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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2021	2020	Change
	RMB million	*RMB million*	
Revenue	**7,105.0**	6,052.0	+17.4%
Profit/(loss) attributable to owners of the parent	**193.2**	(215.6)	not applicable
Earnings/(loss) per share — Basic	**RMB5.84 cents**	RMB(6.82) cents	not applicable

ANNUAL RESULTS

The directors (the "**Directors**") of Solargiga Energy Holdings Limited (the "**Company**") is pleased to announce the results of the Company and its subsidiaries (collectively, the "**Group**") for the financial year ended 31 December 2021 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
Continuing Operations			
Revenue	*4*	**7,104,992**	6,051,956
Cost of sales		**(6,225,909)**	(5,466,104)
Gross profit		**879,083**	585,852
Other income and gains	*5*	**61,744**	64,881
Selling and distribution expenses		**(144,165)**	(135,912)
Administrative expenses		**(301,178)**	(440,499)
Reversal of impairment losses/(impairment losses) on financial and contract assets		**19,031**	(36,303)
Finance costs	*7*	**(124,856)**	(118,750)
Share of losses of associates		**—**	(157)
Profit/(loss) before tax from continuing operations	*6*	**389,659**	(80,888)
Income tax expense	*8*	**(81,411)**	(30,273)
Profit/(loss) for the year from continuing operations		**308,248**	(111,161)
Discontinued Operations			
Loss for the year from discontinued operations	*9*	**(5,896)**	(85,206)
Profit/(loss) for the year		**302,352**	(196,367)
Attributable to:			
Owners of the parent		**193,222**	(215,648)
Non-controlling interests		**109,130**	19,281
Basic and diluted earnings/(loss) per share attributable to ordinary equity holders of the parent (RMB cents)			
For profit/(loss) for the year	*11*	**5.84**	(6.82)
For profit/(loss) from continuing operations	*11*	**6.02**	(4.13)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
Profit/(loss) for the year	**302,352**	(196,367)
Other comprehensive income/(loss)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**19,350**	32,323
Total comprehensive income/(loss) for the year, after tax	**321,702**	(164,044)
Attributable to:		
Owners of the parent	**212,572**	(183,325)
Non-controlling interests	**109,130**	19,281
Total comprehensive income/(loss) for the year	**321,702**	(164,044)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**1,901,125**	1,513,287
Long term prepayments and other receivables		**17,211**	27,566
Goodwill		**—**	—
Right-of-use assets		**238,563**	192,449
Investments in associates		**200**	—
Equity investments designated at fair value through other comprehensive income		**190**	190
Deferred tax assets		**9,065**	9,662
Total non-current assets		**2,166,354**	1,743,154
Current assets			
Inventories		**459,439**	435,087
Trade, bills receivables and contract assets	*12*	**1,953,204**	1,927,866
Prepayments, other receivables and other assets	*13*	**521,292**	353,163
Current tax recoverable		**7,744**	68
Pledged deposits		**751,278**	686,100
Cash and cash equivalents		**431,861**	456,265
Total current assets		**4,124,818**	3,858,549
Current liabilities			
Interest-bearing bank and other borrowings	*14*	**1,915,279**	2,475,519
Trade and bills payables	*15*	**2,242,716**	2,011,213
Other payables and accruals	*16*	**543,866**	262,323
Contract liabilities	*17*	**141,083**	61,318
Current tax payable		**25,629**	3,379
Provision		**4,700**	—
Current portion of lease liabilities		**20,270**	8,564
Total current liabilities		**4,893,543**	4,822,316
Net current liabilities		**(768,725)**	(963,767)
Total assets less current liabilities		**1,397,629**	779,387

	Notes	2021 RMB'000	2020 RMB'000
Non-current liabilities			
Interest-bearing bank and other borrowings	*14*	**209,670**	4,060
Deferred tax liabilities		**2,418**	3,777
Deferred income		**258,065**	239,281
Lease liabilities		**73,592**	40,786
Provision		**181,605**	151,487
Total non-current liabilities		**725,350**	439,391
Net assets		**672,279**	339,996
Equity			
Equity attributable to owners of the parent			
Share capital		**285,924**	270,867
Reserves		**90,490**	(130,312)
		376,414	140,555
Non-controlling interests		**295,865**	199,441
Total equity		**672,279**	339,996

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 2021 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 2021, the Group's current liabilities exceeded its current assets by RMB768,725,000. 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 2022. 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 2022. 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 2022 and unutilised banking facilities as at 31 December 2021 from the Group's major banks with an amount of RMB2,614,410,000 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 following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9 HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. 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.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the 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 by 12 months (the "**2021 Amendment**"). Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

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 construction and operation of photovoltaic power plants ("**Segment C**");

(iv) the manufacture and trading of semiconductor and the trading of monocrystalline silicon solar cells ("**Segment D**").

The reportable segments had been adjusted under resources allocation reassessment during the year. The reportable segments the Group identified in prior year were as follows:

(i) the manufacture of, trading of, and provision of processing services for polysilicon, monocrystalline silicon solar ingots/wafers, semiconductor and related products ("**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. Since the semiconductor business accounts for less than 1% of the revenue scale, asset scale and profit contribution, whether it is restated will not affect the statement users' interpretation of the segment information, so the comparative figures were not restated. 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.

