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Sg Solar Energy

陽光能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(1511 HKEX)

- External shipment volume of production business for the year was approximately 1,151.10MW, increased substantially by 13.2% from approximately 1,016.43MW for 2014.
- Revenue increased by 1.2% to RMB2,899.550 million (2014: RMB2,864.699 million).
- Gross profit amounted to RMB242.538 million (2014: RMB363.917 million).
- Gross profit margin was approximately 8.4% (2014: 12.7%). As a result of the time lag between the times of purchase and production, which led to the Group purchasing solar cells at a relatively higher price, the gross profit margins was compressed as a result.
- Profit from operations was RMB152.548 million (2014: Profit from operations of RMB171.085 million).
- EBITDA amounted to RMB344.806 million, an improvement of 33.5% from RMB258.244 million in 2014. EBITDA to revenue ratio rose from 9.0% in 2014 to 11.9% in 2015, illustrating the improvement in production efficiencies.
- Net profit attributable to the equity holders of the Company was RMB15.653 million (2014: Net loss of RMB63.846 million).
- Basic earnings per share was RMB0.49 cents (2014: Basic loss per share of RMB1.99 cents).

for the year ended 31 December 2015

	2015 RMB'000	2014 RMB'000
Other comprehensive income/(loss) for the year	(60,371)	
Items that may be reclassified subsequently to profit or loss:		
– Changes in fair value of available-for-sale investments	–	
– Currency translation differences	11,593	
Items that will not be reclassified subsequently to profit or loss:		
– Remeasurement of defined benefit plans	(48,778)	
Other comprehensive income/(loss) for the year	(48,778)	
Equity holders of the Company	(52,253)	
Non-controlling interests	3,475	
Other comprehensive income/(loss) for the year	(48,778)	

at 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Non-current assets			
Property, plant and equipment		1,968,776	
Prepayments for acquisitions of property, plant and equipment		14,075	
Land lease prepayments		138,601	
Prepayments for raw materials	16	231,278	
Investments in associates		72,731	
Deferred tax assets		16,724	
Other non-current assets	20	40,336	
		<u>2,482,521</u>	
Current assets			
Inventories		694,533	
Trade and bills receivables	10	282,427	
Prepayments, deposits and other receivables	11	480,091	
Current tax recoverable		501	
Available-for-sale investments	12	—	
Pledged deposits		145,710	
Cash and cash equivalent		195,257	
		<u>1,798,519</u>	
Current liabilities			
Interest-bearing borrowings	15	1,420,188	
Trade and bills payables	13	806,478	
Other payables and accruals	14	201,273	
Current tax payable		6,360	
Provision for inventory purchase commitments		43,582	
		<u>2,477,881</u>	
		<u>(679,362)</u>	
		<u>1,803,159</u>	
Non-current liabilities			
Interest-bearing borrowings	15	385,872	
Deferred tax liabilities		2,928	
Deferred income		196,775	
Other non-current liabilities		41,566	
		<u>627,141</u>	
		<u>1,176,018</u>	
		<u>46,767</u>	

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2015 but are extracted from those financial statements.

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

As at 31 December 2015, the Group's current liabilities exceeded its current assets by RMB395,314,000. As at 31 December 2015, the Group had cash and cash equivalents of RMB193,953,000 and short term bank loans, including current portion of long-term bank loans of RMB1,931,849,000. 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 2016. Based on such forecast, the directors believe that adequate sources of liquidity exist to fund the Group's working capital and capital expenditure requirements, and to meet its short term debt obligations and other liabilities and commitments as they become due in the twelve months ending 31 December 2016. In preparing the cash flow forecast, management has considered historical cash requirements of the Group, as well as other key factors, including anticipated sales in the twelve months ending 31 December 2016, unutilised banking facility as at 31 December 2015 from the Group's major banks with an amount of RMB419,978,000 which will be expired on 31 December 2017 and an amount of USD20,436,000 (equivalent to RMB132,703,000) which will be expired on 27 August 2016.

