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 2022

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2022	2021	Change
	RMB million	*RMB million*	
Revenue	**6,869.4**	4,640.8	+48.0%
Profit attributable to owners of the parent	**957.1**	193.2	+395.4%
Earnings per share — Basic	**RMB28.80 cents**	RMB5.84 cents	+393.2%

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 2022 (the "**Year**") and the comparative figures as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000* (Restated)
Continuing Operations			
Revenue	*4*	**6,869,362**	4,640,843
Cost of sales		**(6,598,098)**	(4,235,846)
Gross profit		**271,264**	404,997
Other income and gains	*5*	**113,104**	86,508
Selling and distribution expenses		**(79,928)**	(142,888)
Administrative expenses		**(264,582)**	(138,352)
(Impairment losses)/reversal of impairment losses on financial and contract assets		**(21,214)**	19,760
Impairment losses of property, plant and equipment		**(43,039)**	—
Other expenses		**(15,355)**	(15,513)
Finance costs	*7*	**(78,793)**	(102,332)
(Loss)/profit before tax from continuing operations	*6*	**(118,543)**	112,180
Income tax expense	*8*	**(16,261)**	(46,958)
(Loss)/profit for the year from continuing operations		**(134,804)**	65,222
Discontinued operation			
Profit for the year from discontinued operation	*9*	**1,246,817**	237,130
Profit for the year		**1,112,013**	302,352
Attributable to:			
Owners of the parent		**957,108**	193,222
Non-controlling interests		**154,905**	109,130
Basic and diluted earnings per share attributable to ordinary equity holders of the parent (RMB cents)			
For profit for the year	*11*	**28.80**	5.84
For (loss)/profit from continuing operations	*11*	**(4.48)**	1.02

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2022

	2022 *RMB'000*	2021 *RMB'000* (Restated)
Profit for the year	**1,112,013**	302,352
Other comprehensive income		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(27,385)**	19,350
Total comprehensive income for the year	**1,084,628**	321,702
Attributable to:		
Owners of the parent	**929,723**	212,572
Non-controlling interests	**154,905**	109,130
Total comprehensive income for the year	**1,084,628**	321,702

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		**831,955**	1,901,125
Long term prepayments and other receivables		**35,722**	17,211
Goodwill		**—**	—
Right-of-use assets		**118,298**	238,563
Investments in associates		**1,200**	200
Equity investments designated at fair value through other comprehensive income		**190**	190
Deferred tax assets		**16,840**	9,065
Total non-current assets		**1,004,205**	2,166,354
Current assets			
Inventories		**587,567**	459,439
Trade, bills receivables and contract assets	*12*	**1,558,894**	1,953,204
Prepayments, other receivables and other assets	*13*	**1,333,164**	521,292
Current tax recoverable		**1,096**	7,744
Pledged deposits		**2,314,201**	751,278
Cash and cash equivalents		**937,897**	431,861
Total current assets		**6,732,819**	4,124,818
Current liabilities			
Interest-bearing bank and other borrowings	*14*	**1,246,979**	1,915,279
Trade and bills payables	*15*	**3,740,934**	2,242,716
Other payables and accruals	*16*	**676,175**	543,866
Contract liabilities	*17*	**329,018**	141,083
Current tax payable		**118,441**	25,629
Provision		**2,252**	4,700
Current portion of lease liabilities		**3,300**	20,270
Total current liabilities		**6,117,099**	4,893,543
Net current assets/(liabilities)		**615,720**	(768,725)
Total assets less current liabilities		**1,619,925**	1,397,629

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Interest-bearing bank and other borrowings	*14*	**91,772**	209,670
Deferred tax liabilities		**13,477**	2,418
Deferred income		**126,347**	258,065
Lease liabilities		**22,692**	73,592
Provision		**160,203**	181,605
Total non-current liabilities		**414,491**	725,350
Net assets		**1,205,434**	672,279
Equity			
Equity attributable to owners of the parent			
Share capital		**285,924**	285,924
Reserves		**815,486**	90,490
		1,101,410	376,414
Non-controlling interests		**104,024**	295,865
Total equity		**1,205,434**	672,279

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 2022 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 and derivative financial instruments 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.

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 3	*Reference to the Conceptual Framework*
Amendment to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments in 2022:

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

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

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

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

* As disclosed in note 9, Segment A was disposed of and reclassified as a discontinued operation. The difference between Segment A in 2022 and 2021 was some subsidiaries trading of polysilicon' and monocrystalline silicon solar ingots/wafers being classified from Segment A into Segment D.

The reportable segments had been adjusted under resources allocation and performance reassessment during the year. The reportable segments the Group identified in 2021 were as follows:

(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**"); and

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

No operating segments have been aggregated to form these reportable segments. 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 2022 and 2021 is set out below:

	Segment A		**Segment B**		**Segment C**		**Segment D**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)	***RMB'000***	*RMB'000* (Restated)
Revenue from external customers	—	—	**6,644,350**	4,479,979	**189,593**	116,795	**35,419**	44,069	**6,869,362**	4,640,843
Intersegment revenue	—	—	**5,396,414**	4,535,312	**15,778**	252,015	**126,426**	414,458	**5,538,618**	5,201,785
Reportable segment revenue	—	—	**12,040,764**	9,015,291	**205,371**	368,810	**161,845**	458,527	**12,407,980**	9,842,628
Reportable segment profit/(loss)	—	—	**(85,362)**	42,866	**(5,177)**	6,754	**(44,265)**	15,602	**(134,804)**	65,222
Reportable segment assets (Qujing Group)	—	1,758,485	—	—	—	—	—	—	—	1,758,485
Reportable segment liabilities (Qujing Group)	—	1,178,441	—	—	—	—	—	—	—	1,178,441
Reportable segment assets (Besides Qujing Group)	—	—	**5,395,365**	3,529,901	**206,652**	191,116	**2,135,007**	811,670	**7,737,024**	4,532,687
Reportable segment liabilities (Besides Qujing Group)	—	—	**5,226,936**	3,522,898	**141,752**	110,164	**1,162,902**	807,390	**6,531,590**	4,440,452

