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 2013

FINANCIAL HIGHLIGHTS

– Turnover increased by 115.7% to RMB2,150.328 million (2012: RMB996.836 million).

– Gross profit was RMB149.993 million (2012: Gross loss of RMB291.384 million).

– Net loss attributable to the equity shareholders of the Company was RMB135.504 million (2012: Net loss of RMB1,276.554 million).

– Basic loss per share was RMB4.57 cents (2012: Basic loss per share of RMB55.99 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 2013 and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	**2013** ***RMB'000***	2012 *RMB'000*
Turnover	*3*	**2,150,328**	996,836
Cost of sales		**(2,000,335)**	(1,288,220)
Gross profit/(loss)		**149,993**	(291,384)
Other revenue	*4*	**61,420**	55,808
Other net (loss)/income	*5*	**(2,324)**	3,698
Selling and distribution expenses		**(18,172)**	(19,303)
Administrative expenses		**(230,621)**	(252,539)
Loss from operations		**(39,704)**	(503,720)
Impairment of prepayments for raw materials	*13*	**–**	(134,485)
Impairment of goodwill	*15*	**–**	(208,237)
Impairment of intangible assets	*14*	**–**	(201,493)
Impairment of property, plant and equipment	*16*	**19,166**	(161,200)
Share of profits less losses of associates		**2,238**	1,511
Finance costs	*6(a)*	**(107,265)**	(110,967)
Loss before taxation	*6*	**(125,565)**	(1,318,591)
Income tax credit	*7*	**8,998**	23,538
Loss for the year		**(116,567)**	(1,295,053)
Attributable to:			
Equity shareholders of the Company		**(135,504)**	(1,276,554)
Non-controlling interests		**18,937**	(18,499)
Loss for the year		**(116,567)**	(1,295,053)
Loss per share (RMB cents)			
– Basic and diluted	*9*	**(4.57)**	(55.99)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Loss for the year	**(116,567)**	(1,295,053)
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss:		
– Exchange differences on translation of financial statements of companies outside of the People's Republic of China ("PRC")	**2,983**	407
Total comprehensive income for the year	**(113,584)**	(1,294,646)
Attributable to:		
Equity shareholders of the Company	**(132,521)**	(1,276,147)
Non-controlling interests	**18,937**	(18,499)
Total comprehensive income for the year	**(113,584)**	(1,294,646)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Note	**2013** **RMB'000**	2012 RMB'000
Non-current assets			
Property, plant and equipment	*16*	**2,064,687**	1,917,684
Prepayments for acquisition of property, plant and equipment		**27,333**	4,582
Lease prepayments		**118,345**	101,361
Prepayments for raw materials	*13*	**320,233**	316,543
Interests in associates		**74,568**	124,457
Other non-current assets	*19*	**31,390**	–
		2,636,556	2,464,627
Current assets			
Inventories		**441,494**	424,187
Trade and other receivables	*10*	**720,316**	720,747
Current tax recoverable		**500**	7,070
Pledged bank deposits		**206,910**	174,234
Cash at bank and in hand		**234,398**	153,793
		1,603,618	1,480,031
Current liabilities			
Bank loans	*12*	**1,114,482**	1,018,985
Trade and other payables	*11*	**761,153**	846,098
Current tax payable		**1,266**	–
Bonds		**299,200**	–
		2,176,101	1,865,083
Net current liabilities		**(572,483)**	(385,052)
Total assets less current liabilities		**2,064,073**	2,079,575
Non-current liabilities			
Bank and other loans	*12*	**591,718**	487,280
Bonds		**–**	298,600
Deferred tax liabilities		**1,017**	11,757
Deferred income		**209,988**	221,701
Other non-current liabilities		**22,554**	9,007
		825,277	1,028,345
Net assets		**1,238,796**	1,051,230
Capital and reserves			
Share capital		**276,727**	218,787
Reserves		**876,331**	800,091
Total equity attributable to equity shareholders of the Company		**1,153,058**	1,018,878
Non-controlling interests		**85,738**	32,352
Total equity		**1,238,796**	1,051,230

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 2013 but are extracted from those financial statements.

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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 requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

For the year ended 31 December 2013, the Group sustained a net loss of RMB116,567,000 and as of that date, the Group's current liabilities exceeded its current assets by RMB572,483,000. As at 31 December 2013, the Group had cash and cash equivalents of RMB214,398,000 and short-term bank loans, including current portion of long-term bank loans of RMB1,114,482,000 and bonds issued due within one year of RMB299,200,000. 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 2014. Based on such forecast, the directors believe that adequate sources of liquidity exist to fund the Group's working capital and capital expenditures requirements, and to meet its short term debt obligations and other liabilities and commitments as they become due. In preparing the cash flow forecast, management has considered historical cash requirements of the Group, as well as other key factors, including a new banking facility obtained from one of the Group's major banks with a total amount of RMB1,200,000,000 and its ability to renew its short-term bank loans during 2014.

