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Solargiga Energy Holdings Limited

陽光能　控股有限公司

(I c ated i the Ca a I la d ith li ited liabilit)

(Stock Code: 757)

2. during the year, the Group changed its operation strategy by suspending the in-house manufacturing of solar cells due to the aged production line with a low production capacity and efficiency. Instead, it utilised its resources in developing niche products. Hence, a one-off impairment of property, plant and equipment in relation to solar cells production, amounting to RMB68.587 million, was recorded.

3. an unexpected increase in selling expenses (such as shipment costs) as a result of the outbreak of COVID-19.

- During the year, earnings before interest, taxes, depreciation and amortisation ("**EBI DA**") increased significantly from RMB49.126 million in 2019 to RMB276.003 million by 462%.

- During the year, the net cash flows from operating activities continued to grow, from RMB410.143 million in 2019 increased to RMB563.539 million, by 37%.

- Basic loss per share amounted to RMB6.82 cents (2019: RMB11.07 cents loss per share).

- The board of directors of the Company does not recommend to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

C N LIDA ED A EMEN C M EHEN I E INC ME
for the year ended 31 December 2020

	2020	2019
	MB'000	*RMB'000*
I ,	**(196,367)**	(354,358)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
− Exchange differences on translation of foreign operations	**32,323**	(83)
,	**(164,044)**	(354,441)
A :		
Equity holders of the Company	**(183,325)**	(355,575)
Non-controlling interests	**19,281**	1,134
,	**(164,044)**	(354,441)

C N LIDA ED A EMEN T FINANCIAL I I N
as at 31 December 2020

C NDEN ED C N LIDA ED A EMEN Γ CA H ΓL
for the year ended 31 December 2020

	2020	2019
	MB'000	*RMB'000*
Cash generated from operations	**589,493**	410,513
The PRC income tax paid	**(24,455)**	(370)
Withholding tax paid	**(1,499)**	—
Net cash flows from operating activities	**563,539**	410,143
Net cash used in investing activities	**(222,065)**	(181,764)
Net cash used in financing activities	**(292,406)**	(80,649)
Net increase in cash and cash equivalents	**49,068**	147,730
Cash and cash equivalents at the beginning of the year	**396,854**	239,712
Effect of foreign exchange rate changes, net	**10,343**	9,412
Cash and cash equivalents at the end of the year	**456,265**	396,854

2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURE

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assesurt.6 (s)0.5 (e)0.5 (s)0.5 ( )]TJETEMC /Span <</Lang (en-GB)/MCID 426 >>BDC 0.5 (,)0.5 (t)0

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

During the year ended 31 December 2020, certain monthly lease payments for the leases of the Group's plant and machinery have been reduced or waived by the lessors upon reducing the scale of production as a result of the pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

3. E A ING EGMEN IN MA I N

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

(i) the manufacture of, trading of, and provision of processing services for polysilicon and monocrystalline silicon solar ingots/wafers ("[redacted] **A**");

(ii) the manufacture and trading of photovoltaic modules ("[redacted] **B**");

(iii) the manufacture and trading of monocrystalline silicon solar cells ("[redacted] **C**");

(iv) the construction and operation of photovoltaic power plants ("[redacted] **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.

( ) [redacted] , . . .

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 2020 and 2019 is set out below:

	A		B		C		D			
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	MB'000	*RMB'000*	***MB'000***	*RMB'000*	***MB'000***	*RMB'000*	***MB'000***	*RMB'000*	***MB'000***	*RMB'000*
	1,709,095	1,154,836	**4,272,656**	3,199,102	**59,822**	45,173	**10,383**	26,441	**6,051,956**	4,425,552
Intersegment revenue	**207,278**	297,787	**2,062,838**	1,227,628	**405,740**	383,001	**12,330**	2,827	**2,688,186**	1,911,243

[redacted]

( ) G[redacted]

Substantially all of the Group's property, plant and equipment, right-of-use assets, intangible 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 location to which the goods were delivered or the services were provided.