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 2021 and 2020 is set out below:

	Segment A		Segment B		Segment C		Segment D		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**2,463,728**	1,709,095	**4,480,398**	4,272,656	**116,795**	10,383	**44,071**	59,822	**7,104,992**	6,051,956
Intersegment revenue	**395,999**	207,278	**4,612,826**	2,062,838	**252,035**	12,330	**414,426**	34,983	**5,675,286**	2,317,429
Reportable segment revenue	**2,859,727**	1,916,373	**9,093,224**	6,335,494	**368,830**	22,713	**458,497**	94,805	**12,780,278**	8,369,385
Reportable segment profit/(loss)	**255,801**	64,416	**40,012**	(165,584)	**5,329**	(9,310)	**7,106**	(683)	**308,248**	(111,161)
Reportable segment assets Jinzhou Huachang Photovoltaic Technology Company Limited ("**Huachang**")	**—**	—	**—**	—	**—**	—	**134,917**	215,593	**134,917**	215,593
Reportable segment liabilities (Huachang)	**—**	—	**—**	—	**—**	—	**107,904**	230,847	**107,904**	230,847
Reportable segment assets (Besides Huachang)	**2,214,848**	2,214,286	**3,499,869**	2,805,411	**267,271**	188,642	**174,267**	177,771	**6,156,255**	5,386,110
Reportable segment Liabilities (Besides Huachang)	**1,988,123**	2,195,720	**3,317,803**	2,729,005	**182,862**	106,135	**22,201**	—	**5,510,989**	5,030,860

Other segment information:

	Segment A		Segment B		Segment C		Segment D		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Interest income from bank deposits	**4,037**	4,808	**8,256**	8,992	**34**	46	**23**	40	**12,350**	13,886
Finance costs	**(65,053)**	(63,793)	**(52,558)**	(48,117)	**(7,041)**	(6,709)	**(204)**	(131)	**(124,856)**	(118,750)
Depreciation and amortisation	**(180,522)**	(196,643)	**(95,607)**	(99,421)	**(240)**	(27)	**(4,833)**	(12,850)	**(281,202)**	(308,941)
Investment in associates	**—**	—	**—**	—	**200**	—	**—**	—	**200**	—
Share of losses of associates	**—**	—	**—**	(157)	**—**	—	**—**	—	**—**	(157)
Reversal of impairment losses/ (impairment losses) on financial and contract assets	**4,999**	7,920	**14,053**	(40,912)	**482**	(3,942)	**(1,463)**	(1,664)	**18,071**	(38,598)
Reversal of write-down/ (write-down) of inventories	**(181)**	1,564	**17,644**	(9,242)	**—**	19	**—**	2,474	**17,463**	(5,185)
Capital expenditure*	**462,568**	267,970	**344,912**	92,149	**6,756**	—	**1,098**	35	**815,334**	360,154

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

Geographic information

Substantially all of the Group's property, plant and equipment, right-of-use 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 locations of the customers.

	2021 *RMB'000*	2020 *RMB'000*
Mainland China	**6,054,079**	4,634,081
Export sales		
— Japan	**933,043**	1,144,637
— South Asia	**84,847**	232,092
— Europe	**32,993**	38,444
— Others	**30**	2,702
Sub-total	**1,050,913**	1,417,875
Total	**7,104,992**	6,051,956

Information about major customers

For the year ended 31 December 2021, 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:

	2021 *RMB'000*	2020 *RMB'000*
Customer A		
— From Segment A	**30,730**	289,057
— From Segment B	**1,094,767**	1,862,619
	1,125,497	2,151,676

	2021 *RMB'000*	2020 *RMB'000*
Customer B		
— From Segment B	**925,110**	1,082,668
	925,110	1,082,668

4. REVENUE

An analysis of revenue is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from contracts with customers		
Sales of monocrystalline silicon solar ingots/wafers	**2,337,522**	1,706,374
Sales of monocrystalline silicon solar cells	**2,059**	59,822
Sales of photovoltaic modules	**4,467,504**	3,828,264
Sales of electricity generated	**541**	577
Construction services	**116,254**	9,806
Rendering of services	**139,100**	447,113
Sales of semiconductor	**42,012**	—
	7,104,992	6,051,956

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

	Silicon solar ingots/ wafers *RMB'000*	Photovoltaic modules *RMB'000*	Photovoltaic power plants *RMB'000*	Semiconductor and related products *RMB'000*	Total *RMB'000*
Types of goods and service					
Sales of industrial products	**2,337,522**	**4,467,504**	**541**	**44,071**	**6,849,638**
Processing service	**126,206**	**12,894**	**—**	**—**	**139,100**
Construction services	**—**	**—**	**116,254**	**—**	**116,254**
Total	**2,463,728**	**4,480,398**	**116,795**	**44,071**	**7,104,992**
Geographic market					
Mainland China	**2,456,190**	**3,437,059**	**116,795**	**44,035**	**6,054,079**
Japan	**—**	**933,009**	**—**	**34**	**933,043**
South Asia	**—**	**84,847**	**—**	**—**	**84,847**
Europe	**7,524**	**25,467**	**—**	**2**	**32,993**
Others	**14**	**16**	**—**	**—**	**30**
Total	**2,463,728**	**4,480,398**	**116,795**	**44,071**	**7,104,992**
Timing of revenue recognition					
Goods transferred at a point of time	**2,337,522**	**4,467,504**	**541**	**44,071**	**6,849,638**
Service transferred over time	**126,206**	**12,894**	**116,254**	**—**	**255,354**
Total	**2,463,728**	**4,480,398**	**116,795**	**44,071**	**7,104,992**

For the year ended 31 December 2020

	Silicon solar ingots/wafer and semiconductor *RMB'000*	Photovoltaic modules *RMB'000*	Silicon solar cells *RMB'000*	Photovoltaic power plants *RMB'000*	Total *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

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:

	2021 ***RMB'000***	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of industrial products	**61,318**	265,979

(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:

	2021	2020
	RMB'000	*RMB'000*
Within one year	**141,083**	61,318

5. OTHER INCOME AND GAINS

	2021	2020
	RMB'000	*RMB'000*
Other income		
Government grants	**91,830**	73,600
Interest income from bank deposits	**12,350**	13,886
	104,180	87,486
Other gains/(losses), net		
Net foreign exchange loss	**(5,076)**	(42,309)
Net loss on disposal of property, plant and equipment	**(71,520)**	(34,068)
Gain from sales of other materials	**20,061**	16,953
Gain on remeasurement of fair value of equity investment	**—**	1,278
Gain on disposal of a subsidiary	**712**	—
Others	**13,387**	35,541
	(42,436)	(22,605)
Other income and gains, net	**61,744**	64,881