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. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

2. CHANGES IN ACCOUNTING POLICIES

Recently issued accounting standards

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7 – *Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of 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 and wafers ("Segment A"); (ii) the manufacturing of and trading of photovoltaic modules and installation of photovoltaic systems ("Segment B"); (iii) the manufacturing and trading of monocrystalline silicon solar cells ("Segment C") and (iv) the 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. However, assistances provided by one segment to another are not measured.

(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 bases as they are presented in the Group's financial statements. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the year is set out below:

	Year ended 31 December 2013				
	Segment A	**Segment B**	**Segment C**	**Segment D***	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	579,143	1,354,507	204,637	12,041	2,150,328
Inter-segment revenue	424,878	–	455,627	–	880,505
Reportable segment revenue	1,004,021	1,354,507	660,264	12,041	3,030,833
Reportable segment profit/(loss) for the year	(206,234)	27,626	61,507	534	(116,567)
Interest income from bank deposits	1,474	275	16	72	1,837
Interest expenses	(58,231)	(27,878)	(16,180)	(4,976)	(107,265)
Depreciation and amortisation for the year	(128,356)	(5,195)	(32,011)	(5,312)	(170,874)
Share of profits less losses of associates	2,238	–	–	–	2,238
Impairment of property, plant and equipment	–	–	19,166	–	19,166
Impairment of trade receivables	(22,623)	–	–	–	(22,623)
Write-down of inventories	(20,522)	(3)	(589)	–	(21,114)
Reportable segment assets	2,436,191	743,331	716,657	343,995	4,240,174
(including interests in associates)	74,568	–	–	–	74,568
Additions to non-current segment assets during the year	38,434	35,168	1,790	249,840	325,232
Reportable segment liabilities	1,712,642	615,126	445,624	227,986	3,001,378

* As of 31 December 2013, the Group's photovoltaic power plant operating business was mainly conducted by a newly acquired subsidiary. The details are disclosed in note 17.

The segment results for the year ended 31 December 2012 are as follows:

	Year ended 31 December 2012			
	Segment A *RMB'000*	Segment B *RMB'000*	Segment C *RMB'000*	Total *RMB'000*
Revenue from external customers	510,375	211,750	274,711	996,836
Inter-segment revenue	300,086	–	91,456	391,542
Reportable segment revenue	810,461	211,750	366,167	1,388,378
Reportable segment profit/(loss)	(724,058)	19,595	(590,590)	(1,295,053)
Interest income from bank deposits	3,416	742	272	4,430
Interest expenses	(89,051)	(9,764)	(12,152)	(110,967)
Depreciation and amortisation for the year	(135,231)	(4,225)	(63,374)	(202,830)
Share of profits less losses of associates	1,511	–	–	1,511
Impairment of goodwill	–	–	(208,237)	(208,237)
Impairment of intangible assets	–	–	(201,493)	(201,493)
Impairment of prepayments	(134,485)	–	–	(134,485)
Impairment of property, plant and equipment	(139,100)	–	(22,100)	(161,200)
Impairment of trade receivables	(1,159)	–	–	(1,159)
Write-down of inventories	(145,189)	(9,401)	–	(154,590)
Reportable segment assets	3,046,828	216,074	681,756	3,944,658
(including interests in associates)	124,457	–	–	124,457
Additions to non-current segment assets during the year	165,014	372	185	165,571
Reportable segment liabilities	2,530,046	160,153	203,229	2,893,428

(b) Geographical 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 geographical location of the Group's revenue from external customers and non-current prepayments. 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

	2013 *RMB'000*	2012 *RMB'000*
The PRC (place of domicile)	**368,310**	541,816
Export sales		
– Japan	**1,588,874**	281,928
– Taiwan	**166,048**	51,255
– Europe	**26,182**	116,552
– North America	**906**	5,285
– Others	**8**	–
Sub-total	**1,782,018**	455,020
Total	**2,150,328**	996,836

(ii) Non-current prepayments

	2013	2012
	RMB'000	*RMB'000*
The PRC (place of domicile)	**18,105**	26,588
Overseas countries		
– Germany	**132,167**	132,939
– The United States of America	**113,189**	98,997
– Taiwan	**70,577**	62,601
– Japan	**13,528**	–
Sub-total	**329,461**	294,537
Total	**347,566**	321,125

4. OTHER REVENUE

	2013	2012
	RMB'000	*RMB'000*
Government grants	**24,654**	41,033
Interest income from bank deposits	**1,837**	4,430
Compensation received from a contractor for the delay of construction of a photovoltaic power plant	**28,700**	–
Others	**6,229**	10,345
	61,420	55,808