(i) Revenue from external customers

	2020	2019
	MB'000	*RMB'000*
Mainland China	**4,634,081**	3,273,758
Export sales		
– Japan	**1,144,637**	783,353
– South Asia	**232,092**	349,266
– Europe	**38,444**	17,060
– Others	**2,702**	2,115
Sub-total	**1,417,875**	1,151,794
Total	**6,051,956**	4,425,552

(ii) Information about major customers

For the year ended 31 December 2020, revenue from a singl the f u(t)0.5 (h)B6 (e)0.5 (,)0.5 ((i)0.5 (n)

4ue(e)0.5 (d)0.5 (o)0.5 (10 0 0 10 128.6r)0.5 (e)0.5 (v)0.5 (e)0.5 (n)0.5 (u)0.6%(v)0.5 (e)0.5(o)0.5 (

4. E EN E

An analysis of revenue is as follows:

	2020 *MB'000*	2019 *RMB'000*
Revenue from contracts with customers		
Sales of monocrystalline silicon solar ingots/wafers	**1,706,374**	1,106,209
Sales of monocrystalline silicon solar cells	**59,822**	45,173
Sales of photovoltaic modules	**3,828,264**	2,898,479
Sales of electricity generated	**577**	3,982
Construction services	**9,806**	22,459
Rendering of services	**447,113**	349,250
	6,051,956	4,425,552

( ) D

F % 31 D 2020

			G		
	/				
	MB'000	*MB'000*	*MB'000*	*MB'000*	*MB'000*
%					
Sales of industrial products	**1,706,374**	**3,828,264**	**59,822**	**577**	**5,595,037**
Processing service	**2,721**	**444,392**			**447,113**
Construction services				**9,806**	**9,806**
Total	**1,709,095**	**4,272,656**	**59,822**	**10,383**	**6,051,956**
G					
Mainland China	**1,706,106**	**2,857,773**	**59,819**	**10,383**	**4,634,081**
Japan	**177**	**1,144,457**	**3**		**1,144,637**
South Asia		**232,092**			**232,092**
Europe	**110**	**38,334**			**38,444**
Others	**2,702**				**2,702**
Total	**1,709,095**	**4,272,656**	**59,822**	**10,383**	**6,051,956**
Goods transferred at a point of time	**1,706,374**	**3,828,264**	**59,822**	**577**	**5,595,037**
Service transferred over time	**2,721**	**444,392**		**9,806**	**456,919**
Total	**1,709,095**	**4,272,656**	**59,822**	**10,383**	**6,051,956**

	Silicon solar ingots/ wafers *RMB'000*	Photovoltaic modules *RMB'000*	Silicon solar cells *RMB'000*	Construction and operation of photovoltaic power plants *RMB'000*	Total *RMB'000*
[illegible]					
Sales of industrial products	1,106,209	2,898,479	45,173	—	4,049,861
Processing service	39,338	300,623	9,289	—	349,250
Construction services	—	—	—	26,441	26,441
Total	1,145,547	3,199,102	54,462	26,441	4,425,552
G[illegible]					
Mainland China	1,145,038	2,079,587	22,692	26,441	3,273,758
Japan	12	751,571	31,770	—	783,353
South Asia	—	349,266	—	—	349,266
Europe	497	16,563	—	—	17,060
Others	—	2,115	—	—	2,115
Total	1,145,547	3,199,102	54,462	26,441	4,425,552
[illegible] [illegible]					
Goods transferred at a point of time	1,106,209	2,898,479	45,173	—	4,049,861
Service transferred over time	39,338	300,623	9,289	26,441	375,691
Total	1,145,547	3,199,102	54,462	26,441	4,425,552

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:

	2020 ***MB'000***	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sales of industrial products	**265,979**	64,466

( )

Information about the Group's performance obligations is summarised below:

6. L BE E A

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

	2020	2019
	MB'000	*RMB'000*
( ) # (D)		
Salaries, wages and other benefits	**242,914**	256,061
Contributions to retirement schemes	**10,866**	27,663
	253,780	283,724

	2020	2019
	MB'000	*RMB'000*
( ) A		
Audit services	**3,321**	3,070
Tax services	**45**	23
Other services		272
	3,366	3,365

	2020	2019
	MB'000	*RMB'000*
( )		
Depreciation of right-of-use assets	**11,967**	5,715
Depreciation of property, plant and equipment[#]	**296,974**	233,331
Provision for warranties	**24,075**	18,394
Research and development costs	**274,910**	230,289
Impairment losses on financial and contract assets, net	**38,598**	5,262
Impairment of property, plant and equipment	**68,587**	15,167
Impairment losses on prepayment		26,975
Net loss on disposal of property, plant and equipment	**22,660**	128,879
Gain on remeasurement of fair value of equity investment	**(1,278)**	—
Cost of inventories sold[#]	**5,058,236**	3,747,724
Cost of services rendered[#]	**407,868**	336,460

[#] Cost of inventories sold and cost of services rendered include, in aggregate, RMB483,000,000 for the year ended 31 December 2020 (2019: RMB457,668,000), relating to staff costs and depreciation which amounts are also included in the respective total amounts disclosed separately above.