6. PROFIT/(LOSS) BEFORE TAX

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

	2021 *RMB'000*	2020 *RMB'000*
(a) Staff costs# (including directors' and chief executive's remuneration)		
Salaries, wages and other benefits	**323,994**	242,914
Contributions to retirement schemes	**29,328**	10,866
	353,322	253,780

	2021 *RMB'000*	2020 *RMB'000*
(b) Auditors' remuneration		
Audit services	**4,760**	3,321
Non-audit services	**553**	45
	5,313	3,366

	2021 *RMB'000*	2020 *RMB'000*
(c) Other items		
Depreciation of right-of-use assets	**14,620**	11,967
Depreciation of property, plant and equipment#	**266,582**	296,974
Provision for warranties	**34,818**	24,075
Research and development costs	**68,801**	274,910
(Reversal of impairment losses)/impairment losses on financial and contract assets	**(18,071)**	38,598
Impairment of property, plant and equipment	**—**	68,587
Net loss on disposal of property, plant and equipment	**71,520**	34,068
Gain on remeasurement of fair value of equity investment	**—**	(1,278)
Cost of inventories sold#	**6,007,488**	5,058,236
Cost of services rendered#	**218,421**	407,868
Interest income from bank deposits	**(12,350)**	(13,886)
Gain on disposal of subsidiary	**(712)**	—

\# Cost of inventories sold and cost of services rendered include, in aggregate, RMB662,978,000 for the year ended 31 December 2021 (2020: RMB483,000,000), relating to staff costs and depreciation which amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**121,282**	116,415
Interest on lease liabilities	**3,574**	2,335
Total interest expenses on financial liabilities not at fair value through profit or loss	**124,856**	118,750

8. INCOME TAX

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

	2021	2020
	RMB'000	*RMB'000*
Current tax — the PRC		
Provision for the year	**83,652**	27,069
Over provision in respect of prior years	**(1,479)**	(4,920)
	82,173	22,149
Deferred tax	**(762)**	8,124
Income tax expense from continuing operations	**81,411**	30,273
Income tax expense from discontinued operation	**—**	—
	81,411	30,273

(b) A reconciliation of the tax expense applicable to profit/(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:

	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) before taxation from continuing operations	**389,659**	(80,888)
Loss before taxation from discontinued operation	**(5,896)**	(85,206)
Profit/(loss) before taxation	**383,763**	(166,094)
Tax at the statutory tax rate	**95,941**	(41,523)
Tax effect of non-deductible expenses	**978**	1,210
Tax effect of non-taxable income	**(1,339)**	(1,122)
Effect of differential tax rates	**(8,160)**	4,349
Effect of tax concessions obtained	**(36,990)**	(19,981)
Tax effect of unused tax losses and temporary differences not recognised	**35,532**	91,159
Utilisation of unused tax loss and temporary differences not recognised in previous years	**(4,998)**	(7,977)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**1,926**	2,785
Write-off of unrecoverable deferred tax assets previously recognised	**—**	6,293
Over provision in respect of prior years	**(1,479)**	(4,920)
Tax charge at the Group effective rate	**81,411**	30,273

9. DISCONTINUED OPERATION

In February 2020, Huachang (the only legal entity in C Segment in 2020) ceased production. In view of the Group's business strategy, the Group does not expect to manufacture any solar cells in the foreseeable future. With Huachang being recognised as a discontinued operation, the manufacturing of monocrystalline silicon solar cells business is no longer included in the note for operating segment information.

The results of Huachang for the year are presented below:

	2021 *RMB'000*	2020 *RMB'000*
Revenue	**11,414**	463,059
Expenses	**(7,481)**	(533,859)
Finance costs	**(9,829)**	(14,406)
Loss from the discontinued operation	**(5,896)**	(85,206)
Loss before tax from the discontinued operation	**(5,896)**	(85,206)
Income tax:	**—**	—
Loss for the year from the discontinued operation	**(5,896)**	(85,206)

The net cash flows incurred by Huachang are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Operating activities	**80,097**	(8,979)
Investing activities	**23,254**	15,932
Financing activities	**(110,000)**	291
Net cash (outflow)/inflow	**(6,649)**	7,244
Loss per share: (RMB cents)		
Basic and diluted, from the discontinued operation	**(0.18)**	(2.69)

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	2021	2020
Loss attributable to ordinary equity holders of the parent from the discontinued operation	**RMB5,896,000**	RMB85,206,000
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	**3,309,962,914**	3,161,981,309
Weighted average number of ordinary shares used in the diluted loss per share calculation	**3,309,962,914**	3,161,981,309

10. DIVIDENDS

The board does not recommend to declare a final dividend for the year ended 31 December 2021 (2020: Nil).

11. PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic profit/(loss) per share

The calculation of basic profit per share is based on the profit attributable to the ordinary equity holders of the parent of RMB193,222,000 (2020: loss of RMB215,648,000) and the weighted average of 3,309,962,914 (2020: 3,161,981,309) ordinary shares of the Company in issue during the year.

	2021	2020
	RMB'000	*RMB'000*
Profit/(loss) attributable to ordinary equity holders of the parent	**193,222**	(215,648)
Attributable to:		
Continuing operations	**199,118**	(130,442)
Discontinued operation	**(5,896)**	(85,206)
	193,222	(215,648)

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares	**3,309,962,914**	3,161,981,309

(b) Diluted profit/(loss) per share

No adjustment has been made to the basic profit/(loss) per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2021 and 2020.

12. TRADE, BILLS RECEIVABLE AND CONTRACT ASSETS

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,205,268**	1,240,634
Bills receivable	**700,504**	686,613
	1,905,772	1,927,247
Impairment	**(111,617)**	(130,932)
	1,794,155	1,796,315

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:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,733,506**	1,428,642
1 to 2 years	**31,686**	295,321
2 to 3 years	**24,338**	58,443
Over 3 year	**4,625**	13,909
	1,794,155	1,796,315

As at 31 December 2021, bills receivable amounting to RMB204,923,000 (31 December 2020: RMB260,637,000), together with pledged deposits amounting to RMB567,529,000 (31 December 2020: RMB659,094,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB1,315,712,000 (31 December 2020: RMB1,112,661,000).

