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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 757)

	Notes	2022 [illegible]’000	2021 RMB’000
[illegible]			
Interest-bearing bank and other borrowings	*14*	**[illegible]1,772**	209,670
Deferred tax liabilities		**13,477**	2,418
Deferred income		**126,347**	258,065
Lease liabilities		**22,6[illegible]2**	73,592
Provision		**160,203**	181,605
Total non-current liabilities		**414,4[illegible]1**	725,350
[illegible]		**1,205,434**	672,279
[illegible]			
[illegible]			
Share capital		**2[illegible]5,[illegible]24**	285,924
Reserves		**15,4[illegible]6**	90,490
		1,101,410	376,414
[illegible]		**104,024**	295,865
[illegible]		**1,205,434**	672,279

[illegible]

1. [illegible]

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2022 but are extracted from those financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("[illegible]") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("[illegible]") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("[illegible]"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("[illegible]") and all values are rounded to the nearest thousand except when otherwise indicated.

2. [illegible]

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

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

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

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

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

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

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

HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impsy e om thal Financveimrolimry eeimhemrernanhmr of thae Gro0.5 (a)0..h

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

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

(ii) the manufacture and trading of photovoltaic modules (“[illegible]”);

(iii) the construction and operation of photovoltaic power plants (“[illegible]”); and

(iv) the manufacture and trading of semiconductor and the trading of monocrystalline silicon solar cells (“[illegible]”).

No operating segments have been aggregated to form these reportable segments. Revenue, costs and expenses are allocated to those reportable segments with reference to sales generated by those segments and the costs and expenses incurred by those segments.

[illegible]

For the purpose of assessing segment performance and allocating resources between segments, the Group’s most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the basis as they are presented in the Group’s financial statements.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Information regarding the Group’s reportable segments as provided to the Group’s most senior executive management for the years ended 31 December 2022 and 2021 is set out below:

	[illegible] A		[illegible]		[illegible]		[illegible]		[illegible]	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	[illegible]'000	*RMB'000*	***[illegible]'000***	*RMB'000*	***[illegible]'000***	*RMB'000*	***[illegible]'000***	*RMB'000*	***[illegible]'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Revenue from external customers		—	**6,644,350**	4,479,979	**1 ,5 3**	116,795	**35,41**	44,069	**6, 6 ,362**	4,640,843
Intersegment revenue		—	**5,3 6,414**	4,535,312	**15,77**	252,015	**126,426**	414,458	**5,53 ,61**	5,201,785
Reportable segment revenue		—	**12,040,764**	9,015,291	**205,371**	368,810	**161, 45**	458,527	**12,407, 0**	9,842,628
Reportable segment profit/(loss)		—	**(5,362)**	42,866	**(5,177)**	6,754	**(44,265)**	15,602	**(134, 04)**	65,222
Reportable segment assets (Qujing Group)		1,758,485		—		—		—		1,758,485
Reportable segment liabilities (Qujing Group)		1,178,441		—		—		—		1,178,441
Reportable segment assets (Besides Qujing Group)		—	**5,3 5,365**	3,529,901	**206,652**	191,116	**2,135,007**	811,670	**7,737,024**	4,532,687
Reportable segment liabilities (Besides Qujing Group)		—	**5,226, 36**	3,522,898	**141,752**	110,164	**1,162, 02**	807,390	**6,531,5 0**	4,440,452

[illegible]