7. FINANCE C

	2020 *MB'000*	2019 *RMB'000*
Interest on bank and other loans wholly repayable within five years	**130,821**	123,003
Interest on lease liabilities	**2,335**	127
Total interest expenses on financial liabilities not at fair value through profit or loss	**133,156**	123,130

8. INC ME A

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

	2020 *MB'000*	2019 *RMB'000*
C C		

9. DI IDEND

The board does not recommend to declare a final dividend for the year ended 31 December 2020 (2019: Nil).

10. L E HA E A IB ABLE DINA E I H LDE F HE C M AN

( ) B . ' .

The calculation of basic loss per share is based on the loss attributable to the ordinary equity holders of the Company of RMB215,648,000 (2019: loss of RMB355,492,000) and the weighted average of 3,161,981,309 (2019: 3,211,780,566) ordinary shares of the Company in issue during the year.

( ) D . '

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2020 and 2019.

11. E A MEN F A MA E IAL

In order to secure a stable supply of polysilicon materials, the Group entered into short-term and long-term contracts with certain raw material suppliers and made advance payments to these suppliers which are to be offset against future purchases. Prepayments for raw materials where the Group expects to receive the raw materials more than twelve months after the end of the reporting period are classified as non-current assets and to receive within one year are classified as current assets. There was no prepayment for raw materials made to a related party as at 31 December 2020 (31 December 2019: Nil).

As at 31 December 2014, management reassessed the prepayments for potential impairment and identified one of the suppliers, from which the Group allegedly failed to purchase the quantities of polysilicon under the long-term supply contract ("% G . . "), and therefore made a full impairment provision of US$11,500,000. As at 31 December 2019, the amount of impairment provision remained the same which was equivalent to RMB80,266,000.

In April 2018, the supplier filed a complaint and a claim against the subsidiary of the Company for the above alleged breach of the Supply Contract.

In May 2020, the Group reached a confidential settlement agreement with the supplier and executed the settlement agreement on 13 May 2020. Among the legally bound clauses in the agreement, the dispute has been settled and the related impact has been fully recognised in the financial statements, including write-off of the above-mentioned impairment provision of US$11,500,000 (equivalent to RMB80,266,000).

12. E I IN E MEN DE IGNA ED A AI AL E H GH HE C M EHEN I E INC ME

	2020	2019
	MB'000	*RMB'000*
E %		
Unlisted equity investments, at fair value		
Jinzhou Runyang Energy Trading Co., Ltd.	**190**	—
Jiangsu Yueyang Photovoltaic Technology Co., Ltd.		1,800

In July 2019, the Group invested RMB1,800,000 in cash for 15% equity interest of Jiangsu Yueyang Photovoltaic Technology Co., Ltd. ("**J** %"), a photovoltaic product manufacturer which commenced production in November 2019. On 31 March 2020, Jinzhou Yangguang Energy Co., Ltd ("**J**"), a wholly-owned subsidiary of the Company, further injected capital amounting to RMB31,200,000 into Jiangsu Yueyang and increased its equity interest in Jiangsu Yueyang from 15% to 28%.

On 1 April 2020, Jinzhou Yangguang and other investors entered into an acting-in-concert agreement which became effective on 1 April 2020. According to the acting-in-concert agreement, other investors agreed to exercise the board members' and shareholder's vote in concert with Jinzhou Yangguang. Accordingly, the Directors considered that the Company has obtained control over Jiangsu Yueyang an.5 (a)0.5 (n)00.5 (a)0.5 (n)0.5 (g)0.5 (s)0.5 (u)0.5 (Y)35.5 (t)0.5 (t) (u)0.5 (c)0.3 (n.5 (a)016Y)35.5 (t

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying the respective performance obligations at the reporting date on processing and construction contracts. Upon completion of service and acceptance by customers, the amounts recognised as contract assets are reclassified to trade receivables.