Based on the above factors, the directors are confident that the Group will have sufficient funding to

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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.

	截至2014年12月31日止年度		截至2014年12月31日止年度		截至2014年12月31日止年度		截至2014年12月31日止年度		截至2014年12月31日止年度	
	人民币千元	人民币千元	人民币千元	人民币千元	人民币千元	人民币千元	人民币千元	人民币千元	人民币千元	人民币千元
营业收入	488,437	2,013,964	303,054	59,244	2,864,699					
Inter-segment revenue	544,698	-	601,834	6,443	1,152,975					

	2014		2014		2014		2014		2014	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Others segment information:										
Interest income from bank deposits	¥	3,056	¥	262	¥	4,935		31	¥	8,284
Finance costs	(¥)	(48,425)	(¥)	(40,268)	(¥)	(16,474)	(¥)	(16,194)	(¥)	(121,361)
Depreciation and amortisation	(¥)	(148,615)	(¥)	(10,139)	(¥)	(31,482)	(¥)	(11,849)	(¥)	(202,085)
Share of profits less losses of associates	(¥)	(975)		-		-		-	(¥)	(975)
Impairment losses on trade and other receivables		-		(2,109)		-		-		(2,109)
Impairment losses on prepayments for raw materials		(70,369)		-		-		-		(70,369)
Provision for inventory purchase commitments		(43,582)		-		-		-		(43,582)
(Write-down)/reversal of write-down of inventories	(¥)	12,166		-		-		-	(¥)	12,166
Capital expenditure*	¥	86,001	¥	65,269	¥	8,717	¥	461	¥	160,448
Investments in associate	¥	72,731		-		-		-	¥	72,731

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

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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 the Group's non-current prepayments. The geographical location of a customer is based on the location to which the goods were delivered or the services were provided.

(i) *Revenue from external customers*

	2014 RMB'000	2013 RMB'000
The PRC (place of domicile)	642,457	642,457
Export sales		
– Japan	2,154,216	2,154,216
– Korea	2,156	2,156
– Thailand	–	–
– Malaysia	–	–
– United States of America	3,116	3,116
– Mexico	0	0

2014年12月31日止年度

	2014 RMB'000	2014 RMB'000
其他收入		
Government grant	33,274	
Interest income from bank deposits	8,284	
Gains on debt remission by a supplier	16,750	
Others	5,095	
	<u>63,403</u>	
Net foreign exchange gain/(loss)		

4. 其他收益/(其他损失) 其他收益

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

	2015 RMB'000	2014 RMB'000
() 其他收益/(其他损失) 其他收益		
Salaries, wages and other benefits	158,610	158,610
Contributions to retirement schemes	23,945	23,945
	182,555	182,555
() 其他收益/(其他损失) 其他收益		
Audit services	2,995	2,995
Tax services	71	71
Other services	420	420
	3,486	3,486
() 其他收益/(其他损失) 其他收益		
Amortisation of lease prepayments	4,052	4,052
Depreciation [#]	198,033	198,033
Provision for warranties [#]	19,012	19,012
Operating lease charges – properties	1,238	1,238
Research and development costs	74,364	74,364
Impairment losses on trade and other receivables	2,109	2,109
Net (gain)/loss on disposal of property, plant and equipment and land lease prepayment	5,866	5,866
Cost of inventories sold [#]	2,263,287	2,263,287
Cost of service rendered [#]	237,495	237,495

[#] Cost of inventories sold and cost of service rendered include RMB343,053,000 (2014: RMB326,589,000) for the year ended 31 December 2015, relating to staff costs, depreciation and provision for warranties which amount is also included in the respective total amounts disclosed separately above or in note 5(a) for each of these types of expenses.

	2015 RMB'000	2014 RMB'000
Interests on bank and other loans wholly repayable within five years	120,524	120,524
Interests on bonds	8,550	8,550
Total interest expenses on financial liabilities not at fair value through profit or loss	129,074	129,074
Less: interest expenses capitalised into construction in progress*	7,713	7,713
	<u>121,361</u>	<u>121,361</u>

* The borrowing costs have been capitalised at rates of 6.81% to 7.49% (2014: 7.04% to 8.32%) per annum.