5. OTHER NET (LOSS)/INCOME

	2013	2012
	RMB'000	*RMB'000*
Net foreign exchange (loss)/gain	**(2,324)**	3,698
	(2,324)	3,698

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

		2013 *RMB'000*	2012 *RMB'000*
(a)	**Finance costs**		
	Interest on bank and other loans wholly repayable within five years	**99,236**	96,648
	Interest on bonds	**15,393**	16,019
	Total interest expenses on financial liabilities not at fair value through profit or loss	**114,629**	113,667
	Less: interest expenses capitalised into construction in progress*	**(7,364)**	(2,700)
		107,265	110,967

* *The borrowing costs have been capitalised at a rate of 7.04% to 8.32% (2012: 6.65% to 8.32%) per annum.*

		2013 *RMB'000*	2012 *RMB'000*
(b)	**Staff costs**		
	Salaries, wages and other benefits	**135,693**	112,483
	Contributions to retirement schemes	**20,568**	16,678
		156,261	129,161
(c)	**Auditor's remuneration**		
	Audit services	**2,972**	2,075
	Tax services	**59**	64
	Other services	**440**	2,221
		3,471	4,360
(d)	**Other items**		
	Depreciation	**168,353**	173,742
	Research and development costs	**81,808**	90,994
	Impairment of trade receivables	**22,623**	1,159
	Write-down of inventories	**21,114**	154,590
	Provision for warranty costs	**13,547**	1,672
	Amortisation of lease prepayments	**2,521**	2,497
	Operating lease charges – property	**1,209**	1,266
	Amortisation of intangible assets	**–**	26,591

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2013	2012
	RMB'000	*RMB'000*
Current tax – the PRC		
Provision for the year	**1,266**	–
Over-provision in respect of prior years	**–**	(5,845)
	1,266	(5,845)
Withholding tax	**476**	858
Deferred tax		
Origination and reversal of temporary differences	**(10,740)**	(18,551)
Income tax credit	**(8,998)**	(23,538)

8. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

The Directors of the Company did not recommend the payment of a final dividend for the years ended 31 December 2013 and 2012.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

The Directors of the Company did not recommend in the years ended 31 December 2013 and 2012 the payment of a final dividend attributable to the previous financial year.

9. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the ordinary equity shareholders of the Company of RMB135,504,000 (2012: RMB1,276,554,000) and the weighted average of 2,968,027,879 (2012: 2,279,802,481) ordinary shares of the Company in issue during the year as calculated in note 9(b).

(b) Weighted average number of ordinary shares

	Number of ordinary shares	
	2013	2012
Issued ordinary shares at 1 January	**2,491,300,472**	2,242,170,425
Effect of shares issued under open offer	**344,004,229**	12,252,297
Effect of shares issued under new share subscription	**132,723,178**	–
Effect of the bonus element on shares issued under open offer	**–**	25,379,759
Weighted average number of ordinary shares	**2,968,027,879**	2,279,802,481

(c) Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2013 and 2012.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade debtors and bills receivable	**377,091**	279,594
Prepayments for raw materials	**31,205**	53,615
Deductible value–added tax	**200,420**	193,386
Prepayments for processing fee	**13,409**	–
Amounts due from an associate	**–**	118,802
Deposits and other receivables	**98,191**	75,350
	720,316	720,747

All of the trade and other receivables are expected to be recovered or recognised as expense within one year or recoverable on demand.

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**272,767**	188,926
Less than 1 month past due	**35,255**	44,149
1 to 3 months past due	**25,911**	10,940
4 to 6 months past due	**5,023**	4,134
7 to 12 months past due	**979**	11,555
Over 12 months past due	**37,156**	19,890
	104,324	90,668
	377,091	279,594

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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 allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. The Group does not hold any collateral over these balances.

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

11. TRADE AND OTHER PAYABLES

	2013 *RMB'000*	2012 *RMB'000*
Trade payables	**440,078**	343,927
Bills payable	**30,169**	235,732
Receipt in advance	**89,193**	44,937
Other payables and accrued expenses	**201,713**	221,502
	761,153	846,098

All of the trade and other payables are expected to be settled within one year.

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

	2013 *RMB'000*	2012 *RMB'000*
Within 1 month	**221,084**	190,741
1 to 3 months	**128,208**	121,069
4 to 6 months	**63,637**	179,243
7 to 12 months	**33,944**	68,083
After 1 year but within 2 years	**23,374**	20,523
	470,247	579,659

12. BANK AND OTHER LOANS

At 31 December 2013, the Group's bank and other loans are analysed as follow:

	2013 *RMB'000*	2012 *RMB'000*
Bank loans	**1,624,982**	1,503,485
Municipal government loan	**2,595**	2,780
Other loans	**78,623**	–
	1,706,200	1,506,265

(a) At 31 December 2013, the bank loans were repayable as follow:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**1,114,482**	1,018,985
After 1 year but within 2 years	**76,500**	193,000
After 2 years but within 5 years	**271,000**	291,500
After 5 years	**163,000**	–
	510,500	484,500
	1,642,982	1,503,485
Bank loans were secured as follow:		
unsecured	**1,153,883**	1,366,219
secured	**471,099**	137,266
	1,624,982	1,503,485

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants.