As at 31 December 2020, bills receivable amounting to RMB260,637,000 (31 December 2019: RMB52,828,000), together with pledged deposits amounting to RMB632,615,000 (31 December 2019: RMB298,489,000) had been pledged as security to banks for issuing bills payable to suppliers amounting to RMB1,112,661,000 (31 December 2019: RMB377,194,000). As at 31 December 2020, borrowings amounting to RMB101,770,000 were secured by certain of the Group's trade receivables with a carrying amount of RMB101,770,000 (31 December 2019: Nil).

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:

	2020	2019
	MB'000	*RMB'000*
Within 1 year	**1,428,642**	971,384
1 to 2 years	**295,321**	171,110
2 to 3 years	**58,443**	119,270
Over 3 years	**13,909**	12,840
	1,796,315	1,274,604

The Group normally grant a credit period of 30 to 90 days to its customers. However, regarding domestic photovoltaic module sales, some trade receivables are granted longer credit period of up to 180 days depending on the construction period of photovoltaic power plants.

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

	2020	2019
	MB'000	*RMB'000*
At the beginning of year	**92,718**	118,202
Impairment losses	**38,598**	4,976
Amount written off as uncollectible		(30,460)
At the end of year	**131,316**	92,718

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

Affected by the outbreak of COVID-19 in 2020, part of the photovoltaic power station project construction was delayed, and credit period of some large-scale state-owned enterprises and multinational enterprises was extended. In response to the overall market credit risk increase caused by this change, management assessed credit risk of large-scale state-owned enterprises and multinational enterprises, made the provision for impairment loss accordingly.

The Group applies the simplified approach to the provision for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. To measure the expected credit loss on trade debtors, trade debtors have been grouped based on shared credit risk characteristics and the ageing.

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

A . 31 D . . 2020

L - . . , . . .

B

1 % 1 . 97 %

14. E A MEN , HE ECEI ABLE AND HE A E

	2020	2019
	MB'000	*RMB'000*
Prepayments for raw materials	**186,217**	262,112
Deductible value-added tax	**143,973**	61,198
Other receivables	**22,973**	33,966
	353,163	357,276
Impairment allowance		(6,800)
	353,163	350,476

Other receivables mainly represent deposits and staff advances, and an impairment analysis is performed at each reporting date by considering the probability of default. Except the separate item of prepayments which have already been impaired, as the financial assets included in the above balances relate to receivables for which there was no recent history of default, no impairment was provided during the year.

15. IN E E -BEA ING B ING AND HE B ING

		31 D . 2020				31 December 2019		
		E .				Effective interest rate		
	Notes	*(%)*	M	%	*MB'000*	*(%)*	Maturity	*RMB'000*
C :								
Bank loans — secured	(a)	**3.640 7.500**		**2021**	**1,112,125**	5.655–9.000	2020	862,881
Bank loans — guaranteed	(b)	**2.625 9.000**		**2021**	**717,603**	4.440–7.140	2020	799,615
Other loans — secured	(c)	**0.000 7.500**		**2021**	**511,447**	—	—	—
Other loans — guaranteed		**5.000 5.475**		**2021**	**11,637**	5.475	2020	10,464
C [illegible] :								
Other loans — guaranteed	(b)	**1.600 6.000**		**2021**	**122,707**	1.600–7.500	2020	7,954
Total					**2,475,519**			1,680,914
N :								
Other loans — guaranteed	(b)	**1.600**	**2022**	**2023**	**4,060**	1.600–7.500	2021–2023	129,325
Total					**4,060**			129,325

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

(i) the Group's property, plant and equipment with the net book value of RMB932,208,000 (2019: RMB749,463,000);

(ii) the Group's right-of-use assets amounting to RMB106,391,000 (2019: RMB69,843,000); and

(iii) no deposits of the Group were used to secure bank borrowings as at 31 December 2020 (2019: RMB63,426,000).

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

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

(i) the Group's property, plant and equipment with the net book value of RMB4,410,000;

(ii) the Group's bills receivable amounting to RMB403,677,000; and

(iii) the Group's trade receivables amounting to RMB101,770,000.

16. ADE AND BILL A ABLE

	2020	2019
	MB'000	*RMB'000*
Trade payables	**802,769**	694,660
Bills payable	**1,208,444**	807,964
	2,011,213	1,502,624

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

	2020	2019
	MB'000	*RMB'000*
Within 1 month	**561,240**	263,656
1 to 3 months	**589,883**	470,864
4 to 6 months	**779,100**	604,466
7 to 12 months	**63,959**	137,950
Over 1 year	**17,031**	25,688
	2,011,213	1,502,624

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

(b) As at 31 December 2020, the Group's bills payable of RMB1,112,661,000 (31 December 2019: RMB377,194,000) were secured by Group's bills receivable of RMB260,637,000 (31 December 2019: RMB52,828,000) and by Group's pledged deposits of RMB632,615,000 (31 December 2019: RMB298,489,000).