Other segment information:

	Segment A		Segment B		Segment C		Segment D		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Interest income from bank deposits	**—**	—	**20,086**	7,216	**30**	6	**6,254**	3,681	**26,370**	10,903
Finance costs	**—**	—	**(36,650)**	(61,510)	**(6,224)**	(6,640)	**(35,919)**	(34,182)	**(78,793)**	(102,332)
Depreciation and amortisation	**—**	—	**(139,319)**	(98,287)	**(1,734)**	(293)	**(7,281)**	(19,268)	**(148,334)**	(117,848)
Investment in associates	**—**	—	**—**	—	**—**	200	**—**	—	**—**	200
(Impairment losses)/reversal of impairment losses on financial and contract assets	**—**	—	**(37,837)**	14,578	**(701)**	459	**17,324**	4,723	**(21,214)**	19,760
(Write-down)/reversal of write-down of inventories	**—**	—	**(86,727)**	17,644	**—**	—	**—**	—	**(86,727)**	17,644
Capital expenditure*	**—**	—	**126,877**	353,365	**38,401**	6,977	**7,212**	1,195	**172,490**	361,537

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

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.

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**5,193,815**	3,597,468
Export sales		
— Japan	**1,402,079**	933,043
— West Asia	**126,885**	—
— South Asia	**45,144**	84,847
— Europe	**95,657**	25,469
— Others	**5,782**	16
Sub-total	**1,675,547**	1,043,375
Total	**6,869,362**	4,640,843

Information about major customers

For the year ended 31 December 2022, 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Customer A		
— From Segment B	**174,729**	1,094,767

	2022 RMB'000	2021 RMB'000
Customer B		
— From Segment B	**1,327,770**	925,110

	2022 RMB'000	2021 RMB'000
Customer C		
— From Segment B	**966,592**	—

4. REVENUE

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
The manufacture and trading of semiconductor, trading of monocrystalline silicon solar cells and others	**35,419**	44,069
The manufacture and trading of photovoltaic modules	**5,839,067**	4,467,504
Construction and operation of photovoltaic power plants	**189,593**	116,795
Rendering of services	**805,283**	12,475
	6,869,362	4,640,843

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2022

	Monocrystalline silicon solar ingots/wafers *RMB'000*	Photovoltaic modules *RMB'000*	Construction and operation of photovoltaic power plants *RMB'000*	Semiconductor/ monocrystalline silicon solar cells and others *RMB'000*	Total *RMB'000*
Types of goods and service					
Sale of industrial products	—	**5,839,067**	**3,112**	**35,419**	**5,877,598**
Processing service	—	**805,283**	—	—	**805,283**
Construction services	—	—	**186,481**	—	**186,481**
Total	—	**6,644,350**	**189,593**	**35,419**	**6,869,362**
Geographical markets					
Mainland China	—	**4,968,850**	**189,593**	**35,372**	**5,193,815**
Japan	—	**1,402,032**	—	**47**	**1,402,079**
West Asia	—	**126,885**	—	—	**126,885**
South Asia	—	**45,144**	—	—	**45,144**
Europe	—	**95,657**	—	—	**95,657**
Others	—	**5,782**	—	—	**5,782**
Total	—	**6,644,350**	**189,593**	**35,419**	**6,869,362**
Timing of revenue recognition					
Goods transferred at a point in time	—	**5,839,067**	**3,112**	**35,419**	**5,877,598**
Services transferred over time	—	**805,283**	**186,481**	—	**991,764**
Total	—	**6,644,350**	**189,593**	**35,419**	**6,869,362**

For the year ended 31 December 2021

	Polysilicon and monocrystalline silicon solar ingots/wafers *RMB'000*	Photovoltaic modules *RMB'000*	Construction and operation of photovoltaic power plants *RMB'000*	Semiconductor/ monocrystalline silicon solar cells and others *RMB'000*	Total *RMB'000* (Restated)
Types of goods and service					
Sale of industrial products	—	4,467,504	541	44,069	4,512,114
Processing service	—	12,475	—	—	12,475
Construction services	—	—	116,254	—	116,254
Total	—	4,479,979	116,795	44,069	4,640,843
Geographical markets					
Mainland China	—	3,436,640	116,795	44,033	3,597,468
Japan	—	933,009	—	34	933,043
South Asia	—	84,847	—	—	84,847
Europe	—	25,467	—	2	25,469
Others	—	16	—	—	16
Total	—	4,479,979	116,795	44,069	4,640,843
Timing of revenue recognition					
Goods transferred at a point in time	—	4,467,504	541	44,069	4,512,114
Services transferred over time	—	12,475	116,254	—	128,729
Total	—	4,479,979	116,795	44,069	4,640,843

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:

	2022 ***RMB'000***	2021 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of industrial products	**136,023**	61,006
Construction services	**5,060**	312
Total	**141,083**	61,318

(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. Payment in advance is normally required at the beginning of the service, and progress 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:

	2022	2021
	RMB'000	*RMB'000*
Sale of industrial products	**318,662**	136,023
Construction services	**10,356**	5,060
Within one year	**329,018**	141,083

5. OTHER INCOME AND GAINS

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Other income		
Government grants	**37,470**	47,172
Interest income from bank deposits	**26,370**	10,903
	63,840	58,075
Other gains/(losses), net		
Net foreign exchange gain	**43,919**	8,508
Net (loss)/gain on disposal of property, plant and equipment	**(71)**	8,891
Gain from sales of other materials	**1,957**	1,189
Gain on disposal of a subsidiary	**713**	712
Gain on disposal of investment in an associate	**600**	153
Others	**2,146**	8,980
	49,264	28,433
Other income and gains	**113,104**	86,508