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

	2015 RMB'000	2014 RMB'000
Provision for the year	11,191	11,191
Under-provision in respect of prior years	1,780	1,780
	<u>12,971</u>	<u>12,971</u>
Deferred tax	(17,802)	(17,802)
Income tax expense/(credit) for the year	<u>(4,831)</u>	<u>(4,831)</u>

The board does not recommend to declare a final dividend for the year ended 31 December 2015 (2014: Nil).

() The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to the ordinary equity holders of the Company of RMB15,653,000 (loss of 2014: RMB63,846,000) and the weighted average of 3,211,780,566 (2014: 3,211,780,566) ordinary shares of the Company in issue during the year.

() The Company had no dilutive potential ordinary shares in issue during the years ended 31 December 2015 and 2014.

0. *Trade and bills receivables*

	2014 RMB'000	2014 RMB'000
Trade receivables	291,159	
Bills receivables	15,713	
Less: impairment	(24,445)	
	<u>282,427</u>	

The ageing analysis of trade and bills receivables (net of allowance for doubtful debts) at the end of reporting period based on invoice date is as follows:

	2014 RMB'000	2014 RMB'000
Within 1 month	155,326	
1 to 3 months	34,210	
4 to 6 months	23,711	
7 to 12 months	7,835	
Over 1 year	61,345	
	<u>282,427</u>	

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

The movements in the allowance for doubtful debts during the year are as follows:

	2014 RMB'000	2014 RMB'000
At 1 January	22,623	
Exchange adjustments	(287)	
Impairment losses recognised	2,109	
At 31 December	<u>24,445</u>	

The ageing analysis of trade and bills receivables that are neither individually or collectively considered to be impaired is as follows:

	2015 RMB'000	2014 RMB'000
Not past due	169,451	
Less than 1 month past due	17,460	
1 to 3 months past due	23,777	
4 to 6 months past due	9,219	
7 to 12 months past due	20,882	
Over 1 year past due	41,638	
	<u>282,427</u>	

As at 31 December 2015, bills receivables had been pledged as security to a bank for issuing bills payable to suppliers amounting to RMB24,500,000 (31 December 2014: RMB10,000,000).

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.

	2015 RMB'000	2014 RMB'000
Prepayments for raw materials	3,689	
Deductible value-added tax	233,018	
Other receivables	243,384	
	<u>480,091</u>	

None of the above assets is either past due or impairment. The financial assets included in the above balances related to receivables for which there were no recent history of default.

	2015 RMB'000	2014 RMB'000
Unlisted equity investments, at fair value:		
In Mainland China	—	—
	<u>—</u>	<u>—</u>

Available-for-sale investment was financial products purchased from bank with principal guaranteed and floating interests. During the year ended 31 DecemberBT/F1 3 5d floatingand DecemberB Tw(bj0 -1.2 T

	2015 RMB'000	2014 RMB'000
Trade payables	755,411	755,411
Bills payables	51,067	51,067
	<u>806,478</u>	<u>806,478</u>

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

	2015 RMB'000	2014 RMB'000
Within 1 month	438,036	438,036
1 to 3 months	166,187	166,187
4 to 6 months	125,482	125,482
7 to 12 months	65,669	65,669
Over 1 year	11,104	11,104
	<u>806,478</u>	<u>806,478</u>

- (b) As at 31 December 2015, the Group's bills payables of RMB24,500,000 (31 December 2014: RMB10,000,000) was secured by Group's bills receivables of RMB24,500,000 (31 December 2014: RMB10,000,000).

	2015 RMB'000	2014 RMB'000
Other payables and accrued expenses	138,468	138,468
Other tax payables	7,347	7,347
Receipts in advance	55,325	55,325
Dividends payable	133	133
	<u>201,273</u>	<u>201,273</u>

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 is no prepayment for raw materials made to a related party as at 31 December 2015 (31 December 2014: RMB4,561,000).