17. HE A ABLE AND ACC AL

	2020	2019
	MB'000	*RMB'000*
Payables for acquisition of property, plant and equipment	**93,531**	8,211
Payables for other taxes	**40,071**	30,036
Payables for freight	**28,936**	5,092
Payables for staff-related cost	**15,528**	16,762
Dividends payable	**674**	152
Other payables and accruals	**83,583**	8,483
	262,323	68,736

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

18. C N AC LIABILI IE

Details of contract liabilities are as follows:

	2020	2019
	MB'000	*RMB'000*
Sale of industrial products	**61,318**	265,979

Contract liabilities include short-term advances received to deliver industrial products. The decrease in contract liabilities in 2020 was mainly due to the decrease in short-term advances received from customers in relation to the sale of industrial products at the end of the year.

MANAGEMEN DI C I N AND ANAL I

M

In 2020, despite the resulting impacts caused by the outbreak of COVID-19 including global economic downturn and recession in various industries, the demand for renewable energy is still up-lifting. According to the analysis of the international analyst, IHS Markit, the epidemic had brought short-term pressure to the photovoltaic industry, but a speedy recovery was recorded in the second half of 2020. The long-term demand for photovoltaics is still high, resulting in a minimal effect to the i0tavg0.5 (i)0.5 (.5 (n)0.5 (

According to the Sustainable Energy in America Factbook, an annual joint report from Bloomberg New Energy Finance (BNEF) and the Business Council for Sustainable Energy (BCSE), US made 16.5GW of photovoltaic installations in 2020, a recorded high since 13.6GW in 2016, representing an increase of 24% compared to 13.3GW in 2019. Due to the outbreak of COVID-19, only 3.5GW of photovoltaic installations were added in the second quarter decreased by 6% comparing to the data of the previous quarter. However, newly installed capacity in the third quarter in 2020 increased to 3.8GW, representing an increase of 9%. The data reflects that the US photovoltaic industry was not greatly affected by the epidemic where only a short-term decline is recorded. This shows that the US photovoltaic industry is entering a period of recovery and the industry is getting rid of the haze of the epidemic faster than expected. At the end of 2020, the US government transited and a two-year extension on tax relief measures for the US solar energy industry was introduced, whilst more clean energy policies is expected to be introduced in 2021 and the US would return to the Paris Climate Agreement which aims

In other regions, more than 110 countries have clear expectations of zero carbon emissions in the coming decades. As such, Canada, Japan and South Korea have successively announced the zero carbon commitment by 2050 and carbon neutral has become the major global consensus. Since the third quarter of 2020, all regions have entered a period of recovery. Although the actual development of the photovoltaic industry in 2021 still depends on the trend of the new crown epidemic and the progress

The Group has a leading position in the monocrystalline silicon solar ingot and wafer manufacture industry in terms of technology, whilst product quality and stability are amongst those of the industry leaders. During the year, since most of the ingot products have been reserved for internal use, the external shipment volume of monocrystalline silicon ingots was 710.8MW (204.2MW in 2019). External shipment volume of monocrystalline silicon wafers increased significantly to 3,145.8MW (2,014.6MW in 2019). Major customers of external sales included TW Solar Group (通威太陽能集團), Sumin New Energy Group (蘇民新能源集團), Shangrao Jietai New Energy Technology Co., Ltd. (上饒捷泰新能源科技有限公司), Aiko Solar Energy Technology Co., Ltd (愛旭太陽能科技有限公司) and huge state-owned enterprises in China, such as Huanghe Hydropower Development Co., Ltd. (黃河上游水電開發有限責任公司) ("☛ . **I**").