As at 31 December 2021, borrowings amounting to RMB56,344,000 (31 December 2020: RMB101,770,000) and RMB354,622,000 (31 December 2020: RMB403,677,000) were secured by certain of the Group's trade receivables and bills receivable with a carrying amount of RMB56,344,000 (31 December 2020: RMB101,770,000) and RMB354,622,000 (31 December 2020: RMB403,677,000) respectively.

	2021	2020
	RMB'000	*RMB'000*
Contract assets arising from:		
Sale of industrial products	**157,046**	131,935
Construction services	**3,631**	—
	160,677	131,935
Impairment	**(1,628)**	(384)
	159,049	131,551

The expected timing of recovery or settlement for contract assets as at 31 December is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**160,677**	131,935

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.

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:

	2021	2020
	RMB'000	*RMB'000*
At the beginning of year	**131,316**	92,718
(Reversal of impairment losses)/impairment losses	**(18,071)**	38,598
At the end of year	**113,245**	131,316

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. 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. 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.

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

As at 31 December 2021

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	**0.14%**	**0.89%**	**5.18%**	**11.08%**	**31.69%**	
Gross carrying amount (RMB'000)	**538,570**	**43,985**	**42,937**	**328**	**870**	**626,690**
Expected credit losses (RMB'000)	**746**	**393**	**2,222**	**36**	**276**	**3,673**

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	**5.17%**	**28.67%**	**44.91%**	**63.00%**	**97.83%**	
Gross carrying amount (RMB'000)	**646,117**	**18,238**	**—**	**6,754**	**68,146**	**739,255**
Expected credit losses (RMB'000)	**33,422**	**5,228**	**—**	**4,255**	**66,667**	**109,572**

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	RMB'000	*RMB'000*
Prepayments for raw materials	**314,445**	186,217
Deductible value-added tax	**100,291**	143,973
Other receivables	**106,556**	22,973
	521,292	353,163
Impairment allowance	**—**	—
	521,292	353,163

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.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2021			31 December 2020		
		Effective interest rate	**Maturity**		Effective interest rate	Maturity	
	Notes	***(%)***		***RMB'000***	*(%)*		*RMB'000*
Current:							
Bank loans — secured	(a)	**3.480–7.500**	**2022**	**507,782**	3.640–7.500	2021	1,112,125
CNY				**507,782**			1,112,125
Bank loans — guaranteed	(b)	**2.585–9.000**	**2022**	**981,879**	2.625–9.000	2021	717,603
CNY				**817,400**			441,339
EUR				**123,416**			69,440
HKD				**200**			—
USD				**40,863**			206,824
Other loans —secured	(c)	**0.000–7.500**	**2022**	**410,966**	0.000–7.500	2021	511,447
CNY				**410,966**			511,447
Other loans —guaranteed	(d)	**5.000–5.475**	**2022**	**12,299**	5.000–5.475	2021	11,637
HKD				**9,111**			8,375
USD				**3,188**			3,262
Current portion of long-term borrowings:							
Other loans — guaranteed	(b)	**1.600–6.000**	**2022**	**2,353**	1.600–6.000	2021	122,707
EUR				**2,353**			2,707
CNY				**—**			120,000
Total				**1,915,279**			2,475,519
Non-current:							
Other loans — guaranteed	(b)	**1.600–7.000**	**2023–2024**	**209,670**	1.600	2022–2023	4,060
CNY				**167,572**			—
EUR				**1,218**			4,060
HKD				**40,880**			—
Total				**209,670**			4,060

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

(i) the Group's property, plant and equipment with the net book value of RMB494,154,000 (2020: RMB932,208,000);

(ii) the Group's right-of-use assets amounting to RMB43,461,000 (2020: RMB106,391,000); and

(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 bills receivable amounting to RMB354,622,000 (2020: RMB403,677,000); and

(ii) the Group's trade receivables amounting to RMB56,344,000 (2020: RMB101,770,000).

15. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**927,004**	802,769
Bills payable	**1,315,712**	1,208,444
	2,242,716	2,011,213

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

	2021	2020
	RMB'000	*RMB'000*
Within 1 month	**785,573**	561,240
1 to 3 months	**712,362**	589,883
4 to 6 months	**645,239**	779,100
7 to 12 months	**65,245**	63,959
Over 1 year	**34,297**	17,031
	2,242,716	2,011,213

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

(b) As at 31 December 2021, the Group's bills payable of RMB1,315,712,000 (31 December 2020: RMB1,112,661,000) were secured by Group's bills receivable of RMB204,923,000 (31 December 2020: RMB260,637,000) and by Group's pledged deposits of RMB567,529,000 (31 December 2020: RMB659,094,000).

16. OTHER PAYABLES AND ACCRUALS

	2021	2020
	RMB'000	*RMB'000*
Payables for acquisition of property, plant and equipment	**328,941**	93,531
Payables for other taxes	**31,217**	40,071
Payables for freight	**5,229**	28,936
Payables for staff-related cost	**19,271**	15,528
Dividends payable	**138**	674
Other payables on behalf of the third-parties	**113,427**	56,173
Other payables and accruals	**45,643**	27,410
	543,866	262,323

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

17. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2021	2020
	RMB'000	*RMB'000*
Sale of industrial products	**141,083**	61,318

Contract liabilities include short-term advances received to deliver industrial products. The increase in contract liabilities in 2021 was mainly due to the increase of sale of industrial products this year.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Operations Summary

Renewable energy has become a new trend of the world. Photovoltaic power is now the renewable energy with the greatest development potential and the lowest cost, so the rapid growth in demand for photovoltaic products in the future will be inevitable. The Group focuses on the manufacturing and sales of upstream monocrystalline silicon ingots, wafers and downstream photovoltaic modules in the photovoltaic industry. Our major customers of monocrystalline silicon ingots and wafers are large midstream solar cell manufacturers and our major customers of photovoltaic modules are large domestic state-owned enterprises in the People's Republic of China (the "**PRC**"), multinational corporations and other photovoltaic end-user customers. Moreover, the Group is engaged in and provides the installation of photovoltaic systems and the development, design, construction, operation and maintenance of photovoltaic generation plants.