As at 31 December 2014, management reassessed the prepayments for potential impairment and identified one of the suppliers, from which the Group failed to purchase the agreed quantities of polysilicon under the long-term supply contract, and therefore provided a provision of RMB70,369,000.

Based on the updated assessment by management for the year ended 31 December 2015, no further impairment or reversal of impairment was made during the year ended 31 December 2015. The movement during the year merely represented exchange adjustments.

	At 1 January and 31 December 2014	At 1 January and 31 December 2014	At 1 January and 31 December 2014	At 1 January and 31 December 2014	At 1 January and 31 December 2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January and 31 December 2015	185,230	2,411	67,228	254,869	254,869
		RMB'000	RMB'000	RMB'000	RMB'000

	2014 RMB'000	2014 RMB'000
At 1 January and 31 December	208,237	
At 1 January and 31 December	(208,237)	
At 31 December		

The goodwill was fully impaired for the year ended 31 December 2012.

There is no business acquisition during the year ended 31 December 2015.

On 3 March 2014, the Group acquired 100% equity interests in Jinzhou Wintek Silicon Materials Co., Ltd. ("Wintek") from two third parties at a total cash consideration of RMB15,000,000, in order to utilise the advantage of vertical integration and expand the business of end users. In September 2015, the company name of Wintek was renamed Jinzhou Xinyangguang Photovoltaic Application Co., Ltd. ("Xinyangguang").

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

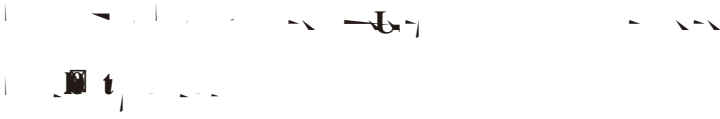
	RMB'000
Property, plant and equipment	172
Lease prepayments	18,231
Inventories	5,878
Trade and other receivables	37,097
Cash and cash equivalents	188
Trade and other payables	(41,685)
Current tax payable	(187)
Deferred tax liabilities arising from fair value adjustment on acquisition	(2,989)
Net identifiable assets and liabilities	16,705
The total cash consideration	15,000
Less: the Group's 100% share of the net identifiable assets and liabilities acquired	16,705
Net gain from acquisition of a subsidiary	(1,705)
Net cash outflow*	4,312

* The consideration was partially paid by RMB4,500,000 for the year ended 31 December 2014. The remaining balance of consideration amounting to RMB10,500,000 was fully settled during the year ended 31 December 2015.

The values of assets and liabilities recognised on acquisition are their estimated fair values. The fair value of lease prepayments made for the land held under operating leases recognised as result of the business combination is based on its market values.

The net gain from acquisition of a subsidiary represents the excess of the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date over the fair value of the consideration to be transferred, and has been recognised immediately in profit or loss.

Wintek contributed RMB49,474,000 to the consolidated turnover and RMB405,000 profit to the consolidated loss for the year from the date of acquisition to 31 December 2014. If the acquisition had taken place at 1 January 2014, the Group's consolidated



market and Brazil potentially seeing strong action at ground level. Meanwhile the Philippines, Pakistan, Bangladesh, Uruguay, Guatemala and Panama will be moving forward and attempting to hit 100MW each. According to data from NPD Solarbuzz's database tracking MEA projects, the photovoltaic projects in Africa have potential installation capacity of over 11GW, with Ghana alone has a pool of photovoltaic projects under application already exceeded 2GW in scale.

The Group is a leading supplier of upstream and downstream vertically integrated solar energy services in the PRC. We sell our photovoltaic products to upstream, midstream and end-user customers in photovoltaic industry. We focus on the vertical integration for monocrystalline products, providing one-stop solutions for the solar energy industry ranging from the manufacturing and sales of silicon ingots and wafers, photovoltaic cells and photovoltaic modules, the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. The scope of its business covers the whole industry chain of photovoltaic industry.