The Group has completed the testing and adjustments of its newly invested low-cost high-efficiency monocrystalline silicon solar ingot and wafer project, located in Qujing, Yunnan, the PRC. It commenced manufacturing in scale from 2020 onwards. Not only do the relevant investments enjoy various preferential investment policies from the local government, but more importantly, the local electricity cost, which is the major

Regarding the photovoltaic module business, in order to meet the needs of module customers, the Group established a new module manufacturing base in Yancheng,

As a company focusing on monocrystalline silicon photovoltaic products, equipped with high-quality, self-produced upstream monocrystalline silicon ingots and mono-crystalline silicon wafers, customers' demand for the Group's mono-crystalline modules has always remained high. Currently, proportion of sales of the Group's mono-crystalline silicon photovoltaic modules has reached around 95%. Further, the Group has also added 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 business apart from devoting its efforts in stabilising its upstream and midstream business development, thereby driving demand for products from downstream to upstream. As such, the Group explores business opportunity derived from the construction of distributed power plants. Apart from establishing internal photovoltaic power plant system companies, the Group also plans to establish joint venture companies with companies from other industries in order to share the profits and also provide extra distribution channels for the Group's module sales.

As a clean energy source, photovoltaic power generation had to rely on government subsidies to compete with the selling price of traditional petrochemical energy in the past. If production costs can be reduced and be competitive in the normal market without government subsidies, photovoltaic power generative may lead to a widespread application. As such, with the advancement of photovoltaic production technology in the past ten years, the production cost per watt of power generation has dropped sharply. Strictly speaking, the current photovoltaic application has reached the target of market price, and explosive sales growth is foreseeable in the future. In this case, production related equipment also needs to be upgraded or added in order to be in line with technological development. Accordingly, the Group has continued to invest in upgrading and transforming the existing production capacity and engage in mass production adjustment of new production capacity since 2018. Also, ageing production capacity had been eliminated. The upgrading, adjustment and elimination of production equipment during this period led to the increase in production costs and expenses of the Group. Thus, the operating performance was less satisfactory. However, in 2020, the Group has finally passed the painful period and reached the goal of comprehensive upgrade of existing production capacity and mass output of new high-efficiency production capacity. Currently, the annual production capacity of monocrystalline silicon ingot of the Group is 3.45GW, monocrystalline silicon wafer capacity is 2.50GW, and module production capacity is increased to 3.70GW.

The major concern for the aforementioned monocrystalline silicon wafer production capacity being less than that of monocrystalline silicon ingot, is that the types of photovoltaic products were originally divided into two technologies, monocrystalline and multicrystalline, for many years. The production ways of their corresponding monocrystalline silicon ingot and multicrystalline silicon ingots are different. With the conversion efficiency improvement of monocrystalline silicon products and the ability of continuously reducing production costs becoming clearer and more feasible, the market share of the multicrystalline technology has been quickly replaced by the monocrystalline technology. Yet, production of monocrystalline and multicrystalline silicon wafers in the manufacturing process are the same and therefore the production capacity of multicrystalline slicing with multicrystalline silicon ingots has been greatly released. Hence, the difference in the production capacity of the Group's monocrystalline silicon ingots and that of monocrystalline silicon wafers will be smoothly compensated by third-party processing service providers that have already released multicrystalline slicing capacity. As a result, the Group could focus on its limited resources on the development of monocrystalline ingots and niche module products.

By adopting a dual-track strategy of continuous development of upstream mono-crystalline silicon ingots and wafer products, as well as downstream module products, the Group effectively utilises its resources and the business strategy could hence be more flexible. For example, in the event of a poor sales market for monocrystalline silicon wafers, the Group can outsource these monocrystalline silicon wafers to third-party cell manufacturers to the production of solar cells, which will then be returned to the Group for further production into modules and be sold to downstream third-party large module customers. On the other hand, if the sales market for monocrystalline silicon wafers is favourable, the Group can sell the monocrystalline silicon wafers directly to these third-party cell manufacturers, then purchase solar cells from market to manufacture the downstream modules products. Therefore, in the event where the industry is changing drastically, the Group could flexibly plan the business strategy of monocrystalline silicon wafers, and the supply of solar cells which are required for the Group's module production can also be well guaranteed. To summarise, the Group's upstream monocrystalline silicon ingot/wafers and downstream photovoltaic module products each have solid customer bases, and the synergy between them can further strengthen the Group's advantages in vertical integration of upstream and downstream monocrystalline products.

affected by the outbreak of the COVID-19. The increase in the price of materials had led to the actual gross profit margin increased only from 7.7% in 2019 to 9.7% in 2020 and the growth in gross profit margin has been restricted.