As the first batch of domestic photovoltaic enterprises engaged in the production of czochralski monocrystalline silicon ingots, with 20 years of experience in manufacturing monocrystalline silicon ingot, the Group now has accumulated mature experience in terms of technology, domestic and overseas market development, industrial chain cooperation, brand effect, premium services, etc. Subsidiaries of the Group have obtained 287 National patents, more than 30 provincial and municipal science and technology first prizes, second prizes, achievement awards. The awards are: National high-tech enterprise, National green factory, Provincial Enterprise Technology Center, Provincial Engineering Technology Research Center, Global Top 500 New Energy Companies (No.173), Top 100 New Energy Companies Global Competitiveness (No.92), Top 500 PRC Energy Group Companies (No.267), Top 20 PRC PV Module Companies in 2021 (No.11). The Group is the vice chairman unit of PRC Photovoltaic Industry Association, vice chairman unit of Semiconductor Materials Branch of and standing council unit of China Electronic Materials Industry Association, Household Photovoltaic Professional Committee unit, Standardization Technical Committee unit and Photoelectric Building Professional Committee unit of China Photovoltaic Industry Association and expert member of Photovoltaic Professional Committee of China Renewable Energy Society. Solar photovoltaic modules are rated as national grade's green design products. The Group is also the first in the world to be SHARP'S largest OEM processing services partner for photovoltaic module for nine consecutive years, the OEM for the State Power Investment Group (one of the five major power generation groups all year round), the major supplier of double-sided double glass modules in the 2018 Front Runner Plan and the major module supplier for the power configuration project of the UHV transmission base in Hainan, Qinghai Province, a national key project in 2019.

Currently, the Group has set the "one base, two wings" layout strategy, with Jinzhou in Liaoning as the base, Qujing in Yunnan and Yancheng in Jiangsu as two side wings. As at the end of December 2021, the total annual production capacity of our production bases were 5.7 GW of monocrystalline silicon ingot, 4.1 GW of monocrystalline silicon wafers, and 7.2 GW of modules due to the production scale, the high-efficiency and high production capacity layout of the Group. The Group has been starting to demonstrate stronger comprehensive competitiveness and further increase the market share of high quality but low-cost products.

Silicon ingot and wafer business

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

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

During the year, since most of the monocrystalline silicon ingot products have been reserved for internal use, the external shipment volume of monocrystalline silicon ingots was only 414.4 MW (710.8 MW in 2020). External shipment volume of monocrystalline silicon wafers increased significantly to 4,087.0 MW (3,145.8MW in 2020), representing an increase of over 30%. Major customers of external sales of monocrystalline silicon wafers included large-scale photovoltaic cell manufacturers and huge state-owned enterprises in China.

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

Module businesses

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

The Group has been engaged in module production since 2009, and has accumulated rich experience and advanced production technology and process in monocrystalline module production. The P-type PERC module of the monocrystalline products that the Group focuses on has not only become the mainstream in the market, but it also further expanded and strengthened the development and sales of monocrystalline silicon high-efficiency module products such as P-type double-sided double glass modules, half-cell photovoltaic modules, multi busbar cell module, and other high-end products.

The current main base of the Group for monocrystalline module production is located in Yancheng, Jiangsu. In addition to the various preferential investment policies from the local government, the Company can take advantage of significantly lowering the investment in capital expenditure by renting plant buildings. Moreover, the area around the Yangtze River Delta is an agglomeration area for the supply of raw and auxiliary materials which provides advantage in terms of procurement. In order to meet the needs of module customers, the Group continues to expand module production capacity in Yancheng, Jiangsu, to further strengthen the economic scale advantage of module products. As of the end of December 2021, the module production capacity of Yancheng, Jiangsu was 5.4 GW, while the total module production capacity of the Group was 7.2 GW. It is expected that by the end of 2022, the production capacity of Yancheng, Jiangsu would be increased to 6.4 GW, which would also drive the Group's overall module production capacity to 8.2 GW.

External sales of modules were mainly made to large state-owned enterprises and international multinational enterprises, such as State Power Investment Corporation (中國國家電力投資集團公司) ("**SPIC**"), SHARP Corporation ("**SHARP**"), Xinyi Glass Holdings Limited and Xinyi Solar Group (信義玻璃與信義光能集團), 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 SHARP's largest processing services partner for photovoltaic module for nine consecutive years and has been cooperating in continually expanding module sales for foreign customers.

The Group focuses on the manufacturing of monocrystalline silicon photovoltaic products. Currently, proportion of sales of the Group's monocrystalline silicon photovoltaic modules has reached over 95%. Further, the Group has also introduced 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 and application business apart from devoting its efforts in stabilising the development of its manufacturing business, which not only drives the sales of module products in a bottom-up manner, but also it will spread the profit of construction and operation of photovoltaic system businesses so as to improve the overall profitability of the Group. As such, besides establishing internal photovoltaic power plant system by wholly owned subsidiaries, the Group also plans to establish joint venture companies with companies from other industries. The Group's photovoltaic system business includes traditional distributed power station EPC business, Building Applied Photovoltaics (BAPV) business and Building Integrated Photovoltaics (BIPV) business. With the policy background of the PRC government's vigorous advocacy of "hit peak emissions" and "carbon neutrality" and the construction of "green buildings" and "zero energy buildings" after "Opinions on Promoting Green Development of Urban and Rural Construction" issued by the State Council of PRC, given the current huge building volume in the PRC, it is anticipated that BIPV business would have broad development prospects and become a new development hotspot in the photovoltaic industry.