Under the vertical integration strategy, the Group's current production chain includes 1.2GW monocrystalline ingot, 900MW wafer, 330MW cell and 1.0GW module production capacities, and the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. The Group maintained its well-established relationships with its long-term customers throughout the supply chain, stabilised its comparative advantage in the upstream and midstream business development, at the same time actively expanded its downstream businesses and thoroughly adhered to the strategy of vertical integration of the Group.

While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through establishing strategic partnerships, the Group and its partners will be able to leverage on their respective strengths and experiences in laying a solid foundation for broader co-operation in the future. One of the most significance was the establishment of a company with Motech Solar Group, a specialist solar cell manufacturer. The company mainly engages in the manufacturing of photovoltaic modules. 400MW photovoltaic modules manufacturing capacity has reached full production in March 2016. In addition, the Group has another 200MW set to commence production in April 2016. The Group's total annual production volume of photovoltaic modules will then reach 1.2GW (31 December 2014: 600MW).

Further, through a subsidiary in Germany, which mainly engaged in PV system business, the Group have been well set up to develop projects overseas. Various small to medium scale projects in Germany and Turkey have been completed in the past. Currently, our overseas pipeline includes projects in Ghana, Turkey, Pakistan, etc. The Group also acquired a PRC solar plant construction company in March 2014, to further expand its presence in EPC and O&M business in the Chinese market. Various projects of different sizes located in PRC are under development, while some are under construction.

In addition, the Group continued to operate a 20MW large-scale photovoltaic power plants project in Golmud, Qinghai Province, operated under Golmud Solargiga Energy Electric Power Co., Ltd., which is held as to 70% by the Group through Qinghai Solargiga. This project is in operation, and approximately 33 million kWh electricity can be generated per year on average. The project is enjoying the photovoltaic power generation Feed-In Tariff policy of RMB1.15 per kWh as set out by the National Development and Reform Commission. Combining German designing techniques and strategic advantages of self-manufactured PV modules, the Group has successfully realised its potentials and synergies.

During the year, the Group achieved a turnaround from previous losses under the improving environment in the global photovoltaic industry and the frequent launches of favorable policies by the PRC government. 2015 marked another record-breaking year. Comparing 1,016.4MW in 2014, external shipment volume grew by 13.2% to 1,151.0MW with turnover at RMB2,899.550 million. Operating profit amounted to RMB152.548 million. Mono-crystalline products are becoming the popular choice in solar projects and the market share of mono-crystalline products is improving in the current market. The proportion of solar plants installing mono-crystalline PV systems has increased as a result.

Under its vertically-integrated strategy, management has put in place measures to exploit comparative strengths of the Group to further develop the downstream solar market through direct contacts with grid companies, electricity users or solar plant installation contractors and the management is of the view that the Group is well-positioned to capture the growth in the market.

Wafer Business

As at 31 December 2015, the Group has an annual production capacity of 900MW of wafers. During the year, the installation of diamond saw to replace the existing slurry in its slicing technique has partially affected the Group's wafer manufacturing capacity. However, the Group still maintained a high level of utilisation of its wafer manufacturing capacity and external shipment volume of self-manufacturing and processing of silicon solar wafers of the Group increased by 14%. This was mainly driven by the significant growth in the solar energy industry.

Diamond saw is able to improve the consistency and reduce the thickness of each slice of wafer. After the implementation, the Group is expected to realise an increase in slicing capacity.

Cell Business

The Group's production lines of solar cells are located at the manufacturing base of the Group in Jinzhou, Liaoning. During the year, the annual production capacity of solar cells was 330MW. Such solar cells are on the one hand sold internally to provide high-quality raw materials supply for the downstream module business of the Group, and also sold externally to the customers in China and Japan. During the year, the external shipment volume of solar cells was approximately 100.0MW. Comparing to 110.6MW in the same period last year, it decreased slightly by 9%. It was mainly due to a higher portion of solar cells being reserved to the production of modules within the Group, in order to cope with the increase in module demands.