6. (LOSS)/PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
(a) Staff costs# (including directors' and chief executive's remuneration)		
Salaries, wages and other benefits	**203,032**	227,685
Contributions to retirement schemes	**16,437**	19,229
	219,469	246,914

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
(b) Other items		
Depreciation of right-of-use assets	**25,097**	14,620
Depreciation of property, plant and equipment#	**305,839**	266,582
Write-down/(reversal of write-down) of inventories	**86,546**	(17,463)
(Reversal of provision)/provision for warranty	**(23,850)**	34,818
Research and development costs	**98,203**	8,950
Impairment losses/(reversal of impairment losses) on financial and contract assets	**26,274**	(18,071)
Impairment losses of property, plant and equipment	**43,039**	—
Net loss/(gain) on disposal of property, plant and equipment	**71**	(8,891)
Fair value gains on financial instruments	**(6,502)**	—
Cost of inventories sold#	**5,724,220**	4,125,154
Cost of services rendered#	**873,878**	110,692
Interest income from bank deposits	**(26,370)**	(10,903)
Gain on disposal of investment in an associate	**(600)**	—
Gain on disposal of a subsidiary	**(713)**	(712)

\# Cost of inventories sold and cost of services rendered include, in aggregate, RMB273,956,000 for the year ended 31 December 2022 (2021: RMB263,770,000), relating to staff costs and depreciation which amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE COSTS

	2022 *RMB'000*	2021 *RMB'000* (Restated)
Interest on bank and other loans wholly repayable within five years	**77,084**	99,757
Interest on lease liabilities	**1,709**	2,575
Total interest expenses on financial liabilities not at fair value through profit or loss	**78,793**	102,332

8. INCOME TAX

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

	2022 *RMB'000*	2021 *RMB'000* (Restated)
Current tax — the PRC		
Provision for the year	**15,717**	35,680
Over/(under) provision in respect of prior years	**(2,740)**	12,040
	12,977	47,720
Deferred tax	**3,284**	(762)
Income tax expense from continuing operations	**16,261**	46,958
Income tax expense from discontinued operation	**141,159**	34,453
	157,420	81,411

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
(Loss)/profit before taxation from continuing operations	**(118,543)**	112,180
Profit before taxation from discontinued operation	**1,387,976**	271,583
Profit before taxation	**1,269,433**	383,763
Tax at the statutory tax rate	**317,358**	95,941
Tax effect of non-deductible expenses	**2,067**	978
Tax effect of non-taxable income	**(5,314)**	(1,339)
Effect of differential tax rates	**4,978**	(8,160)
Effect of tax concessions obtained	**(175,675)**	(36,990)
Tax effect of unused tax losses and temporary differences not recognised	**24,495**	35,532
Utilisation of unused tax loss and temporary differences not recognised in previous years	**(74,647)**	(4,998)
Additional taxable income arising from disposal of subsidiaries	**65,309**	—
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**12,077**	1,926
Over provision in respect of prior years	**(13,228)**	(1,479)
Tax charge at the Group effective rate	**157,420**	81,411
Tax charge from continuing operations at the effective rate	**16,261**	46,958
Tax charge from a discontinued operation at the effective rate	**141,159**	34,453

9. DISCONTINUED OPERATION

In June and July 2022, six external independent companies contributed capital of RMB210,000,000 into Qujing Yangguang. Meanwhile, Qujing Yangguang granted those six investors an put option which the six investors have the right to request Qujing Yangguang to repurchase the equity interest held by the non-controlling interests at any time. The contributed capital of RMB210,000,000 was a financial liability measured at the present value of the redemption amount of RMB242,067,000 and amortised accordingly. Upon the completion of the capital contributions by the six investors, the share of equity interest by Jinzhou Yangguang decreased from 53.7% to 49.35%, and the non-controlling interests was increased by RMB9,509,000.

In October 2022, Jinzhou Yangguang entered into equity transfer agreement ("**Equity Transfer Agreement**") with three entities controlled by Mr. Tan Wenhua and/or Mr. Tan Xin and two entities controlled by China Lesso Group, an independent third party (collectively the "**Purchasers**"), pursuant to which Jinzhou Yangguang agreed to sell and the Purchasers agreed to acquire the entire equity interest in Qujing Yangguang at an aggregate consideration of approximately RMB1,350,000,000 (the "**Disposal**"). The Disposal was completed on 30 December 2022 (the "**Disposal Date**") and a gain of RMB1,043,840,000 was recognized by the Group upon the completion of the Disposal.

The results of discontinued operation for the year are presented below:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Revenue	**2,128,393**	2,878,673
Expenses	**(1,722,784)**	(2,574,737)
Finance costs	**(61,473)**	(32,353)
Profit from the discontinued operation	**344,136**	271,583
Gain from disposal of discontinued operation	**1,043,840**	—
Profit before tax from the discontinued operation	**1,387,976**	271,583
Income tax:		
Related to pre-tax profit	**(38,532)**	(34,453)
Related to disposal	**(102,627)**	—
Profit for the year from the discontinued operation	**1,246,817**	237,130
Attributable to:		
Owners of the parent	**1,106,084**	159,397
Non-controlling interests	**140,733**	77,733

The net cash flows incurred from discontinued operation are as follows:

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Operating activities	**262,592**	280,482
Investing activities	**(396,327)**	(276,635)
Financing activities	**141,114**	19,339
Net cash inflow	**7,379**	23,186
Earnings per share: (RMB cents)		
Basic and diluted, from the discontinued operation	**33.28**	4.82

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

	2022	2021 (Restated)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**1,106,084,000**	159,397,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,323,771,133**	3,309,962,914
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,323,771,133**	3,309,962,914

10. DIVIDENDS

	2022 *RMB'000*	2021 *RMB'000*
Special dividend — HK7 cents (2021: Nil) per ordinary share	**211,513**	—

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the ordinary equity holders of the parent of RMB957,108,000 (2021: RMB193,222,000) and the weighted average of 3,323,771,133 (2021: 3,309,962,914) ordinary shares of the Company in issue during the year.