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

Semi-conductor business

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

Operation Strategy

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 market without government subsidies, photovoltaic power generation might lead to a widespread application. As such, with the rapid advancement of photovoltaic production technology in the past ten years, the production cost per watt of power generation has dropped sharply. Strictly speaking, the current photovoltaic application has reached the target of grid parity, and explosive sales growth is foreseeable in the future. In the premises, production related equipment also needs to be upgraded or added in order to be in line with technological development. Therefore, since 2018, the Group has been investing in upgrading and transforming existing production capacity and invest in low-cost, high-efficiency new production capacity. Mass output by comprehensive upgrade of production capacity and new high-efficiency production capacity have also been realised. As of the end of December 2021, the annual production capacity of monocrystalline silicon ingot of the Group was 5.7 GW, monocrystalline silicon wafer capacity was 4.1 GW, and module production capacity was 7.2 GW.

By adopting a dual-core products strategy of continuous development of upstream monocrystalline silicon ingots and wafer product as well as downstream module products, the Group effectively utilises its existing resources. Regarding the production of upstream monocrystalline silicon ingot and wafer products, the gross profit margin driven by its production efficiency has increased significantly during the period. Regarding the downstream photovoltaic modules, since our photovoltaic module customers are mostly domestic state-owned enterprises or large multinational corporations, the market position and strength possessed by these module customers are the strongest in the overall photovoltaic industry chain. Therefore, the Group has established a direct supply relationship with large module customers through significant module production capacity, which maintains a more stable terminal product estuary.

Operating Performance

In recent years, the Group's operating performance has been constrained by numerous factors, such as performing long-term contracts for the purchase of high-priced polysilicon materials, which led to unsatisfactory performance of the Group in recent years. As the Group gradually got rid of these unfavorable factors, coupled with the economic scale of high-efficiency production capacity, the Group has successfully turned from loss to profit during the period and was back on the profitable track. The total shipment volume of major products, monocrystalline silicon ingots and wafers, increased from 3,856.6 MW in 2020 to 4,501.4 MW in 2021, representing a growth rate of 17%. The shipment volume of another major product, photovoltaic modules was 2,842.3MW in 2021, which was similar to 2,865.0MW in 2020.

During the year, market demand for monocrystalline silicon ingots and wafers continued to rise and the Group's high-efficiency production capacity through better production technology process has been greatly released, thus, the shipment volume increased. For photovoltaic module products, in the first half of this year, the cost of raw and auxiliary materials for the production of photovoltaic modules continued the trend of increase since the second half of 2020. This led to increase of purchase cost of the Group for raw and auxiliary materials. This also subsequently caused unsmooth production and sales of modules. As a result, the external shipment volume of modules in 2021 was similar to previous year. However, as the supply and demand relationship of raw and auxiliary materials for module production gradually resume to normal only to certain extent, especially in the second half of 2021 and the newly signed module orders could transfer the price risk of the raw and auxiliary materials to customers, it is expected that shipment volume of modules will increase significantly with the expansion of production capacity, and profitability could also be greatly improved in the future.

The Group officially stepped out of loss and turned to profit. It is not only due to the external environment of supply and demand and the release of low-cost and high-efficiency production capacity, but also necessary to maintain leading technology in the ever-advancing photovoltaic industry to build up a cost advantage in order to continuously make profits. The Group has gained success in research and development in recent years, and has overcome various production bottlenecks. The Group has successfully incorporated the most advanced production technologies into mass production, such that the production costs of our various product lines have significantly decreased, and the overall gross profit margin has hence increased. For example, in the production of monocrystalline silicon ingots, from 20 years of accumulated technology advantages, we have mastered a number of leading technologies for monocrystalline silicon ingots and silicon wafer production, such as the fast closing technology used in the production of monocrystalline silicon ingot which could shorten the closing time by 70%, the increase of growth rate of monocrystalline silicon ingot from 1.25mm/min to 2.0mm/min through the transformation and upgrading of the water cooling device, the long-life quartz crucible developed in cooperation with suppliers could be used for up to 500 hours, the RCZ production process which could draw 9 ingots in one pot, etc. Various advanced production technologies significantly reduced production costs and ensured product quality and stability is in a leading position in the industry. Furthermore, for high quality N-type silicon wafers required for the next-generation N-type cell, the Group has also reached the technical position and accomplished marketisation ahead, and has achieved the development direction of leading N-type crystalline silicon products which could readily meet the market demands for shipment in large quantities at any time.

For the monocrystalline modules, apart from the mainstream P-type PERC monocrystalline modules, the Group devoted to the development and sales of monocrystalline high-efficiency module products, such as P-type double-sided double glass modules, half-cell photovoltaic modules, multi busbar cell module, and related high- end products. In particular, BS module products of N-type monocrystalline IBC cell uses the internationally leading and the first domestic FPC module packaging technology, and is in the leading position in the industry. Having a black surface with beautiful design, the products are uniquely produced as rectangular, square, triangular and other special-shaped modules. It could be connected to each other with perfectly matching roof shape to achieve efficient use of space, representing highest-end product of roof modules. The FPC packaging technology of BS modules is still the packaging process with the world's highest precision. It is the benchmark for the monocrystalline N-type IBC cell modules products, leading the monocrystalline N-type cell module industry packaging technology for 3 to 5 years. Besides, the module production line of the Group can also produce multi-busbar half-cell double-sided double glass of 182mm and 210mm large-size modules which the conversion could reach more than 600 watts. In addition, the related equipment automated intelligence and packaging technology are in the leading position in the industry. According to the analysis of the recent bidding in China's photovoltaic market, 182mm and above photovoltaic modules accounted for more than 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 products, they could further enhance the Group's ability to increase the selling price and provide opportunity for a substantial increase in gross profit margin. Moreover, the Group is also carrying out a number of research projects for G12 and BIPV products, aiming to upgrade the mass production technology of large-size module products and BIPV products, so as to expand the market sales of corresponding products. Other production technology research and development for frame design, junction box and tin block design, packaging material optimization, packaging method optimization, solar cell thickness optimization, etc. are also expected to continuously reduce production cost of module products.

