in 2015" (《關於下達2015年光伏發電建設實施方案的通知》) published by the National Energy Administration in March 2015, which stated that the installed solar capacity is targeted to reach over 110GW by the end of 2020 including an installed photovoltaic capacity of over 105GW, market confidence was greatly boosted, creating favorable conditions for photovoltaic growth and development in China.

In March 2016, the National Development and Reform Commission ("國家發展和改革委員會") issued "Opinions on the Implementation of Poverty Alleviation through Photovoltaic Power Generation" (《關於實施光伏發電扶貧工作的意見》) with the aim to alleviate poverty through photovoltaic power generation. It is expected that two million poor households from 35,000 poor villages in 471 counties from 16 provinces will be earmarked to develop village-wide installation of photovoltaic power and enhance agricultural productivity to ensure an increment in annual household income by RMB3,000 before year 2020. On the other hand, the combination of agriculture and photovoltaic power generation ("農光互補") utilises the character of zero pollution during power generation combining with the available space on top of the planting greenhouses and breeding shelters to install photovoltaic power generation systems, creating favourable growing and breeding environment for agriculture and livestock breeding, as long as generating electricity to power the operations of the farms. This in turn creates better economic and social benefits.

Under the improving environment in the global photovoltaic industry and the frequent launches of favourable policies and plans by the PRC government, it has highlighted the advantage of high conversion ratios, stable decay rate in its photovoltaic systems, continued reduction in unit cost, etc of monocrystalline products. In addition, with the increased attention by national policy on distributed solar power plants, market of monocrystalline products are expected to grow continually. Hence, monocrystalline products are becoming the popular choice in solar projects and the market share of monocrystalline products is improving. The proportion of solar plants installing monocrystalline PV systems and the monocrystalline products used by distributed power plants have increased as a result.

During 2016, the Group performed upgrades and transformation work on certain segment of machinery and equipment, including ingots, wafers, cells and modules segments, with special focus on the manufacturing capacity of ingots and wafers, and engaged in continuous enhancement of manufacturing process and existing and new products. Although the production capacity was affected and the Group was not able to capitalise on the advantages of economies of scale, the Group expects the production capacities and production volume to resume normal in 2017. Further, during the year, the Group has also expanded its photovoltaic module manufacturing capacity to 1.2GW. This matches our upstream ingot manufacturing capacity and will allow the Group to capitalise its advantage in vertical integration.

On the other hand, the Group agreed to dispose of a wholly-owned subsidiary, Golmud Solargiga Energy Electric Power Co., Ltd. after the year end date (subject to shareholders' approval), which engaged in the operation and maintenance of a photovoltaic solar plant located in Qinghai Province, China. After the disposal, the Group's financial structure will be improved as a result of the offsetting of respective fixed assets and bank loans. The Group will look for investment opportunities with higher IRRs than this project under Golmud Solargiga to improve investment returns. Through building these new projects, it will create huge demands for our photovoltaic modules, and in time expand the distribution channels for the Group's downstream photovoltaic modules.

In order to enhance economies of scale and operational efficiency while minimising the overall operational and management costs, the Company has implemented an integration and centralisation strategy to consolidate various production bases across Jinzhou, Liaoning. The Group has fully grasped the market trend. While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through strengthened long-term strategic partnerships especially Motech being a well-known solar cell-focused manufacturer, the Group and its partners will be able to leverage on their respective strengths and experiences in laying a solid foundation for broader cooperation in the future. Through this kind of strategic alliances with the large solar cell-focused manufacturer, this will on one hand allow the Group to enjoy huge growth in its monocrystalline wafer sales, and on the other hand secure the sales channel of wafers and hence ensure stable supply of solar cells for our production of photovoltaic modules.

In addition to the existing long-term local key customers State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC"), through rigorous efforts in developing new customers in the PRC, the Group has strengthened its ties with large-scale state-owned enterprises, others of the big-five major power companies and other large listed companies. These include CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司) and China Huadian Corporation (中國華電集團公司), etc. Without compromising its overseas shipment volume and sales, the Group has successfully improved its proportion of local to overseas sales from a 31:69 ratio in 2015 to a 48:52 ratio in 2016, and expects to maintain at a sustainable ratio of 50:50.

In future, the Group will adhere to its development strategy of vertical integration. By fully leveraging its technological advantage in monocrystalline products and focusing on the development of monocrystalline products, it will make good use of its vertically-integrated capacity with both upstream and downstream portions to raise the gross profit of the Group's module products and drive profit growth of the Group. While maintaining its leading position in upstream and downstream businesses and creating more demands for our photovoltaic modules, the Group will actively expand its downstream business of constructing, operating and maintaining photovoltaic power plants, and foster market development in overseas markets on the basis of its existing market share, with a view to enhancing the Group's downstream businesses and raising its overall profitability.

By continually uplifting product quality and refining the structure of its full-industry chain businesses, the Group will, as always, provide the best product application development and one-stop services to the customers along its fully integrated photovoltaic industry chain, and aim at becoming a globally leading supplier of one-stop services in solar power generation.

POST BALANCE SHEET EVENTS

On 31 March 2017, Jinzhou Yangguang Energy Co., Ltd. ("Jinzhou Yangguang"), a wholly-owned subsidiary of the Company, and Liaoning Oxiranchem, Inc. ("Liaoning Oxiranchem"), collectively known as the "Parties", entered into an agreement (the "Agreement"), pursuant to which Liaoning Oxiranchem has conditionally agreed to sell and Jinzhou Yangguang has conditionally agreed to purchase 63% equity interest in Jinzhou Aoke New Energy Co., Ltd. ("Jinzhou Aoke") for a consideration of RMB53,000,000. Based on the valuation prepared by an independent valuer appointed by the Parties, the appraised value as at 31 December 2016 of Jinzhou Aoke is approximately RMB104,696,000. Upon Completion, Jinzhou Yangguang will own 100% interest in Jinzhou Aoke which will become a wholly-owned subsidiary of the Company.

Further, pursuant to the Agreement, Jinzhou Yangguang has conditionally agreed to sell and Liaoning Oxiranchem has conditionally agreed to purchase 100% equity interest in Golmud Solargiga Energy Electric Power Co., Ltd. ("Golmud Solargiga") for a consideration of RMB155,400,000. Based on the valuation prepared by an independent valuer appointed by the Parties, the appraised value as at 31 December 2016 of Golmud Solargiga is approximately RMB155,973,000.

On 31 March 2017, to facilitate completion of the Agreement, Jinzhou Yangguang and Liaoning Oxiranchem entered into a debt settlement agreement for purpose of settlement of certain indebtedness and other liabilities in relation to Jinzhou Aoke and Golmud Solargiga.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's annual results for the year ended 31 December 2016, and has discussed and reviewed the risk management, internal control and reporting matters.

DIVIDEND

No final dividend was paid in 2016 (2015: Nil). The Directors do not recommend the payment of a final dividend for 2016 (2015: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 June 2017 to 28 June 2017, 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 Rooms 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 22 June 2017.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its 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 of 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 year ended 31 December 2016.

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 of the Listing Rules throughout the year ended 31 December 2016.

PUBLICATION OF FINANCIAL INFORMATION

The 2016 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.

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company be held on 28 June 2017. 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 Chunwei
Executive Director

Hong Kong, 31 March 2017

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