	[illegible]		[illegible]		[illegible]		[illegible]		[illegible]	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	[illegible]'000	*RMB'000*	***[illegible]'000***	*RMB'000*	***[illegible]'000***	*RMB'000*	***[illegible]'000***	*RMB'000*	***[illegible]'000***	*RMB'000*
		(Restated)		(Restated)		(Restated)		(Restated)		(Restated)
Interest income from bank deposits		—	**20,0 6**	7,216	**30**	6	**6,254**	3,681	**26,370**	10,903
Finance costs		—	**(36,650)**	(61,510)	**(6,224)**	(6,640)	**(35,. 1.)**	(34,182)	**(7 ,7. 3)**	(102,332)
Depreciation and amortisation		—	**(13. ,31.)**	(98,287)	**(1,734)**	(293)	**(7,2 1)**	(19,268)	**(14 ,334)**	(117,848)
Investment in associates		—		—		200		—		200
(Impairment losses)/reversal of impairment losses on financial and contract assets		—	**(37, 37)**	14,578	**(701)**	459	**17,324**	4,723	**(21,214)**	19,760
(Write-down)/reversal of write-down of inventories		—	**(6,727)**	17,644		—		—	**(6,727)**	17,644
Capital expenditure*		—	**126, 77**	353,365	**3 ,401**	6,977	**7,212**	1,195	**172,4. 0**	361,537

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

[illegible]

Substantially all of the Group's property, plant and equipment, right-of-use assets, and interests in associates are located or operated in Mainland China.

The following table sets out information about the Group's revenue from external customers by geographical location. The geographical location of a customer is based on the locations of the customers.

[illegible]

For the year ended 31 December 2022, revenue from a single customer, including a group of entities which are known to be under common control with that customer, which amounted to 10% or more to the Group's total revenue, is set out below:

	2022 ***RMB'000***	2021 *RMB'000* (Restated)
Customer A		
— From Segment B	**174,72[illegible]**	1,094,767

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

	2022 ***RMB'000***	2021 *RMB'000*
Customer C		
— From Segment B	**[illegible]66,5[illegible]2**	—

4. [illegible]

An analysis of revenue is as follows:

	2022 ***RMB'000***	2021 *RMB'000* (Restated)
The manufacture and trading of semiconductor, trading of monocrystalline silicon solar cells and others	**35,41[illegible]**	44,069
The manufacture and trading of photovoltaic modules	**5,[illegible]3[illegible],067**	4,467,504
Construction and operation of photovoltaic power plants	**1[illegible],5[illegible]3**	116,795
Rendering of services	**[illegible]05,2[illegible]3**	12,475
	6,[illegible]6[illegible],362	4,640,843

31 2021

	Polysilicon and monocrystalline silicon solar ingots/wafers	Photovoltaic modules	Construction and operation of photovoltaic power plants	Semiconductor/ monocrystalline silicon solar cells and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Restated)
Sale of industrial products	—	4,467,504	541	44,069	4,512,114
Processing service	—	12,475	—	—	12,475
Construction services	—	—	116,254	—	116,254
Total	—	4,479,979	116,795	44,069	4,640,843
Mainland China	—	3,436,640	116,795	44,033	3,597,468
Japan	—	933,009	—	34	933,043
South Asia	—	84,847	—	—	84,847
Europe					

5.

	2022	2021
	’000	*RMB’000*
		(Restated)
Government grants	**37,470**	47,172
Interest income from bank deposits	**26,370**	10,903
	63, 40	58,075
/( ),		
Net foreign exchange gain	**43, 1**	8,508
Net (loss)/gain on disposal of property, plant and equipment	**(71)**	8,891
Gain from sales of other materials	**1, 57**	1,189
Gain on disposal of a subsidiary	**713**	712
Gain on disposal of investment in an associate	**600**	153
Others	**2,146**	8,980
	4 ,264	28,433
	113,104	86,508