	2022 *RMB'000*	2021 *RMB'000* (Restated)
Profit attributable to ordinary equity holders of the parent	**957,108**	193,222
Attributable to:		
Continuing operations	**(148,976)**	33,825
Discontinued operation	**1,106,084**	159,397
	957,108	193,222

	Number of shares	
	2022	2021
Weighted average number of ordinary shares	**3,323,771,133**	3,309,962,914

(b) Diluted earnings per share

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2022 and 2021.

12. TRADE, BILLS RECEIVABLES AND CONTRACT ASSETS

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**1,147,814**	1,205,268
Bills receivable	**229,237**	700,504
	1,377,051	1,905,772
Impairment	**(62,036)**	(111,617)
	1,315,015	1,794,155

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:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**1,212,698**	1,733,506
1 to 2 years	**81,205**	31,686
2 to 3 years	**7,589**	24,338
Over 3 year	**13,523**	4,625
	1,315,015	1,794,155

As at 31 December 2022, bills receivable amounting to RMB57,410,000 (31 December 2021: RMB204,923,000), together with pledged deposits amounting to RMB2,245,602,000 (31 December 2021: RMB567,529,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB2,433,217,000 (31 December 2021: RMB1,315,712,000).

As at 31 December 2022, borrowings amounting to RMB32,678,000 (31 December 2021: RMB56,344,000) and RMB115,518,000 (31 December 2021: RMB354,622,000) were secured by certain of the Group's trade receivables and bills receivable with a carrying amount of RMB32,678,000 (31 December 2021: RMB56,344,000) and RMB115,518,000 (31 December 2021: RMB354,622,000) respectively.

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.

	2022	2021
	RMB'000	*RMB'000*
Contract assets arising from:		
Sale of industrial products	**214,063**	157,046
Construction services	**32,964**	3,631
	247,027	160,677
Impairment	**(3,148)**	(1,628)
	243,879	159,049

Contract assets are initially recognised for revenue earned from the sale of industrial products and the provision of related installation services and construction services as the receipt of consideration is conditional on successful completion of installation of the industrial products and construction, respectively. Included in contract assets for construction services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2022 and 2021 was the result of the increase in the ongoing sale of industrial products and the provision of construction services at the end of each of the years.

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**247,027**	160,677

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

	2022	2021
	RMB'000	*RMB'000*
At the beginning of year	**113,245**	131,316
Impairment losses/(reversal of impairment losses)	**26,274**	(18,071)
Amount written off as uncollectible	**(68,418)**	—
Disposal of subsidiaries	**(5,917)**	—
At the end of year	**65,184**	113,245

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. The Group has established a provision matrix that is based on the ageing of balances for groupings of various customers with similar loss patterns, repayment histories, and existing customer-specific and market conditions, and also taking into consideration of forward-looking information, including the forecast of industry situation and overall economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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 2022

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	**0.16%**	**1.13%**	**6.32%**	**12.92%**	**93.21%**	
Gross carrying amount (RMB'000)	**534,175**	**82,274**	**14,019**	**26,248**	**324**	**657,040**
Expected credit losses (RMB'000)	**851**	**933**	**887**	**3,393**	**302**	**6,366**

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	**4.14%**	**19.18%**	**37.02%**	**50.94%**	**95.20%**	
Gross carrying amount (RMB'000)	**622,672**	**97,979**	**3,594**	**—**	**13,556**	**737,801**
Expected credit losses (RMB'000)	**25,787**	**18,795**	**1,331**	**—**	**12,905**	**58,818**

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

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Consideration for disposal of subsidiaries	**889,321**	—
Prepayments for raw materials	**213,394**	314,445
Deductible value-added tax	**143,629**	100,291
Other receivables	**86,820**	106,556
	1,333,164	521,292
Impairment allowance	**—**	—
	1,333,164	521,292

In October 2022, Jinzhou Yangguang entered into an Equity Transfer Agreement with the Purchasers, pursuant to which Jinzhou Yangguang agreed to sell the entire equity interest in Qujing Yangguang at a consideration of approximately RMB1,350,000,000. Up to 31 December 2022, the consideration of RMB439,321,000 was related to the Group's related parties (3 entities controlled by Mr. Tan Wenhua and/or Mr. Tan Xin), which was included in other receivables and due in 2023 according to the Equity Transfer Agreement.

Other receivables mainly represent deposits and staff advances, and an impairment analysis is performed at each reporting date by considering the probability of default.

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

		31 December 2022			31 December 2021		
	Notes	**Effective interest rate** *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current:							
Bank loans — secured	*(a)*	**3.950–7.500**	**2023**	**269,500**	3.480–7.500	2022	507,782
CNY				**269,500**			507,782
Bank loans — guaranteed	*(b)*	**2.625–9.000**	**2023**	**790,128**	2.585–9.000	2022	981,879
CNY				**613,802**			817,400
EUR				**157,766**			123,416
HKD				**—**			200
USD				**18,560**			40,863
Other loans — secured	*(c)*	**0.000–7.500**	**2023**	**137,518**	0.000–7.500	2022	410,966
CNY				**137,518**			410,966
Other loans — guaranteed	*(b)*	**5.000–5.475**	**2023**	**3,918**	5.000–5.475	2022	12,299
HKD				**730**			9,111
USD				**3,188**			3,188
Current portion of long-term borrowings:							
Other loans — guaranteed	*(b)*	**1.600–6.000**	**2023**	**45,915**	1.600–6.000	2022	2,353
EUR				**1,252**			2,353
HKD				**44,663**			—
Total				**1,246,979**			1,915,279
Non-current:							
Other loans — guaranteed	*(b)*	**5.900–7.000**	**2024**	**91,772**	1.600–7.000	2023–2024	209,670
CNY				**91,772**			167,572
EUR				**—**			1,218
HKD				**—**			40,880
Total				**91,772**			209,670

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

(i) the Group's property, plant and equipment with the net book value of RMB383,081,000 (2021: RMB494,154,000);

(ii) the Group's right-of-use assets amounting to RMB23,213,000 (2021: RMB43,461,000); and

(b) Certain subsidiaries' borrowings are guaranteed by the other subsidiaries of the Group, Mr. Tan Xin or Mr. Tan Wenhua.