As at 31 December 2012, the balance of certain non-current portions of the bank loans amounting to RMB133,441,000 was reclassified from non-current liabilities to current liabilities due to the non-compliance with certain covenants. Subsequent to 31 December 2012, a waiver from non-compliance with such covenants was granted by the lenders.

(b) The municipal government loan is repayable as follows:

	2013	2012
	RMB'000	*RMB'000*
Within 1 year	**364**	364
After 1 year but within 2 years	**364**	364
After 2 years but within 5 years	**1,091**	1,091
After 5 years	**776**	961
	2,595	2,780

The municipal government loan was received by the Group for constructing a manufacturing plant in Jinzhou, Liaoning Province, the PRC. There are no unfulfilled conditions or contingencies relating to the municipal government loan. It is unsecured, interest bearing and is fully repayable by installments from 2010 to 2020.

(c) As at 31 December 2013, other loans of RMB78,623,000 represented a loan borrowed from an independent third party, Higuchi Industries Limited. It is unsecured, interest bearing and fully repayable in 2016.

13. PREPAYMENTS FOR RAW MATERIALS

As at 31 December 2012, management assessed the prepayments for potential impairment and identified that two of the suppliers were in financial difficulties and were most likely to default on the deliveries of raw materials to the Group and therefore, provided a provision of RMB134,485,000. Based on the assessment updated by management in 2013, no further impairment was provided for as at 31 December 2013.

14. INTANGIBLE ASSETS

	Customer relationships *RMB'000*	Customer Contracts *RMB'000*	Patents *RMB'000*	Total *RMB'000*
Cost:				
At 1 January and 31 December 2012	185,230	2,411	67,228	254,869
Accumulated amortisation and impairment losses:				
At 1 January 2012	16,979	2,411	7,395	26,785
Amortisation for the year	18,524	–	8,067	26,591
Impairment losses	149,727	–	51,766	201,493
At 31 December 2012	185,230	2,411	67,228	254,869
Net book value:				
At 31 December 2012	–	–	–	–

	Customer relationships *RMB'000*	Customer contracts *RMB'000*	Patents *RMB'000*	Total *RMB'000*
Cost:				
At 1 January and 31 December 2013	185,230	2,411	67,228	254,869
Accumulated amortisation and impairment losses:				
At 1 January and 31 December 2013	185,230	2,411	67,228	254,869
Net book value:				
At 1 January and 31 December 2013	–	–	–	–

The amortisation charge is included in "administrative expenses" in the consolidated statement of profit or loss.

Intangible assets and goodwill as disclosed in note 15 are related to the Group's Segment C (see note 3) which is considered to be a CGU.

Since the last quarter of 2011, the Group's solar cell business which is related to Segment C had been severely affected by the weak demand of the solar market and the significant drop in prices of solar products. As such, the Group recognised an impairment of RMB208,237,000 for the goodwill allocated to the segment in the first half year of 2012 and an impairment of RMB201,493,000 for the intangible assets of the segment in the second half year of 2012. The impairments were determined with reference to the recoverable amount of the CGU based on value-in-use calculations.

The recoverable amount of the CGU has been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated rates stated below.

	2012 %
Growth rate	3
Discount rate	16.5

The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is pre-tax and reflects specific risks relating to the segment.

15 GOODWILL

	2013 ***RMB'000***	2012 *RMB'000*
Cost:		
At 1 January	**208,237**	208,237
At 31 December	**208,237**	208,237
Accumulated impairment losses:		
At 1 January and 31 December	**208,237**	208,237
Carrying amount:		
At 31 December	**–**	–

As disclosed in note 14, goodwill of RMB208,237,000 has been fully impaired during the year ended 31 December 2012.

16. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Group assessed the recoverable amount of property, plant and equipment of each cash-generating unit ("CGU") as at 31 December 2012 and 2013. As a result, the carrying amount of certain property, plant and equipment was written down by RMB161,200,000 as at 31 December 2012.

In 2013, for satisfying the significantly increased purchase demand of the Group's largest customer for photovoltaic modules, the Group's solar cells manufacturing and trading CGU (Segment C) significantly increased its production and sales volume to the photovoltaic modules manufacturing and trading CGU (Segment B) and improved its results of operations in the year (see note 3). In view of this current situation and based on the estimated future cash flows of such solar cells manufacturing and trading CGU by the latest sales forecast, the Group reversed the impairment loss previously provided for such CGU's property, plant and equipment by an amount of RMB19,166,000 as at 31 December 2013.