7. A

2022

(b) A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2022	2021
	[illegible]*'000*	*RMB'000*
		(Restated)
(Loss)/profit before taxation from continuing operations	**(11[illegible],543)**	112,180
Profit before taxation from discontinued operation	**1,3[illegible]7,[illegible]76**	271,583
Profit before taxation	**1,26[illegible],433**	383,763
Tax at the statutory tax rate	**317,35[illegible]**	95,941
Tax effect of non-deductible expenses	**2,067**	978
Tax effect of non-taxable income	**(5,314)**	(1,339)
Effect of differential tax rates	**4,[illegible]7**	(8,160)
Effect of tax concessions obtained	**(175,675)**	(36,990)
Tax effect of unused tax losses and temporary differences not recognised	**24,4[illegible]5**	35,532
Utilisation of unused tax loss and temporary differences not recognised in previous years	**(74,647)**	(4,998)
Additional taxable income arising from disposal of subsidiaries	**65,30[illegible]**	—
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**12,077**	1,926
Over provision in respect of prior years	**(13,22[illegible])**	(1,479)
Tax charge at the Group effective rate	**157,420**	81,411
Tax charge from continuing operations at the effective rate	**16,261**	46,958
Tax charge from a discontinued operation at the effective rate	**141,15[illegible]**	34,453

[illegible]

In June and July 2022, six external independent companies contributed capital of RMB210,000,000 into Qujing Yangguang. Meanwhile, Qujing Yangguang granted those six investors an put option

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

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Revenue	**2,12[illegible],3[illegible]3**	2,878,673
Expenses	**(1,722,7[illegible]4)**	(2,574,737)
Finance costs	**(61,473)**	(32,353)
Profit from the discontinued operation	**344,136**	271,583
Gain from disposal of discontinued operation	**1,043,[illegible]40**	—
Profit before tax from the discontinued operation	**1,3[illegible]7,[illegible]76**	271,583
Income tax:		
Related to pre-tax profit	**(3[illegible],532)**	(34,453)
Related to disposal	**(102,627)**	—
Profit for the year from the discontinued operation	**1,246,[illegible]17**	237,130
Attributable to:		
Owners of the parent	**1,106,0[illegible]4**	159,397
Non-controlling interests	**140,733**	77,733

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

	2022	2021
	RMB'000	*RMB'000*
		(Restated)
Operating activities	**262,5[illegible]2**	280,482
Investing activities	**(3[illegible]6,327)**	(276,635)
Financing activities	**141,114**	19,339
Net cash inflow	**7,37[illegible]**	23,186
Earnings per share: (RMB cents)		
Basic and diluted, from the discontinued operation	**33.2[illegible]**	4.82

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

	2022	2021 (Restated)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**1,106,0 4,000**	159,397,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**3,323,771,133**	3,309,962,914
Weighted average number of ordinary shares used in the diluted earnings per share calculation	**3,323,771,133**	3,309,962,914

10. [illegible]

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

11. [illegible]

(a) [illegible]

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

	2022 *[illegible]’000*	2021 *RMB’000* (Restated)
Profit attributable to ordinary equity holders of the parent	**57,10**	193,222
Attributable to:		
Continuing operations	**(14 , 76)**	33,825
Discontinued operation	**1,106,0 4**	159,397
	57,10	193,222

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

( ) [illegible]

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

12. [illegible]

	2022	2021
	[illegible]’000	*RMB’000*
Trade receivables	**1,147,[illegible]14**	1,205,268
Bills receivable	**22[illegible],237**	700,504
	1,377,051	1,905,772
Impairment	**(62,036)**	(111,617)
	1,315,015	1,794,155

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	[illegible]’000	*RMB’000*
Within 1 year	**1,212,6[illegible]**	1,733,506
1 to 2 years	**1,205**	31,686
2 to 3 years	**7,5[illegible]**	24,338
Over 3 year	**13,523**	4,625
	1,315,015	1,794,155

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

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. The Group applies the simplified approach to the provision for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. The Group has established a provision matrix that is based on the ageing of balances for groupings of various customers with similar loss patterns, repayment histories, and existing customer-specific and market conditions, and also taking into consideration of forward-looking information, inc.5 (s)0ionnfrws.5 (r)0.5 (a)080L0.5 (a)0.5 (p)0.55 (x)0.5 (i)0 (s)0.