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

(i) the Group's bills receivable amounting to RMB115,518,000 (2021: RMB354,622,000); and

(ii) the Group's trade receivables amounting to RMB32,678,000 (2021: RMB56,344,000).

15. TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**1,307,717**	927,004
Bills payable	**2,433,217**	1,315,712
	3,740,934	2,242,716

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 month	**1,027,945**	785,573
1 to 3 months	**977,506**	712,362
4 to 6 months	**1,558,395**	645,239
7 to 12 months	**153,821**	65,245
Over 1 year	**23,267**	34,297
	3,740,934	2,242,716

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

(b) As at 31 December 2022, the Group's bills payable of RMB2,433,217,000(31 December 2021: RMB1,315,712,000) were secured by Group's bills receivable of RMB57,410,000 (31 December 2021: RMB204,923,000) and by Group's pledged deposits of RMB2,245,602,000 (31 December 2021: RMB567,529,000).

16. OTHER PAYABLES AND ACCRUALS

	2022	2021
	RMB'000	*RMB'000*
Payables for acquisition of property, plant and equipment	**203,795**	274,737
Payables for other taxes	**72,072**	31,217
Payables for freight charges	**23,561**	5,229
Payables for staff-related cost	**33,064**	19,271
Dividends payable (*)	**217,123**	138
Other payables on behalf of the third-parties	**58,007**	113,427
Other payables and accruals	**68,553**	99,847
	676,175	543,866

* The balance mainly represented the Special Dividend declared in December 2022 (note 10).

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

17. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	2022	2021
	RMB'000	*RMB'000*
Sale of industrial products	**318,662**	136,023
Construction services	**10,356**	5,060
Total	**329,018**	141,083

Contract liabilities include short-term advances received to deliver industrial products and provide construction services. The increase in contract liabilities in 2022 was mainly due to the increase of sale of industrial products this year.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Operations Summary

In order to address climate change and mitigate the impact of rising fossil fuel prices, clean and renewable energy has become a new trend of the world. With the continuous technological advances and cost reductions, photovoltaic power is now the renewable energy with the greatest development potential and the lowest cost compared with the inflated fossil fuel prices, so the soaring demands for photovoltaic products in the future will be inevitable. Before completion of the disposal of the upstream monocrystalline silicon ingots and wafers business through the disposal of the Group's equity interests in Qujing Yangguang New Energy Co., Ltd.* (曲靖陽光新能源股份有限公司) ("**Qujing Yangguang**"), a former non-wholly owned subsidiary of the Company, on 30 December 2022 (the "**Disposal**"), the Group maintained a solid financial performance in the manufacturing and sales of downstream photovoltaic modules and upstream monocrystalline silicon ingots and wafers. After completion of the Disposal, the Group has since focused on the manufacturing and sales of downstream photovoltaic modules in the photovoltaic industry. 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 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, National intelligent photovoltaic pilot demonstration enterprise, National photovoltaic manufacturing industry specified conditions admission regulated enterprise, Provincial intelligent manufacturing demonstration factory, Provincial green supply chain management enterprise, Provincial four-star cloud enterprise, Provincial Enterprise Technology Center, Provincial Engineering Technology Research Center, Photovoltaic Testing Center with China National Accreditation Service for Conformity Assessment's laboratory accredited, National Model Enterprise of Harmonious Labor Relations — Excellent Enterprise, TOP 100 Global Competitive Renewable Energy Enterprises (No.72), Top 100 New Energy Companies Global Competitiveness (No.92), Global Top 500 New Energy Companies (No.189), Top 500 PRC Energy Group Companies (No.297), Top 20 PRC Comprehensive Companies in 2022 (No.19), Top 20 PRC PV Module Companies in 2022 (No.12), CPC2022 Global Research Top 100 Brand PV (No.51), 2022 Annual Influential Brand of Innovative PV Modules. 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 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.

As at 31 December 2022, the total annual production capacity of our production bases was 8.2 GW of modules due to the production scale, the high-efficiency and high production capacity layout of the Group; whereas, as at 30 December 2022 (being the date of completion of the Disposal), the total annual production capacity of our production bases was 7.4 GW of monocrystalline silicon ingot and 7.4 GW of monocrystalline silicon wafers. Overall, the Group has demonstrated stronger comprehensive competitiveness and further increased the market share of high quality but low-cost products.

Continuing operations

Module businesses

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, P-type single glass modules, half-cell photovoltaic modules, multi busbar cell module, all-black modules 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 2022, the module production capacity of the production base in Yancheng, Jiangsu was 5.4 GW, while the total module production capacity of the Group was 8.2 GW. Through the completion of the layout of high-efficiency production capacity, it has begun to show stronger comprehensive competitiveness and further enhance the market share of the products.

