



Solargiga Energy

Solargiga Energy Holdings Limited

陽光能源控股有限公司

(757)
(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

2013 2012

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

2013年1月1日至2013年12月31日止期间

	2013 <i>RMB'000</i>	2012 '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”)	<u>2,983</u>	<u>407</u>
Total comprehensive income for the year	<u>(113,584)</u>	<u>(1,294,646)</u>
Attributable to:		
Equity shareholders of the Company	(132,521)	(1,276,147)
Non-controlling interests	<u>18,937</u>	<u>(18,499)</u>
Total comprehensive income for the year	<u>(113,584)</u>	<u>(1,294,646)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 201

		2013 <i>RMB'000</i>	2012 <i>'000</i>
Non-current assets			
Property, plant and equipment	1	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	1	320,233	316,543
Interests in associates		74,568	124,457
Other non-current assets	1	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, effective for annual periods beginning on or after 1 January 2012
- HKFRS 10, effective for annual periods beginning on or after 1 January 2013
- HKFRS 12, effective for annual periods beginning on or after 1 January 2013
- HKFRS 13, effective for annual periods beginning on or after 1 January 2013
- Amendments to HKFRS 7 - effective for annual periods beginning on or after 1 January 2013

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				Total RMB'000
	Segment A RMB'000	Segment B RMB'000	Segment C RMB'000	Segment D* 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 (including interests in associates)	2,436,191	743,331	716,657	343,995	4,240,174
Reportable segment assets during the year	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			Total '000
	Segment A '000	Segment B '000	Segment C '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.

	2013 RMB'000	2012 '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



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

4. OTHER REVENUE

	2013 <i>RMB'000</i>	2012 '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	<u>6,229</u>	<u>10,345</u>
	<u>61,420</u>	<u>55,808</u>

5. OTHER NET (LOSS)/INCOME

	2013 <i>RMB'000</i>	2012 '000
Net foreign exchange (loss)/gain	<u>(2,324)</u>	<u>3,698</u>
	<u>(2,324)</u>	<u>3,698</u>

6. LOSS BEFORE TAXATION

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

	2013 <i>RMB'000</i>	2012 '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
	<hr/>	<hr/>

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

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

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

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
	<u>2,968,027,879</u>	<u>2,279,802,481</u>
Weighted average number of ordinary shares	<u>2,968,027,879</u>	<u>2,279,802,481</u>

(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 <i>RMB'000</i>	2012 '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 <i>RMB'000</i>	2012 '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 <i>RMB'000</i>	2012 '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
	<u>761,153</u>	<u>846,098</u>

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 <i>RMB'000</i>	2012 '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
	<u>470,247</u>	<u>579,659</u>

12. BANK AND OTHER LOANS

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

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

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

	2013 <i>RMB'000</i>	2012 '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 <i>RMB'000</i>	2012 '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 '000	Customer Contracts '000	Patents '000	Total '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 '000	Customer contracts '000	Patents '000	Total '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

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 '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)
	<hr/>
Net identifiable assets and liabilities	114,026
	<hr/>
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.

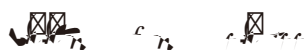
MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

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.



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

A 31 D 2013, 900 D
244.7 G 296.2, 21%
E

Cell Business

D J
300
73.78, 19.1%
91.15
I B204.637
C 9.7% G J

Module Business

G J J C L (J J)
150 31 D 2012 400 31 D 2013 D
417.1% 288.0 55.69

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2013,
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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

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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.

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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).

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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.

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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 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.

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 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.

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.

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.

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.

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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).

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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%).

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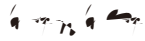
Financial guarantees issued

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).

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The Group is exposed to foreign currency risk primarily through sales and purchases and cash and bank deposits that are denominated in US dollars.



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,

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



Hong Kong, 26 March 2014