(2) as the Group previously focused on the vertical integration of photovoltaic products, where its production line covered the upstream photovoltaic mono-crystalline silicon ingots and wafers, mid-stream solar cells and downstream photovoltaic modules, the scale of solar cell production was relatively small and outdated. It was no longer in line with the economic scale production efficiency. As a result, the Group adjusted its operating strategy during the year by suspending the in-house manufacturing of solar cells due to the aged production line with a low production capacity and efficiency. Instead, it utilises limited resources to fully develop niche products such as upstream monocrystalline silicon ingots, monocrystalline silicon wafers and downstream modules. Since the Group is not expected to produce solar cells on its own, the net amount of such aged production line and the related machinery and equipment was recognised as a one-off asset impairment loss during the year.

(3) unexpected increase in selling expenses (such as shipment costs) as a result of the outbreak of COVID-19.

To summarise, due to the aforementioned unexpected reasons, the growth of the Group's gross profit margin reduced drastically and unexpected costs also increased significantly. However, due to the successful research and development of the Group and breakthroughs in various production bottlenecks during the year, the most advanced production technology had been smoothly applied to mass production. Thus, if the unexpected factors were not present, the production cost of each product line of the Group should reduce greatly, and the overall gross profit margin should also improve. For example, the Group's monocrystalline silicon ingot production system adopted fast closing technology, which shortened the closing time by 70%. Further, through the transformation and upgrading of the water cooling device, the growth rate of monocrystalline silicon ingot can be increased from 1.25mm/min to 2.0mm/min. Whilst

production lines can all produce large-size scarce products such as 182mm and 210mm, they could further enhance the Group's ability to increase the selling price and provide opportunity for a substantial increase in gross profit margin.

Looking ahead, as a result of (a) leading technology cost advantages and large-size product lines with higher bargaining power, the Group will be able to increase the market share and further drive a significant increase in gross profit margin; (b) the new production base with a lower electricity costs and with policy support, the Group can significantly reduce the production cost of the local external environment; (c) the high-efficiency new production capacity has begun mass production as expected, the existing production capacity had also been upgraded, which could lead to the advantages of economies of scale; (d) the long-term diversified technological advantages of each product line; and (e) the strong client base in China and overseas, with increasing demand from new and old customers, it is expected that the Group's external shipments and revenue would continue to grow, and the production cost would decrease more than the selling price. The gross profit margin and gross profit ratios will return to a normal level.

The cost of photovoltaic power generation must continue to decline as technology continues to improve in order to replace traditional petrochemical energy on a large scale basis and to effectively achieve the goal of green and clean energy. Although the average selling price of photovoltaic product declined gradually over the year, and the growth in overall market demand has been suppressed due to the COVID-19 pandemic, the Group has been striving to strengthen the relationship with its customers of both upstream monocrystalline silicon ingots and wafers and downstream modules over the years, hence the high-end photovoltaic products remain welcomed by state owned enterprises and multinational enterprises. As a result, total external shipment volume increased significantly by 65% as compared to last year. The Group has continued to maintain its growth and recorded a revenue of RMB6,051.956 million for the year ended 31 December 2020, represented a growth rate of 36.8% from RMB4,425.552 million in 2019.

G

For the year ended 31 December 2020, cost of sales increased from RMB4,084.184 million in 2019 to RMB5,466.104 million, representing an increase of 33.8%, mainly due to the increase in shipment volume. Cost of sales represented 90.3% of total revenue, representing a limited decrease of 2.0 percentage points from 2019. Some suppliers of polysilicon had temporary suspended their operations because of floods and factories explosion during the year, resulting in a supply shortage and surging price of polysilicon. In addition, the procurement costs of auxiliary materials increased significantly during the year as the supply of a number of major auxiliary materials was being affected by the outbreak of the COVID-19.

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An impairment of property, plant and equipment, amounting to RMB68.587 million, was recognised during the year, increased by RMB53.42 million from 2019. The production line of the Group previously covered the upstream photovoltaic monocrystalline silicon ingots and wafers, mid-stream solar cells and downstream photovoltaic modules. However, the scale of solar cell production was relatively small and outdated, the Group has changed its operating strategy to discontinue the production of photovoltaic solar cells and reserved more resources on other profitable products.

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An impairment losses on trade receivables and contract assets of RMB38.598 million was recognised during the year (2019: RMB5.262 million). Affected by the outbreak of COVID-19 in 2020, part of the photovoltaic power station project construction was delayed, and credit period of some large-scale state-owned enterprises and multinational enterprises was extended. In addition, the default in the domestic bond market has caused the credit ratings of some large-scale state-owned enterprises, which below the second level, to be downgraded, and the overall market credit risk has increased compared to previous years. In response to the overall market credit risk increase caused by this change, management assessed credit risk of large-scale state-owned enterprises and multinational enterprises, made the provision for impairment loss accordingly.