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), Sungrow Power Supply Co., Ltd (陽光電源股份有限公司), China General Nuclear Power Corporation and Astronergy etc. The Group has been cooperating with these enterprises 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 99%. 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. 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", "carbon neutrality", the construction of "green buildings", "zero energy buildings" and rooftop distributed photovoltaic trial program after "Opinions on Promoting Green Development of Urban and Rural Construction" issued by the State Council of PRC and the "Notice on the Pilot Scheme of Country-wide (City, District) Distributed Rooftop Project" published by the National Energy Administration, given the current huge building volume and a massive amount of potential distributed photovoltaic generation capacity for development 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 and at the same time, strengthening industry-university-research cooperation, the Group formally signed an industry-school cooperation agreement in November 2022 with the School of Architecture and Architectural Design Institute of Southeast University, and will cooperate with Southeast University to establish a BIPV research and development line to conduct in-depth research and development in the field of zero-carbon buildings and BIPV monocrystalline silicon, and actively lead the formulation of national and industry standards in the area of zero-carbon green buildings. At the same time, the industry-university-research base cooperated by the two parties will also become the postgraduate teaching place of the School of Architecture of Southeast University. In addition, the Group is carrying out a series of research and development projects in cooperation with Shenyang Jianzhu University for assembled conservatory, the National Housing and Residential Environment Engineering Technology Research Center for BIPV structural components 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 BIPV structural parts independently developed by the Group have obtained six patent authorizations. 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 (including arsenic, antimony and phosphorus products which are at the leading level of the industry) and 4–6 inches semiconductor grade monocrystalline silicon ingot with lightly doping. The semiconductor business has been affected by less orders placed by customers due to the impact of control and lockdown measures imposed on their production facilities as a result of the resurgence of the coronavirus pneumonia ("**COVID**") and polysilicon supply bottlenecks in 2022. The Group expects that after dismantlement of pandemic control measures, increase in supply of polysilicon in the industry and in the context of the continuous growth of the Chinese semiconductor market in the future, the semiconductor business will continue to maintain growth in the next few years, and will contribute profits to the Group.

Discontinued operation

Silicon ingot and wafer business

The Group was one of the first three earliest enterprises in the PRC to invest in the production of monocrystalline silicon ingots and wafers. During the Year, monocrystalline silicon ingot products were mostly used for the internal production of monocrystalline silicon wafers within the Group, and less engaged in external sales; whereas, monocrystalline silicon wafer products of the Group were mostly sold to third-party large professional solar cell manufacturers.

Apart from the traditional monocrystalline P-type products, the Group has monocrystalline N-type products with higher conversion efficiencies. Photovoltaic cells are mainly produced by PERC (Passivated Emitter and Rear Cell) and PERC+technology with P-type silicon wafer base. TOPCon (Tunnel Oxide Passivated Contact) 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 20 years of experience in pulling monocrystalline N-type silicon ingot and 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.

The Group's production base of 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 2021. As the investment in Qujing, 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 component of ingot-pulling) of more than 50% compared to that at previous major production base in Jinzhou, Liaoning, which contributed to the improvement of the Group's overall gross profit margin as a result of the reduction of production cost. Therefore, the Group has expanded the production capacity of monocrystalline silicon ingot and monocrystalline silicon wafers in Qujing, Yunnan during the Year under the rapid growth of customer demand. As at 30 December 2022 (being the date of completion of the Disposal), the annual production capacity of monocrystalline silicon ingots in Qujing, Yunnan, has increased to 6 GW from 4.3 GW at the end of 2021, and the annual production capacity of monocrystalline silicon wafers has also increased to 4 GW from 2.5 GW at the end of 2021.

Prior to the completion of the Disposal, the Group carried out its silicon ingot and wafer business operations through Qujing Yangguang (a former non-wholly owned subsidiary of the Company) and its subsidiaries. Completion of the Disposal took place on 30 December 2022, upon which the Company no longer holds any equity interest and Qujing Yangguang ceased to be a subsidiary of the Company, and the silicon ingot and wafer business of the Group has been discontinued. After the Disposal, the Group has since focused primarily on its module businesses, and also its construction and operation of photovoltaic system business and semi-conductor business to make them more competitive and specialised, and to unveil the hidden value of these businesses. For further details of the Disposal, please refer to the paragraph headed "Management Discussion and Analysis — Financial Review — Significant investment and disposal of subsidiaries" below in this announcement.

Operation Strategy

With years of rapid advancement of photovoltaic production technology, 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 strong growth in the downstream photovoltaic installation leading to 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.

By adopting a core product strategy of continuous development of module products, the Group effectively utilises its existing resources. 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

The Group keeps growing the revenue. 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 keep obtaining purchasing orders from customers. 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 some production costs of our various product lines have decreased.

Continuing operations

The external shipment volume of one of the Group's major product, photovoltaic modules increased from 2,842.3MW in 2021 to 4,205.3MW in 2022, representing a growth rate of 48.0%. During the Year, the external shipment volume of photovoltaic module products increased due to the continued growth in downstream photovoltaic demand. However, the higher raw material costs offset the increase in the external shipment volume of modules, resulting in a lower gross profit contributing from the Group's photovoltaic modules segment compared to 2021.

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, 182 multi busbar Black Solar ("**BS**") module, and related high-end products. Besides, the module production line of the Group can also produce multi-busbar single or double glass of 182mm and 210mm large-size modules which the conversion could reach more than 660 watts. In addition, the related equipment automated intelligence and packaging technology are in the leading position in the industry. In addition, for the 54-cell all-black module products, the modules are packaged with all-black materials. Taking into account the consistency and aesthetics of the module appearance, the module itself is guaranteed to be completely black, and there is zero module-to-module colour difference to naked eye, All-black modules enhance product diversification, improve product competitiveness, and further increase sales performance. According to the analysis of the recent bidding in China's photovoltaic market, 182mm and above photovoltaic modules accounted for more than four-fifths of the bidding product specifications. Since the Group's photovoltaic module production lines can all produce large-size scarce products such as 182mm and 210mm products which are mainstream products in the market, they could further enhance the Group's ability to increase the shipment volume and provide opportunity for an increase in gross profit margin. Moreover, the Group is also carrying out a number of research projects for TOPCon modules, BIPV products and flexible modules, aiming to upgrade the mass production technology of the abovementioned products, so as to expand the market sales of corresponding products.