Based on the estimated future cash flows of the other CGUs, no further impairment losses were provided for them as at 31 December 2013. The estimated recoverable amounts were based on the value in use of each individual CGU determined by the estimated future cash flows discounted at a pre-tax discount rate which ranged from 17.2% to 19.6% (2012: 16.5% to 18.6%).

17 BUSINESS COMBINATION

Golmud Solargiga Electric Power Co., Ltd. ("Golmud")

In September 2013, the Group acquired additional 21% equity interests in Golmud Solargiga Electric Power Co., Ltd ("Golmud") from a PRC citizen at a cash consideration of RMB22,790,000, thereby, the Group totally held 70% equity interests of Golmud.

The acquisition had the following effect on the Group's assets and liabilities on the acquisition date:

	Recognised values on acquisition *RMB'000*
Property, plant and equipment	230,199
Lease prepayment	19,641
Trade and other receivables	59,596
Cash and cash equivalents	41,232
Trade and other payables	(26,642)
Bank loans	(210,000)
Net identifiable assets and liabilities	114,026
The Group's 70% share of the net identifiable assets and liabilities acquired satisfied by:	79,818
– the fair value of the original 49% equity interests in the acquiree as at the acquisition date	57,028
– a cash consideration of RMB22,790,000	22,790
Cash acquired	41,232
Net cash inflow	18,442

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair values of property, plant and equipment, lease prepayments made for the lands held under operating leases recognised as result of the business combination are based on the discounted future cash flows to be generated by the acquiree.

Golmud contributed RMB11,312,000 to the consolidated turnover and RMB4,143,000 profit to the consolidated loss before taxation in the period from the date of acquisition to 31 December 2013.

18. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

In March 2014, Jinzhou Yangguang Energy Co., Ltd. ("Yangguang") entered into an agreement with 錦州市結華電子材料經營部 and 文特客國際集團公司, pursuant to which Yangguang has acquired 100% equity interests in Jinzhou Wintek Silicon Materials Co. Ltd. ("Wintek") at a cash consideration of RMB15,000,000. Wintek is principally engaged in the construction of photovoltaic power plants in the PRC.

19. OTHER NON-CURRENT ASSETS

Other non-current assets represent the deductible value-added taxes that are not expected to be utilised within one year. These deductible value-added taxes are arisen from the purchases of the property, plant and equipment for Golmud's photovoltaic power plant, which are eligible for deduction within the whole life of the power plant.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The global solar industry was in recession and the restriction of demand existed, mainly due to the expansion of production capacity of solar industry to induce over-supply. However, after experiencing the hardship of operating environment, there were the signs of recovery since 2013 and the industry has been in gradual recovery since last year.

Last year, Asia still was the main source of demand in the solar industry, in which PRC and Japan were the main market of demand in the world, followed by USA. According to Marketbuzz report of Solarbuzz, a research institute for the solar industry, PRC, Japan and USA accounted for 59% global solar photovoltaic demand in 2013. According to the latest statistics of European photovoltaic Industry Association ("EPIA"), the installation capacity of solar energy reached 37GW. PRC became the largest country for installation of solar energy, which reached 11.3GW and Japan and USA reached 6.9GW and 4.8GW, respectively.

In the past few years, for the installation, the majority parts were large ground photovoltaic power plants. In July 2013, the State Council of PRC announced the "No. 24 Opinions of the State Council on Promoting the Healthy Development of Photovoltaic Industry (2013)". The document introduced to increase the target of photovoltaic power generation installation in "Twelfth Five-year Plan" from 21GW to 35GW. There was the significant signal for the recovery of photovoltaic industry. In addition, a notice "Interim Measures for the Investigation of Photovoltaic Power Generation Operation (光伏發電運營監管暫行辦法)" was issued by the National Energy Administration of PRC at the end of last year. It suggested that the energy administration department of the State Council and its dispatched investigating electricity control institutions have a priority to control the situation of photovoltaic power generation and the electricity control institutions cannot restrict the photovoltaic power generation output, except the situations which are irresistible or frightened the safety and stability of the electricity network.

In respect of Japan market, the solar energy is vigorously developed as a result of the safety of nuclear station to be aroused again after the earthquake and tsunami in 2011. Japan government promoted the Feed-in Tariff ("FIT") policy to stimulate the development of solar industry. Japan government decreased the power generation price of over 10kW system from originally 42 JPY per Watt to 37.8 JPY per Watt. The ratio of subsidy is still relatively high when compared to other countries. In 2013, the installation capacity of Japan was out of expectation. The solar market of Japan had a vigorous growth in the last year, which created a giant potential growth to the suppliers of solar energy in Japan.