Module Business

During the year, in view of the rapid growth of demand for solar modules, and in order to strengthen the market competitiveness of the Group's downstream businesses, and consolidate the Group's strategy of vertical integration, the Group stroked a strategic alliance with Motech Solar Group, a specialist solar cell manufacturer and established a company. The company mainly engages in the manufacturing of photovoltaic modules. 400MW photovoltaic modules manufacturing capacity has reached full production in March 2016. In addition, the Group has another 200MW set to commence production in April 2016. The Group's total annual production volume of photovoltaic modules will then reach 1.2GW (31 December 2014: 600MW). Driven by the strong customer demand for downstream photovoltaic modules, the Group's competitive edge in terms of costs effectiveness will be strengthened in relation to the vertical integration strategy. It will also lay a solid foundation for broader co-operation in the Group's future construction and operating of photovoltaic systems business.

Based on the increase in demand by long-term key customers including Sharp Corporation ("Sharp") and State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC", previously named China Power Investment Group ("CPI Group")), the Group recorded significant increases in external shipment volumes up to 615.5MW, represented a 18.7% increase from 518.4MW in the same period last year.

The volume of external shipment exceeded our photovoltaic module production capacity. In order to satisfy the strong demand for the Group's photovoltaic modules, during the year, the Group has engaged a processing sub-contractor for the extra production needed. This is a significant indication of the sentiment of certain segment of the market during the year, where demand was not catching up with the supply.

In addition, through expanding its module production capacity and rigorous efforts in developing new customers in PRC without compromising the Group's overseas shipment volume and sales, the proportion of local to overseas sales is expected to improve from its current 35:65 ratio to a more sustainable ratio of 50:50.

Construction and Operating of Photovoltaic Systems Business

To consolidate its advantages of the business model of vertical integration, the Group actively expanded the business of end-user market apart from its efforts in stabilizing its upstream and midstream business development, thereby driving demand for products from downstream to upstream.

Through a subsidiary in Germany, which mainly engaged in PV system business, the Group have been well set up to develop projects overseas. Various small to medium scale projects in Germany and Turkey have been completed in the past. Currently, our overseas pipeline includes projects in Ghana, Turkey, Pakistan, etc. The Group also acquired a PRC solar plant construction company in March 2014, to further expand its presence in EPC and O&M business in the Chinese market. Various projects of different sizes located in PRC are under development, while some are under construction.

In addition, the Group continued to operate a 20MW large-scale photovoltaic power plants project in Golmud, Qinghai Province, operated under Golmud Solargiga Energy Electric Power Co., Ltd., which is held as to 70% by the Group through Qinghai Solargiga. This project is in operation, and approximately 33 million kWh electricity can be generated per year on average. 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. Combining German designing techniques and strategic advantages of self-manufactured PV modules, the Group has successfully realised its potentials and synergies.

Revenue

2015 marked another record-breaking year with external shipment of 1,151.10MW and revenue of RMB2,899.550 million, represented an increase of RMB34.851 million compared with the year ended 31 December 2014. The Group expected demand for its products to remain strong as the global and especially the Chinese solar energy market continue to flourish.

Cost of sales

For the year ended 31 December 2015, cost of sales increased by 6.2% to RMB2,657.012 million from RMB2,500.782 million for the year ended 31 December 2014. Cost of sales represented 91.6% of total revenue. The increase in cost of sales mainly due to the increase in the external sales volume.

Gross profit and gross profit margin

For the year ended 31 December 2015, the Group recorded a gross profit of RMB242.538 million and a gross profit margin of 8.4%, as compared to a gross profit of RMB363.917 million and a gross profit margin 12.7% for the year ended 31 December 2014.

Since the second half of 2015, driven by the demand for photovoltaic modules required by the construction of power plant, demand for solar cells increased and in turn, solar cell market prices rose. However, module price was set at the time of the tenders of the power plant construction and hence did not timely reflect the increase in the market price of the solar cells. As a result of this time lag, at the time of the production, the Group could only purchase solar cells at a relatively higher prices. The gross profit margins was compressed as a result.