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

Financial Review

Revenue

In order to replace traditional energy on a large scale, as a clean energy, it is essential to reduce the production cost of photovoltaic power generation through continuous technological advancement, hence continually lowering the sales unit price of photovoltaic power. When photovoltaic power generation finally does not need to rely on government subsidies, the demand for photovoltaic power generation will grow significantly. The revenue of the Group increased by 17.4% from RMB6,052.0 million in 2020 to RMB7,105.0 million in 2021, with a growth in total external shipment volume of 7.8% as compared to last year. The growth was mainly attributed to the increase in sales of the Group's certain major products, photovoltaic modules and monocrystalline silicon wafers, while the average selling price of silicon wafers was higher than that in 2020.

Cost of sales

For the year ended 31 December 2021, cost of sales increased from RMB5,466.1 million in 2020 to RMB6,225.9 million, representing an increase of 13.9%, mainly due to the increase in external shipment volume. Cost of sales accounted for 87.6% of total revenue, representing a decrease of 2.7% points from 2020. The decrease in such ratio was mainly due to the production base of monocrystalline silicon ingots and wafers being officially shifted to Qujing, Yunnan. The electricity cost, being the major manufacturing cost, in Qujing, Yunnan, are lower than that in production base in Jinzhou, Liaoning by 50%. Together with the preferential policies of the local government, the economic advantages from such high-efficient capacity was demonstrated. However, the abovementioned benefits were partially offset by the increase in cost of raw and auxiliary materials during the year.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB879.1 million and a gross profit margin of 12.4% in 2021, as compared to a gross profit of RMB585.9 million and a gross profit margin of 9.7% in 2020, which increased significantly by 50.1% and 2.7% points respectively. The growth was mainly attributed to the increase in sales of one of the Group's major products, monocrystalline solar wafers in 2021, as the gross profit margin of which was higher than other products.

Selling and distribution expenses

Selling and distribution expenses mainly comprised terminal handling charges, packaging expenses and other incidental expenses. The selling and distribution expenses increased by 6.1% from RMB135.9 million in 2020 to RMB144.2 million in 2021. The percentage of increase in selling and distribution expenses was in line with that in external shipment volume in 2021.

Administrative expenses

Administrative expenses mainly comprised of staff costs, research and development expenses, legal and professional fees, office expenses and other incidental administrative expenses. The administrative expenses for the year amounted to RMB301.2 million, as compared to RMB440.5 million in 2020. The decrease was mainly due to larger sum of research and development invested in 2020 and also an effective planning and control on other administrative expenses by the Group.

Reversal of impairment losses/impairment losses on trade receivables and contract assets

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses ("ECLs"). ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. During the year, the Group has efficiently managed the collection of trade receivables especially for balances which aged over one year, led to a relatively lower ECL rates in the ECL model. As a result, a reversal of impairment losses on trade receivables and contract assets of RMB19.0 million (2020: impairment losses of RMB36.3 million) was recognised during the year.

Finance costs

Finance costs were mainly derived from bank and other borrowings. The Group's finance costs slightly increased from RMB118.8 million in 2020 to RMB124.9 million in 2021, representing an increase of 5.1%. The Group aims to lower the finance costs gradually in the future and to obtain more sources of financing.

Income tax

Income tax expense was RMB81.4 million in 2021, while income tax expense amounted to RMB30.3 million in 2020. The income tax expense was mainly derived from the provision of income tax for the profitable subsidiaries of the Group. The increase in income tax expenses was mainly due to the increase in profit before tax.

Loss for the year from discontinued operations

In February 2020, Jinzhou Huachang Photovoltaic Technology Company Limited ceased its production of solar cells. 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. The loss from the discontinued operation decreased from RMB85.2 million in 2020 to RMB5.9 million in 2021. Among the loss in 2020, it mainly represented an impairment of property, plant and equipment, amounting to RMB68.6 million. During the year, no such impairment of property, plant and equipment was recognized.

Profit/(loss) attributable to owners of the parent

The Group shows a turnaround of the Group's financial results from loss to profit. A significant improvement of profit attributable to owners of the parent of RMB193.2 million was shown in 2021, as compared to a loss attributable to owners of the parent of RMB215.6 million in 2020 mainly due to the significant increase in gross profit in 2021.

Inventory turnover days

The Group has been focusing its efforts in raising the inventory turnover and lowering the inventory turnover days in order to mitigate the risk of rapid decline inventory prices caused by continuous technological advancement of photovoltaic products, and at the same time, reducing the backlog of funds and further strengthen the Group's operation working capital. The inventory turnover days of the Group during the year remain stable at 26 days (2020: 27 days).

Trade receivable turnover days

The sales of photovoltaic modules accounted for about 60% of the Group's overall sales in 2021 and 2020. According to the standard terms of the industry's module sales contracts, the recovery of module receivables depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. Therefore, the trade receivables turnover days of module business are generally longer. Trade receivables turnover days for the year has slightly increased to 98 days (2020: 95 days).

Trade payable turnover days

The trade payables turnover day was 123 days in 2021, which was relatively longer as comparing to 116 days in 2020. The trade payable turnover days is generally longer than the trade receivables turnover days, as the Group would like to utilise its operating funds in a more strategic manner for business growth, yet paying our suppliers within the credit period. The Group has formed strategic partnerships with our major suppliers. Under stable and frequent co-operations, the suppliers have gradually increased our credit lines and payment terms.