14. [illegible]

	Notes	31 [illegible] 2022 (%)		RMB'000	31 December 2021 Effective interest rate (%)	Maturity	RMB'000
[illegible]							
Bank loans — secured	*(a)*	**3. 50 7.500**	**2023**	**26 ,500**	3.480–7.500	2022	507,782
CNY				**26 ,500**			507,782
Bank loans — guaranteed	*(b)*	**2.625 .000**	**2023**	**7 0,12**	2.585–9.000	2022	981,879
CNY				**613, 02**			817,400
EUR				**157,766**			123,416
HKD							200
USD				**1 ,560**			40,863
Other loans — secured	*(c)*	**0.000 7.500**	**2023**	**137,51**	0.000–7.500	2022	410,966
CNY				**137,51**			410,966
Other loans — guaranteed	*(b)*	**5.000 5.475**	**2023**	**3, 1**	5.000–5.475	2022	12,299
HKD				**730**			9,111
USD				**3,1**			3,188
[illegible]							
Other loans — guaranteed	*(b)*	**1.600 6.000**	**2023**	**45, 15**	1.600–6.000	2022	2,353
EUR				**1,252**			2,353
HKD				**44,663**			—
Total				**1,246, 7**			1,915,279
[illegible]							
Other loans — guaranteed	*(b)*	**5. 00 7.000**	**2024**	**1,772**	1.600–7.000	2023–2024	209,670
CNY				**1,772**			167,572
EUR							1,218
HKD							40,880
Total				**1,772**			209,670

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

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

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

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

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

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

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

15. [illegible]

	2022	2021
	[illegible]'000	*RMB'000*
Trade payables	**1,307,717**	927,004
Bills payable	**2,433,217**	1,315,712
	3,740,[illegible]34	2,242,716

(a) The ageing analysis of trade and bills payables at the end of the reporting period, based on the

17. [illegible]

Details of contract liabilities are as follows:

	2022	2021
	[illegible]’000	*RMB’000*
Sale of industrial products	**31[illegible],662**	136,023
Construction services	**10,356**	5,060
Total	**32[illegible],01[illegible]**	141,083

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

[illegible]

[illegible]

[illegible]

In order to address climate change and mitigate the impact of rising fossil fuel prices, clean and renewable energy has become a new trend of the world. With the continuous technological advances and cost reductions, photovoltaic power is now the renewable energy with the greatest development potential and the lowest cost compared with the inflated fossil fuel prices, so the soaring demands for photovoltaic products in the future will be inevitable. Before completion of the disposal of the upstream monocrystalline silicon ingots and wafers business through the disposal of the Group's equity interests in Qujing Yangguang New Energy Co., Ltd.* (曲靖陽光新能源股份有限公司) ("[illegible]"), a former non-wholly owned subsidiary of the Company, on 30 December 2022 (the "[illegible]"), the Group maintained a solid financial performance in the manufacturing and sales of downstream photovoltaicm ltadnl0.5 (t)0la0.5 (w)lup.5

vice chairman unit of PRC Photovoltaic Industry Association, vice chairman unit of capacity of the Group was 8.2 GW. Through the completion of the layout of high-efficiency production capacity, it has begun to show stronger comprehensive competitiveness and further enhance the market share of the products.

External sales of modules were mainly made to large state-owned enterprises and international multinational enterprises, such as State Power Investment Corporation (中國國家電力投資集團公司) (“ ”), SHARP Corporation (“ A ”), Xinyi Glass Holdings Limited and Xinyi Solar Group (信義玻璃與信義光能集團), Sungrow Power Supply Co., Ltd (陽光電源股份有限公司), China General Nuclear Power Corporation and Astronergy etc. The Group has been cooperating with these enterprises in continually expanding module sales for foreign customers.

The Group focuses on the manufacturing of monocrystalline silicon photovoltaic products. Currently, proportion of sales of the Group’s monocrystalline silicon photovoltaic modules has reached over 99%. Further, the Group has also introduced in SHARP’s global leading 40-year quality assurance system for photovoltaic products. The quality of the products is stable and reliable, which could bring long-term and stable income to end-user owners.