For the USA market, solar energy has gradually become the mainstream of energy usage. Solar Energy Industries Association in USA and GTM Research released a report at the beginning of 2014, which indicated that solar energy represented 29% of all of the newly added electricity generation power in 2013. As at the end of 2013, there were generation powers equal to 12GW photovoltaic solar system and 918MW centralized solar system within USA. Those systems can supply electricity for approximately 2,200,000 families in USA.

In relation to European market, the solar energy development is totally different from Asia and USA. It still struggled in a hardship. Taken Germany as an example, it was the largest solar market in 2012; however, the solar energy cells installation capacity was deteriorated in 2013. German Solar Industry Association ("BSW-Solar") pointed out that it was influenced by reducing level of the subsidies from Germany government over the price decreasing of solar energy system. The installation of solar energy plate just only increased by approximately 3.3GW, which did not reach the half of the record high 7.6GW in 2012.

Operations Review

The Group is a leading supplier for the upstream and downstream of vertical integrated approach in solar energy service in PRC. We not only sell our products to upstream and midstream customers in photovoltaic industry, but also directly sell to end-user customers. Therefore, each photovoltaic products of the Company have external sales, such as the manufacturing and sales of monocrystalline silicon rolls and wafers, photovoltaic cells and photovoltaic modules, the design and installation of photovoltaic system and the construction, operation and maintenance of photovoltaic generation plants. The scope of its business covered the whole industry chain of photovoltaic industry.

Silicon Ingot Business

During the year, the Group maintained its original production capacity of silicon ingots to further explore its technological advantage. As at 31 December 2013, the annual production capacity of silicon ingots reached 1.2GW.

The Group's upstream and downstream vertical integration supply chain allows external sales of upstream products such as silicon ingots, wafers and cells, which helps to boost the income. The external shipment volume of solar silicon ingots was 70.81MW, representing a 8.7% decrease as compared to 77.59MW in last year. The decrease was mainly driven by more silicon ingots internal sales to downstream business. We have secured a leading position in the monocrystalline silicon solar ingot manufacture industry in terms of technology, product quality and quantity. The products of the Group are the only monocrystalline silicon solar ingots in China for which national products exemption from quality surveillance inspection has been granted. Major products are silicon ingot of 5.5 inches to 8.7 inches in diameter. The photovoltaic conversion efficiency of its monocrystalline silicon products is also higher than the industry average. Apart from the traditional P-type products, the Group also provides mass production of N-type high performance products with a photovoltaic conversion efficiency of 22–23%. During the year, the external shipment volume of N-type silicon ingots was approximately 61.85MW, represented approximately 87.3% of the total external shipment volume of silicon ingots. N-type products are mainly targeted at Japanese customers.

Wafer Business

As at 31 December 2013, an annual production capacity of wafers reached 900MW. During the year, the external shipment volumes of self-manufacturing and processing of silicon solar wafers of the Group were 296.2MW, representing an increase of 21% in total compared with 244.7MW for the corresponding period last year. The increase in exports volume was mainly driven by the gradual recovery for solar energy industry from the oversupply situation. Except for supplying the production required for downstream components of the Group, the external shipment volume of silicon wafers was increased.

Cell Business

During the year, the manufacturing base of the Group in Jinzhou is equipped with production lines of solar cells having a production capacity of 300MW. The demand of the production lines exceeded the supply, which was mainly because more cells were supplied for the downstream modules production of the Group. The external shipment volume of solar cells was approximately 73.78MW, which decreased 19.1%, comparing to the external shipment volume of 91.15MW of the same period last year. The manufacturing of cells provides stable and high raw materials supply for the modules business of the Group and enhances the overall operation efficiency. Its external sales contributed a turnover for the segment of RMB204.637 million, accounting for 9.7% of the Group's turnover. The customers come from Japan and China.

Module Business

The Group has expanded its solar modules production line by holding a 86% interest in Jinzhou Jinmao Photovoltaic Technology Company Limited ("Jinzhou Jinmao"). The modules production base is currently located in Jinzhou and the production capacity is increased from 150MW on 31 December 2012 to 400MW on 31 December 2013. During the year, the external shipment volume of solar modules was approximately 288.0MW, and the total volume increased 417.1% when compared with the external shipment volume 55.69MW in the corresponding period of last year.

The breakthrough achieved by the module business of the Group in 2013. The Group and Sharp Corporation ("Sharp") from Japan extended to new area of business cooperation by building on their cooperation foundation originally formed in 2012. During the 2013 financial year (based on Japanese calendar), Sharp has agreed to purchase a new type of product from the Group, summing up 370MW of solar module products. Such cooperation enables the Group to become the largest supplier of solar products in PRC. Having nearly a decade of purchase and sale relationship, the Group has commenced its cooperation with Sharp through the supply of silicon solar ingots to Sharp, afterwards gradually extended to the areas of silicon solar wafers, solar cells and, starting from 2013, the newly added solar module. Currently, we have been the photovoltaic products, including silicon rolls, wafers, cells and modules, supplier of the whole products chain of Sharp.