Going forward, 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; (b) the major production base with more favorable production environment with policy support, the Group will be able to reduce the production cost; (c) the Group continues to expand low-cost, high-efficiency new production capacity through more refined and smoother in production process and operations, and the existing production capacity has also been upgraded and transformed, and achieved stable operation, which can further demonstrate the advantages of economies of scale, such as lower procurement, logistics and production costs; (d) the long-standing diversified and accumulated technological advantages of various product lines and mix; 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 because it is expected that the impact of polysilicon supply bottlenecks along the photovoltaic value chain can be gradually resolved through capacity expansion in the industry. Total gross profit and gross profit margin performance will be further improved in the long run.

Discontinued operation

The total external shipment volume of major products, monocrystalline silicon ingots and wafers, increased from 4,501.4MW in 2021 to 4,863.1MW in 2022, representing a growth rate of 8%. During the Year, the market demand for monocrystalline silicon ingots and wafers continued to increase together with the increase in Group's high-efficiency production capacity, so the total external shipment volume increased.

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 with the upgrade of the thermal system required for the production of monocrystalline silicon ingots, the material feeding volume of monocrystalline furnace has increased by approximately 33% compared with last year which greatly reduced the production cost, the increase of growth rate of monocrystalline silicon ingot by 10% compared with last year through the research and development to design new type of the water-cooling and heat-conducting 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 to 10 ingots in one pot, the weight of each silicon ingot increased by 18% compared with last year, which greatly enhanced the production capacity, etc. Various advanced production technologies significantly reduced production costs and ensured product quality and stability is in a leading position in the industry.

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 48.0% from RMB4,640.8 million in 2021 to RMB6,869.4 million in 2022, with a growth in total external shipment volume of photovoltaic module of 48.0% as compared to last year. The growth was mainly attributed to the increase in sales of the Group's major products, photovoltaic modules.

Cost of sales

For the year ended 31 December 2022, cost of sales increased from RMB4,235.8 million in 2021 to RMB6,598.1 million, representing an increase of 55.8%, mainly due to the increase in external shipment volume. Cost of sales accounted for 96.1% of total revenue, representing an increase of 4.8% points from 2021. The increase in such ratio was mainly due to the increase in the cost of raw and auxiliary materials were increased during the year and write-down of inventories in 2022.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB271.3 million and a gross profit margin of 3.9% in 2022, as compared to a gross profit of RMB405.0 million and a gross profit margin of 8.7% in 2021, which declined by 33.0% and 4.8% points respectively. The decline was mainly due to the increase in the costs of raw materials used in the production of photovoltaic modules.

Selling and distribution expenses

Selling and distribution expenses mainly comprised terminal handling charges, packaging expenses and other incidental expenses. The selling and distribution expenses decreased by 44.1% from RMB142.9 million in 2021 to RMB79.9 million in 2022. The decrease in selling and distribution expenses was due to reversal of warranty provision in 2022.

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 RMB264.6 million, as compared to RMB138.4 million in 2021. The increase was mainly due to increase in research and development invested.

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. An impairment losses on trade receivables and contract assets of RMB21.2 million (2021: reversal of impairment losses of RMB19.8 million) was recognised during the year because of the increase in receivables balances over one year or above compared with last year.

Impairment losses of property, plant and equipment

An impairment losses of property, plant and equipment amounting to RMB43.0 million was recognized in 2022 (2021: Nil) due to the discontinued production of certain types of photovoltaic modules according to the Group's business strategy.

Finance costs

Finance costs were mainly derived from bank and other borrowings. The Group's finance costs significantly decreased from RMB102.3 million in 2021 to RMB78.8 million in 2022. The Group is aiming to lower the finance costs gradually in the future and to obtain more sources of financing.

Income tax

Income tax expense was RMB16.3 million in 2022, while income tax expense amounted to RMB47.0 million in 2021. The income tax expense was mainly derived from the provision of income tax for the profitable subsidiaries of the Group. The decrease in income tax expenses was mainly due to the decrease in the assessable profit or certain profitable subsidiaries of the Group in Mainland China.

Profit for the year from discontinued operation

Since the completion of the Disposal of the Group's equity interest in Qujing Yangguang in December 2022, the Group has changed its operating strategy by discontinuing its silicon ingot and wafer business and devoted more resources on its continuing operations. The profit from the discontinued operation increased from RMB237.1 million in 2021 to RMB1,246.8 million in 2022.

Profit attributable to owners of the parent

The Group shows a significant improvement of profit attributable to owners of the parent of RMB957.1 million was shown in 2022, as compared to a profit attributable to owners of the parent of RMB193.2 million in 2021 mainly due to the gain on disposal of its equity interest in Qujing Yangguang completed in December 2022.

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 29 days (2021: 26 days).

Trade receivable turnover days

The sales of photovoltaic modules accounted for over 90% of the Group's overall sales in 2021 and 2022. 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 decreased to 92 days (2021: 98 days).

Trade payable turnover days

The trade payables turnover day was 163 days in 2022, which was significantly higher comparing to 123 days in 2021 The Group would like to utilise its operating funds in a more strategic manner for business growth. Under stable and frequent co-operations, the suppliers have increased our credit lines and payment terms.

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flow from operating activities. As at 31 December 2022, the current ratio (current assets divided by current liabilities) of the Group was 1.1 (31 December 2021: 0.84). The Group had net borrowings of RMB–1,913.3 million as at 31 December 2022 (31 December 2021: RMB941.8 million), including cash and cash equivalents of RMB937.9 million (31 December 2021: RMB431.9 million), pledged deposits of RMB2,314.2 million (31 December 2021: RMB751.3 million), bank and other loans due within one year of RMB1,247.0 million (31 December 2021: RMB1,915.3 million) and non-current bank and other loans of RMB91.8 million (31 December 2021: RMB209.7 million). The net debt to equity ratio (net debt divided by total equity) was –158.7% (31 December 2021: 140.1%).