F

Finance costs mainly represented bank loan interests. The Group's finance costs increased from RMB123.130 million in 2019 to RMB133.156 million in 2020, representing an increase of 8.1%. As mentioned above, external shipment volume of the Group has grown significantly by 65%. Given the significant increase in corresponding shipment volume, the Group's finance cost has increased in a lesser extent. It was a result of better financial control on the use of funds during the year. The Group expects to lower the finance costs gradually in the future and to obtain more sources of financing.

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Income tax expense was RMB30.273 million in 2020, while income tax expense amounted to RMB41.308 million in 2019. 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 expense was mainly due to the Group reversed deferred tax assets in 2019, and no material reversal made in 2020.

L

In 2020, the Group recorded a loss attributable to the equity shareholders of RMB215.648 million as compared to a loss attributable to the equity shareholders of RMB355.492 million in 2019.

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It is the Group's strategy to maintain a high inventory turnover rate and low inventory turnover days, in order to mitigate the impact of falling average price of photovoltaic products caused by technological improvement. At the same time, it can also reduce the backlog of funds and better utilise the operating funds. The inventory turnover days of the Group during the year was reduced to 27 days (2019: 33 days).

%

In response to the increasing demand for photovoltaic modules, the revenue derived from the sales of photovoltaic modules has increased significantly and accounted for over 70% of the Group's overall revenue. According to the general terms module sales contract in the industry, the recovery of module receivable 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. As a result, the trade receivables turnover days of module business are generally longer. Even so, due to the constant effective management of accounts receivables, the collection of receivables has been improved. Furthermore, transactions with certain major customers with stronger settlement ability has increased, resulting in the Group's trade receivables turnover days being reduced to 95 days in 2020 (2019: 113 days).

% *%*

As the business development becomes more stable, the proportion of sales derived from the Group's modules has increased gradually, leading to an increase in purchase of solar cells for which its credit period is relatively shorter than other materials. As a result, the trade payable turnover days during the year was reduced to 116 days (2019: 130 days).

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The principal source of working capital of the Group during the year were cash flows from bank borrowings. As at 31 December 2020, the current ratio (current assets divided by current liabilities) of the Grolatti0000(o1heceaber2019:0019):Th6 Grouphad

Photovoltaic policy of China in 2020 has continued the overall framework of 2019. It entered the final year of parallel development of grid parity and subsidised bidding projects by stepping out of government subsidies, and progressing towards self sustainable development, advancing technological progress, reducing cost of power generation to promote the achievement in comprehensive grid parity. Although demand was temporarily dampened due to the outbreak of COVID-19 pandemic in 2020, the overall new installations continued to grow rapidly. It is expected that mid and long-term demand will continue to grow strongly in China and globally. As for the photovoltaic products, due to the advantages of high conversion ratios, stable photovoltaic system decay rate, continued reduction in unit cost, etc. of monocrystalline products, market share of monocrystalline products will continue to rise and replace multicrystalline products. Hence, the number of solar plants equipped with mono-crystalline photovoltaic systems and the number of mono-crystalline products used in distributed power plants have been increasing.

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 2020, and has discussed and reviewed the risk management, internal control and reporting matters.

DIVIDEND

No final dividend was paid in 2020 (2019: Nil). The Directors do not recommend the payment of a final dividend for 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 June 2021 to 24 June 2021, 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 16 June 2021.

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

68,009,433 units of TDRs representing 68,009,433 ordinary shares of the Company had been repurchased by the Company pursuant to the relevant rules of the Taiwan Stock Exchange and the underlying ordinary shares represented by such TDRs transferred to the Company on 7 April 2020, and were cancelled on 2 June 2020. Save as disclosed above, during the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS AND ACTION 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 2020.

C A E G E NANCE

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 "**G ... G ... G ...**") set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020.

BLICA I N FINANCIAL IN MA I N

The 2020 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.

C E K A DI

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.

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It is proposed that the annual general meeting of the Company be held on 24 June 2021. Notice of the annual general meeting will be published and issued to shareholders in due course.

By Order of the Board
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Executive Director

Hong Kong, 31 March 2021

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