System Installation Business

The Group fully utilized the advantages of vertical integration, actively expanding the business of end market, which increased the demand of the products from downstream to upstream. DCH Solargiga, a subsidiary in Germany which is held as to 70% by the Group, entered into a JV agreement with Savannah Accelerated Development Authority ("SADA") in December 2013 to establish a joint venture company (the "JV Company") and to construct total 200MW the solar energy power plants project in Ghana. Firstly, the JV Company will develop the first stage of 40MW solar energy power plants project in Ghana. In addition, the Group obtained 20MW large-scale photovoltaic power plants project in Golmud, Qinghai Province through Jinzhou Solargiga, which is held as to 70% by the Group. This project is in operation. We expected that approximately 33 million kWh electricity can be generated per year. The project will enjoy the photovoltaic power generation feed-in tariff policy of RMB1.15 per kWh as set out by the National Development and Reform Commission.

Financial Review

Turnover

For the year ended 31 December 2013, the turnover of the Group was RMB2,150.328 million, representing an increase of 115.7% compared with the year ended 31 December 2012. During the year ended 31 December 2013, due to the gradual recovery for solar energy industry from the oversupply situation, the increase in the external shipment volume led to the increase in turnover. Moreover turnover for the second half year ended 31 December 2013 increased by 62.6% to RMB1,331.388 million compared to the turnover for the first half year ended 30 June 2013 of RMB818.940 million.

Cost of sales

For the year ended 31 December 2013, cost of sales increased by 55.3% to RMB2,000.335 million from RMB1,288.220 million for the year ended 31 December 2012. Cost of sales represented 93.0% of total turnover, a decrease of 36.2 percentage points compared to 2012. The decrease in ratio was mainly due to less inventory provision made during the year (2013: RMB21.114 million; 2012: RMB154.590 million).

Gross profit and gross profit margin

For the year ended 31 December 2013, the Group recorded a gross profit of RMB149.993 million and a gross profit margin of 7.0%, as compared to a gross loss of RMB291.384 million and a gross loss margin of 29.2% for the year ended 31 December 2012. Moreover, the Group recorded a gross profit of RMB131.402 million for the second half year ended 31 December 2013, which represented an increase in 606.8% compared to the gross profit of RMB18.591 million for the first half year ended 30 June 2013.

Selling and distribution expenses

Selling and distribution expenses mainly comprised freight charges and marketing and promotional expenses. Selling and distribution expenses decreased by 5.9% to RMB18.172 million for the year ended 31 December 2013 from RMB19.303 million in 2012, representing 0.8% of the total turnover of the Group (2012: 1.9%).

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for the year of 2013 amounted to RMB230.621 million, decreasing by 8.7% as compared to RMB252.539 million in 2012, representing 10.7% of the turnover of the Group.

Finance costs

The finance costs of the Group decreased from RMB110.967 million for the year ended 31 December 2012 to RMB107.265 million for the year ended 31 December 2013. Finance costs represented mainly the interest on bank loans, bonds and other loans. The decrease in finance costs was due to the repayment of certain portion of long term loan during the 12 months ended 31 December 2013.

Income tax

Income tax credit was RMB8.998 million for the year ended 31 December 2013, while an income tax credit amounting to RMB23.538 million was recorded for the year ended 31 December 2012. Income tax credit recorded for the year ended 31 December 2013 was mainly due to the reduction of Group's deferred tax liabilities.

(Loss)/profit attributable to the equity shareholders

For the year ended 31 December 2013, the Group recorded a loss attributable to the equity shareholders of RMB135.504 million, which represented a decrease of 89.4% compared to the loss attributable to the equity shareholders of RMB1,276.554 million for the year ended 31 December 2012.

Inventory turnover days

The inventories of the Group comprised mainly raw materials, namely polysilicon, crucibles and other auxiliary raw materials, and finished goods. During the year ended 31 December 2013, the inventory turnover days of the Group were 79 days (2012: 111 days), a decrease of 32 days from the corresponding period in 2012. The optimal inventory levels of the Group should be sufficient for approximately three months' consumption in the case of polysilicon and one month consumption for other auxiliary raw materials.

Trade receivable turnover days

For the year ended 31 December 2013, the trade receivable turnover days of the Group was 56 days (2012: 84 days). The decrease in trade receivable turnover days was due to the shortening of credit terms to customers during the year. Generally, the Group allows a credit period of 30 to 90 days for its customers.