Liquidity and financial resources

The principal source of working capital of the Group during the year were cash flows from operating activities and the proceeds from subscription of shares. As at 31 December 2021, the current ratio (current assets divided by current liabilities) of the Group was 0.84 (31 December 2020: 0.80). The Group had net borrowings of RMB941.8 million as at 31 December 2021 (31 December 2020: RMB1,337.2 million), including cash and cash equivalents of RMB431.9 million (31 December 2020: RMB456.3 million), pledged deposits of RMB751.3 million (31 December 2020: RMB686.1 million), bank and other loans due within one year of RMB1,915.3 million (31 December 2020: RMB2,475.5 million) and non-current bank and other loans of RMB209.7 million (31 December 2020: RMB4.1 million). The net debt to equity ratio (net debt divided by total equity) was 140.1% (31 December 2020: 393.3%).

Net cash inflow from operating activities

As mentioned above, the Group was a significant turnaround from loss to profit during the year; the Group continued to invest and upgrade the existing production capacity which, together with the economies of scale reflected in high-efficiency production capacity, resulted in a significant increase in operating profit, the net cash flows from operating activities increased substantially by 82.8% from RMB563.5 million in 2020 to RMB1,030.4 million in 2021.

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

During the year, earnings before interest, taxes, depreciation and amortisation ("EBITDA") amounted to RMB799.7 million (11.3% of the revenue), represented a significant increase of 189.7% as compared to RMB276.0 million (4.6% of the revenue) during the year ended 31 December 2020. The main reason for the increase in EBITDA was attributed to the growth in gross profit, the achievement of efficiency in production and improvement in control on expenses 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 trade receivables in foreign currencies received from foreign customers to settle foreign loans and trade payables in foreign currencies which naturally mitigates the exchange rate risk. In addition, the Group will consider the difference in interest rates and fluctuations in the exchange rates of foreign currency denominated and local currency-denominated loan balance, and seize opportunities to mitigate the risk through low-risk forward exchange agreements, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Significant investment and disposal of subsidiaries

In April 2021, Jinzhou Yangguang Energy Co., Ltd ("Yangguang") (a wholly-owned subsidiary of the Company) acquired certain non-controlling shares from non-controlling shareholders of Jiangsu Yueyang Photovoltaic Technology Co., Ltd. ("Jiangsu Yueyang"). For the details of the investment in subsidiary, please refer to the announcement of the Company dated 23 April 2021. Subsequently, Yangguang injected capital contributions into Jiangsu Yueyang in June and July 2021 respectively. As at 31 December 2021, the Group owned 74% equity interest in Jiangsu Yueyang.

In December 2021, Solargiga Energy (Hong Kong) Company Limited ("Solargiga Hong Kong") (a wholly-owned subsidiary of the Company), Mr. Luo Qian and Mr. Bao Quanjun entered into an agreement, pursuant to which Solargiga Hong Kong agreed to sell, Mr. Luo Qian and Mr. Bao Quanjun agreed to acquire 50.5% and 0.5% of the equity interest in Solargiga Energy (Qinghai) Co., Ltd. ("Qinghai") at a consideration of approximately RMB53,885,000 and RMB534,000 respectively. Upon completion, the Group do not hold any equity interest in Qinghai. For the details of the disposal, please refer to the announcement of the Company dated 8 December 2021.

Contingent liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

Human resources

As at 31 December 2021, the Group had 3,937 employees (31 December 2020: 3,890 employees).

Future prospects and strategies

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

In order to respond to the rapid increase in demand, the Group has been expanding expanded production capacity of monocrystalline silicon ingot, wafer and modules to take advantage of the external production environment in different areas, enabling the Group to fully utilise its current technological advantages in production. It is estimated that the production capacity of monocrystalline silicon ingot will be expanded from 5.7GW by the end of 2021 to 7.4GW by the end of 2022. The production capacity of monocrystalline silicon wafer will be expanded from 4.1GW by the end of 2021 to 7.4GW by the end of 2022. The production capacity of modules will be expanded from 7.2GW by the end of 2021 to 8.2GW by the end of 2022.

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 will be invested in the oligopoly market of upstream monocrystalline silicon ingots, there will 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 will have a lower growth rate. The Group's robust business and clear strategic focus make us well positioned for capturing the opportunities ahead.

As a clean energy source, in respect of photovoltaic power generation, the road to grid parity may be a painful change, but the expected explosive growth in the market after reaching grid parity will provide an opportunity for the industry. The Group is fully prepared by relying on its existing advantages and will do its utmost, to embrace the growth and development in the photovoltaic industry in the good times, help achieve the goal of "carbon neutrality" in 2060 in China and contribute to the sustainable development of the global environment.

EVENT AFTER REPORTING PERIOD

In February 2022, Solargiga Hong Kong entered into Equity Transfer Agreement with Qujing Yangguang Energy Silicon Materials Co., Ltd ("Qujing Yangguang") (an indirect non-wholly owned subsidiary of the Company), pursuant to which Solargiga Hong Kong agreed to sell and Qujing Yangguang agreed to acquire the entire equity interest in Jinzhou Youhua Silicon Materials Co. Ltd ("Youhua") at consideration of approximately RMB227,369,000. Upon completion, the Group's equity interest in Youhua reduced from 100% to 53.7%. For the details of the disposal, please refer to the announcements of the Company dated 25 February 2022 and 1 March 2022.

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 2021, and has discussed and reviewed the risk management, internal control and reporting matters.

DIVIDEND

No final dividend was paid in 2021 (2020: Nil). The Directors do not recommend the payment of a final dividend for 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 June 2022 to 23 June 2022, 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 20 June 2022.

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

On 21 January 2021, the Company entered into a subscription agreement (the "**Subscription Agreement**") with an independent third party (the "**Subscriber**"), pursuant to which the Company agreed to allot and issue 180,000,000 new shares at an issue price of HK$0.29 per share to the Subscriber. The total consideration paid by the Subscriber under the Subscription Agreement amounted to HK$52,200,000, equivalent to RMB41,424,000. The Subscription Agreement was completed on 28 January 2021.

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 2021.

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 set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021.

PUBLICATION OF FINANCIAL INFORMATION

The 2021 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 23 June 2022. 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
Tan Wenhua
Chairman

Hong Kong, 29 March 2022

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