However, disregarding the exception mentioned above, the gross profit margin recorded in 2015 was similar to that in 2014. Further, the improvement in earnings before interest, taxes, depreciation and amortisation (“EBITDA”) to revenue ratio rose from 9.0% in 2014 to 11.9%, in 2015 illustrates an improvement in production efficiency.

Selling and distribution expenses

Selling and distribution expenses mainly comprised freight charges and marketing and promotional expenses. Selling and distribution expenses slightly decreased by approximately 2% to RMB28.450 million for the year ended 31 December 2015 from RMB28.917 million for the year ended 31 December 2014, representing 1% of the total turnover of the Group (2014: 1%). The decrease in selling and distribution expenses was mainly due to the increase in the PRC sales, where the goods are delivered locally within the country.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses for the year of 2015 amounted to RMB202.781 million, decreasing by 5.2% as compared to RMB213.912 million in 2014, representing around 7% of the revenue of the Group in both years. The decrease in administrative expenses was mainly due to the successful implementation of cost control measures after the restructuring of each of the business units during the year.

Further, as a result of the relocation of five different production plants to one location. It is expected that the administrative expenses to sales ratio will improve further in the coming years.

Finance costs

Finance costs represented mainly bank loans interest. The finance costs of the Group decreased from RMB121.361 million for the year ended 31 December 2014 to RMB119.984 million for the year ended 31 December 2015. The decrease in finance cost was mainly due to better financial control on the use of funds during the year.

Income tax

Income tax expense was RMB3.03 million for the year ended 31 December 2015, while an income tax credit amounted to RMB4.83 million was recorded for the year ended 31 December 2014. The income tax expense was mainly a combined effect of the tax provision made in 2015, in respect of prior years' under-provision, and the reversal of unused tax loss in 2015. Income tax expense recorded for 2015 was attributable to the taxable profits generated by the solar cell and photovoltaic module businesses in China.

Profit/(loss) attributable to the equity shareholders

For the year ended 31 December 2015, the Group recorded a profit attributable to the equity shareholders of RMB15.653 million, an increase of 124.5% as compared to the loss attributable to the equity shareholders of RMB63.846 million for the year ended 31 December 2014.

Inventory turnover days

The inventories of the Group comprised mainly raw materials, namely polysilicon and other auxiliary raw materials, and finished goods. During the year ended 31 December 2015, the inventory turnover days of the Group were 89 days (2014: 81 days). The Group is putting in enormous effort toward maintaining a level of lower inventory turnover days. As the proportion of modules in inventory increases, comparing to the proportion of polysilicon, after the commissioning of the additional module manufacturing capacity in 2016, the inventory turnover days is expected to improve as a result.

Trade receivable turnover days

For the year ended 31 December 2015, the trade receivable turnover days of the Group was 53 days (2014: 40 days). Generally, the Group allows a longer credit period for photovoltaic module sales. The increase in trade receivable turnover days was mainly due to an increase in proportion of photovoltaic module sales near the end of the year.

Trade payable turnover days

As a result of stable business development in an upward market, the Group has better bargain power for cash collection cycle, payments to suppliers were extended during the year. Accordingly, trade payable turnover days during the year increased to 108 days (2014: 89 days).

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flows from bank borrowings. As at 31 December 2015, the current ratio (current assets divided by current liabilities) of the Group was 0.87 (31 December 2014: 0.73). The Group had net borrowings of RMB1,626.869 million as at 31 December 2015 (31 December 2014: RMB1,465.093 million), including cash at banks and on hand of RMB193.953 million (31 December 2014: RMB195.257 million), pledged bank deposits of RMB459.171 million (31 December 2014: RMB145.710 million), bank loans due within one year of RMB1,931.849 million (31 December 2014: RMB1,420.188 million) and non-current bank and other loans of RMB348.144 million (31 December 2014: RMB385.872 million). Further, during the year, the Group purchased financial products amounted to RMB123.942 million (31 December 2014: Nil) from a bank with principal guaranteed earning floating interests. The net debt to equity ratio (net debt divided by total equity) was 129.2% (31 December 2014: 124.6%).