Net cash inflow from operating activities

As mentioned above, as the Group's inventory turnover days remain stable and trade payable turnover days have been increased because of longer trade payable payment terms granted by suppliers during the year, the net cash flows from operating activities significantly increased by 132.7% from RMB1,030.4 million in 2021 to RMB2,397.4 million in 2022.

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

During the year, earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") amounted to RMB1,740.6 million (25.3% of the revenue), represented a significant increase of 117.7% as compared to RMB799.7 million (17.2% of the revenue (restated)) during the year ended 31 December 2021. The main reason for the increase in EBITDA was attributed to the increase in revenue, reversal of provision for warranty during the year and gain on disposal of the Company's equity interest in Qujing Yangguang completed in December 2022.

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

On 25 February 2022, Solargiga Energy (Hong Kong) Company Limited ("**Solargiga Hong Kong**") entered into an equity transfer agreement with Qujing Yangguang (a former indirect non-wholly owned subsidiary of the Company which ceased to be a subsidiary of the Company upon completion of the Disposal on 30 December 2022), 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 Silicon**") at consideration of approximately RMB227.4 million. Completion took place on 17 March 2022, upon which, the Group's equity interest in Youhua Silicon reduced from 100% to 53.7%. For further details of the disposal, please refer to the announcements of the Company dated 25 February 2022 and 1 March 2022.

On 28 October 2022, the Company's indirect wholly-owned subsidiary, Jinzhou Yangguang (as vendor), and Mr. Tan Wenhua (chairman and an executive Director of the Company) and Mr. Tan Xin (chief executive officer and executive Director of the Company) and China Lesso Group Holdings Limited ("**China Lesso Group**"), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2128) (as purchasers) entered into an equity transfer agreement, pursuant to which Jinzhou Yangguang conditionally agreed to sell, and the Purchasers conditionally agreed to acquire, the 45.0% equity interest in Qujing Yangguang at a total consideration of RMB1,350.0 million. Completion of the disposal took place on 30 December 2022, upon which the Company no longer holds any equity interest and Qujing Yangguang ceased to be a subsidiary of the Company, and the silicon ingot and wafer business of the Group has been discontinued. For further details of the Disposal, please refer to the announcements of the Company dated 28 October 2022 and 3 January 2023, and the circular of the Company dated 21 November 2022, respectively.

Contingent liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

Convertible Bonds

On 14 April 2022, Qujing Yangguang (a former indirect non-wholly owned subsidiary of the Company which ceased to be a subsidiary of the Company upon completion of the Disposal on 30 December 2022), an investor, Mr. Tan Wenhua and Mr. Tan Xin entered into a subscription agreement, pursuant to which Qujing Yangguang issued the convertible bonds at a principal amount of RMB250.0 million to the investor. For further details on the subscription agreement and the convertible bonds, please refer to the announcement of the Company dated 14 April 2022.

Human resources

As at 31 December 2022, the Group had 3,029 employees (31 December 2021: 3,937 employees).

Outlook and strategies

Clean energy supply of photovoltaic power generation is popular and has become the most important renewable energy source in recent years, so it is expected that the global newly installed capacity of photovoltaic power generation will continue to grow rapidly in 2023. Coupled with a series of government promulgated policies to support the development of the photovoltaic industry with an aim to lead the energy industry transition from traditional energy sources to renewable energy sources in an orderly manner, it is expected that PRC and the global mid and long-term demand for photovoltaic products will continue to experience robust growth. Following the grid parity, 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 bring explosive growth for photovoltaic demand.

In order to grasp these historic opportunities and respond to the rapid increase in demand, the Group has been expanding production capacity of monocrystalline silicon modules to take advantage of the external production environment in different areas, enabling the Group to fully utilise its current technological advantages in production.

As a renewable and 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. As ever, positing itself as a leading supplier of monocrystalline silicon photovoltaic modules in the industry, the Group is fully prepared by relying on its existing advantages and will do its utmost, to embrace the long-term promising prospect for the photovoltaic industry, help achieve the goal of "carbon neutrality" in 2060 in China, and contribute to the sustainable development of the global environment and a future of negative carbon emission.

EVENT AFTER REPORTING PERIOD

As disclosed in the paragraph headed "Management Discussion and Analysis — Financial Review — Significant investment and disposal of subsidiaries" above in this announcement, completion of the Disposal of the 45.0% equity interest in Qujing Yangguang at a total consideration of RMB1,350.0 million took place on 30 December 2022, with approximately RMB229,950,000 of the consideration received from two entities controlled by China Lesso Group as at 13 January 2023. For further details of the Disposal, please refer to the announcements of the Company dated 28 October 2022 and 3 January 2023, and the circular of the Company dated 21 November 2022, respectively.

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 2022, and has discussed and reviewed the risk management, internal control and reporting matters.

DIVIDEND

No final dividend was paid in 2022 (2021: Nil). The Directors do not recommend the payment of a final dividend for 2022 (2021: Nil).

On 28 October 2022, in view of the gain from the Disposal and with the intention of allowing shareholders of the Company to monetise a portion of their investment in the Company, the Directors proposed the declaration of a special dividend of HK7 cents per ordinary share, which was subsequently approved by the shareholders of the Company at the extraordinary general meeting on 7 December 2022 and paid to the shareholders of the Company on 30 January 2023. For further details of the special dividend, please refer to the announcements of the Company dated 28 October 2022, 7 December 2022 and 3 January 2023, and the circular of the Company dated 21 November 2022, respectively.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 16 June 2023 to 21 June 2023, 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 15 June 2023.

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

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any 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 2022.

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 2022.

PUBLICATION OF FINANCIAL INFORMATION

The 2022 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 21 June 2023. 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 2023

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. Chung Wai Hang and Ms. Tan Ying.