Construction and operation of photovoltaic system business

The Gr

and BIPV monocrystalline silicon, and actively lead the formulation of national and industry standards in the area of zero-carbon green buildings. At the same time, the industry-university-research base cooperated by the two parties will also become the postgraduate teaching place of the School of Architecture of Southeast University. In addition, the Group is carrying out a series of research and development projects in cooperation with Shenyang Jianzhu University for assembled conservatory, the National Housing and Residential Environment Engineering Technology Research Center for BIPV structural components and other institutions, of which four series of BIPV products have passed China Compulsory Certificate (" ") certification, China Quality Certificate Centre (" ") certification, and GB8624–2012 building materials and products combustion performance test certification. The BIPV structural parts independently developed by the Group have obtained six patent authorizations. The Group expects that with the continuous development of BIPV business, the photovoltaic system construction and application business would have further growth.

Semi-conductor business

China has become the fastest growing country in the global semiconductor industry. It is also the world's largest semiconductor application market. The Group is engaged mainly in production and sales of 4

Apart from the traditional monocrystalline P-type products, the Group has monocrystalline N-type products with higher conversion efficiencies. Photovoltaic cells are

Apart from the mainstream P-type PERC monocrystalline modules, the Group devoted to the development and sales of monocrystalline high-efficiency module products, such as P-type double-sided double glass modules, 182 multi busbar Black Solar (“[illegible]”) module, and related high-end products. Besides, the module production line of the Group can also produce multi-busbar single or double glass of 182mm and 210mm large-size modules which the conversion could reach more than 660 watts. In addition, the related equipment automated intelligence and packaging technology are in the leading position in the industry. In addition, for the 54-cell all-black module products, the modules are

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

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

Selling and distribution expenses mainly comprised terminal handling charges, packaging expenses and other incidental expenses. The selling and distribution expenses decreased

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

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

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

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

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

The Group has been focusing its efforts in raising the inventory turnover and lowering the inventory turnover days in order to mitigate the risk of rapid decline inventory prices caused by continuous technological advancement of photovoltaic products, and at the same time, reducing the backlog of funds and further strengthen the Group's operation working capital. The inventory turnover days of the Group during the year remain stable at 29 days (2021: 26 days).

The sales of photovoltaic modules accounted for over 90% of the Group's overall sales in 2021 and 2022. According to the standard terms of the industry's module sales contracts, the recovery of module receivables depends on the construction progress of the photovoltaic power plant. For instance, some trade receivables can only be recovered after the customer's photovoltaic power plant is connected to the grid. Therefore, the trade receivables turnover days of module business are generally longer. Trade receivables turnover days for the year has decreased to 92 days (2021: 98 days).

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

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

As mentioned above, as the Group's inventory turnover days remain stable and trade

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

As a renewable and clean energy source, in respect of photovoltaic power generation, the road to grid parity may be a painful change, but the expected explosive growth in the market after reaching grid parity will provide an opportunity for the industry. As ever, positing itself as a leading supplier of monocrystalline silicon photovoltaic modules in the industry, the Group is fully prepared by relying on its existing advantages and will do its utmost, to embrace the long-term promising prospect for the photovoltaic industry, help achieve the goal of "carbon neutrality" in 2060 in China, and contribute to the sustainable development of the global environment and a future of negative carbon emission.

As disclosed in the paragraph headed "Management Discussion and Analysis — Financial Review — Significant investment and disposal of subsidiaries" above in this announcement, completion of the Disposal of the 45.0% equity interest in Qujing Yangguang at a total consideration of RMB1,350.0 million took place on 30 December 2022, with approximately RMB229,950,000 of the consideration received from two entities controlled by China Lesso Group as at 13 January 2023. For further detailaAFT Lang (en-