Earnings before interest, taxes, depreciation and amortization (“EBITDA”)

For the year ended 31 December 2015, the Group recorded an earnings before interest, taxes, depreciation and amortization amounted to RMB344.806 million (11.9% to revenue) which showed solid improvement from RMB258.244 million (9.0% to revenue) for the ended 31 December 2014.

During the year, the driving force behind the improvement in EBITDA was mainly due to the continued improvement in the Group’s production efficiency and its cost control measures as mentioned in the Operations Review above.

Contingent liabilities

Financial guarantees issued

At 31 December 2015, the Group has undertaken to guarantee a bank loan to an associate to the extent of RMB37,000,000 (31 December 2014: RMB74,000,000). As most of the loan balances are secured by the fixed assets of the associate, the directors consider fair value of the above financial guarantee is insignificant.

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 above guarantee issued is the outstanding amount of the loan advanced by the bank to the associate of RMB37,000,000.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases and cash and bank deposits that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk are primarily the US Dollar, Euro, Hong Kong Dollar and Japanese yen. The Directors do not expect any significant impact from the change in exchange rates since the Group uses foreign currencies received from customers to settle the amounts due to suppliers. In addition, the Directors ensure that the net exposure is kept at an acceptable level by purchasing or selling the US Dollar and Euro at spot rates where necessary to address short-term imbalances.

As at 31 December 2015, the Group had 3,748 (31 December 2014: 3,641) employees.



A major document on the photovoltaic industry named “Opinions on Further Optimizing the Market Conditions for Mergers and Restructuring for the Photovoltaic Industry” (《關於進一步優化光伏企業兼併重組市場環境的意見》) (the “Opinions”) issued by the Ministry of Industry and Information Technology of China in late 2014 pointed to the strengthened financial support for photovoltaic enterprises for their expedited structural optimization, transformation and upgrade through mergers and acquisitions, and to the formation of some core enterprises in the industry with strong international competitiveness by the end of 2017. The Opinions also encourage closer cooperation among upstream and downstream enterprises along the industry chain, more enhanced industry chain structure, and in turn better profitability along the industry chain. The Opinions will accelerate industrial consolidation, elimination of obsolete enterprises with low production capacity, and help premium enterprises with leading technological edges to capture favorable market shares. Focusing on the development of monocrystalline products, the Group commands industry-leading technology for the production of monocrystalline products. It also runs on a unique business model covering the whole industry chain of the photovoltaic industry, fully leveraging the synergy among business segments of the Group and providing the Group with obvious competitive advantage on the market.

2016 is the first year of the Thirteenth Five-Year Plan of China. After the successful

In addition to the existing long-term local key customers State Power Investment Corporation (中國國家電力投資集團公司) (“SPIC”, previously named China Power Investment Group (“CPI Group”)), through expanding its module production capacity and rigorous efforts in developing new customers in PRC, the Group has strengthened its ties with state-owned

The register of members of the Company will be closed from 25 June 2016 to 29 June 2016, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, all transfers accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 June 2016.

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

The Company has adopted the Model Code for Securities Transactions as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Specific enquiries have been made by the Company to confirm that all Directors have been complied with the Model Code throughout the year ended 31 December 2015.

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 2015.

The 2015 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.

It is proposed that the annual general meeting of the Company be held on 29 June 2016. Notice of the annual general meeting will be published and issued to shareholders in due course.

By Order of the Board

Executive Director

Hong Kong, 23 March 2016

As at the date of this announcement, Mr. Tan Wenha (Chairman), Mr. Hsiao Yohan, Mr. Tan Xin and Mr. Wang Chnwei are executive Directors of the Company, and Dr. Wong Wing Ken, Albert, Ms. Fung Shingye and Mr. Zhang Chen are independent non-executive Directors of the Company.