Trade payable turnover days

The Group maintained a similar payment term with suppliers during the year ended 31 December 2013 compared to the year ended 31 December 2012. Accordingly, trade payable turnover days during the year ended 31 December 2013 was 67 days (2012: 72 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 2013, the current ratio (current assets divided by current liabilities) of the Group was 0.74 (31 December 2012: 0.79). The Group had net borrowings of RMB1,564.092 million as at 31 December 2013 (31 December 2012: RMB1,476.838 million), including cash at banks and on hand of RMB234.398 million (31 December 2012: RMB153.793 million), pledged bank deposits of RMB206.910 million (31 December 2012: RMB174.234 million), bank loans due within one year of RMB1,114.482 million (31 December 2012: RMB1,018.985 million), non-current bank and other loans of RMB591.718 million (31 December 2012: RMB487.3 million) and corporate bonds of RMB299.200 million (31 December 2012: RMB298.600 million). The net debt to equity ratio (net debt divided by total equity) was 126.3% (31 December 2012: 140.5%).

Contingent liabilities

Financial guarantees issued

At 31 December 2013, the Group has undertaken to guarantee a banking facility granted to an associate to the extent of RMB74,000,000 (2012: RMBNil).

At the end of the reporting period, 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 guarantees issued is the outstanding amount of the loan advanced by the banks to the associate of RMB74,000,000 (31 December 2012: RMBNil).

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases and cash and bank deposits 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. In addition, the Directors ensure that the net exposure is kept at an acceptable level by purchasing or selling the US Dollar and Euro at spot rates where necessary to address short-term imbalances.

Human resources

As at 31 December 2013, the Group had 3,269 (31 December 2012: 3,635) employees.

Future prospects and strategies

Benefiting from the national supporting policies, recently there are various advantages for the photovoltaic industry within our nation. The State Council announced "No. 24 Opinions of the State Council on Promoting the Healthy Development of Photovoltaic Industry (2013)", which is the programmatic document of photovoltaic industry, in July 2013. The new policy suggested that the total installation capacity of photovoltaic power generation target of PRC in 2015 should reach 35GW or above. The plan was out of the expectation for the market. We believed that it helps the photovoltaic industry in PRC overcome the hardships for over-supply of production capacity and the insufficient development in national market.

For the effective inhibition for the blind expansion of photovoltaic industry, the document suggested various regulations for new photovoltaic production project, including the monocrystalline silicon cell conversion efficiency should be over 20%, multicrystalline silicon cell conversion efficiency should be over 18%, etc. The document demonstrated that the government hopes to use the mechanism of "Market Push Back" to urge the elimination of laggards, which speeds up the integration of the industry. After the industrial consolidation, we expected that a leading enterprise, which has core competitiveness, will be created. For the enterprises actively expanding in the emerging market and promoting internationalization, it may realize a health development in solar energy industry.

Meanwhile, for encouraging generating power by using solar energy, "Notice relating to VAT policy of photovoltaic power generation (關於光伏發電增值稅政策的通知)" was issued by the Ministry of Finance of the PRC. From 1 October 2013 to 31 December 2015, the policy of 50% immediate refund of VAT is implemented for sales of the self solar energy produced electricity products to taxpayers.

Based on the aforesaid policies, the recovery of industry visibility is crystal clear and at the same time significantly increased the demand of photovoltaic market, which the capacity of the market will be enlarged. As a leading supplier for the upstream and downstream of vertical integrated approach in solar energy service in PRC, the Group will expand each of the production chains of the Company to consolidate the advantages of upstream business and expand the downstream business. The Group will seek for suitable companies for acquisition, including the project development companies of electricity generation power system and EPC companies. It can reinforce the synergic effect between businesses of the Group, strengthen the advantages of vertical integrated of the Group, fully utilize the current German design and crafts of the Group, the quality of products recognized by the Japanese market and the cost advantages of China production so as to enhance the market shares of each business of the Group.

Meanwhile, the Group will also increase the cooperation with the customers. It is because the Group has upstream and downstream of vertical integrated of each sections in production and sales ability. Also, the Group can detect the market environment change sensitively in the early stage and provide better applied development services to our customers in each section.

The Group builds up a good relationship with customers through providing high quality products and applied development services, which further broaden the cooperation network with the photovoltaic industry of the Group. Also, we will consolidate the leading position of the Group within the industry by impelling the mutual development between the Group and its customers.

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 2013.

DIVIDEND

No interim dividend was paid in 2013 (2012: RMB Nil). The Directors do not recommend the payment of a final dividend per share for 2013 (2012: RMB Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 24 June 2014 to 27 June 2014, 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 23 June 2014.

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 2013.

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 2013.

PUBLICATION OF FINANCIAL INFORMATION

The 2013 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 27 June 2014. 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
Hsu You Yuan
Executive Director

Hong Kong, 26 March 2014

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