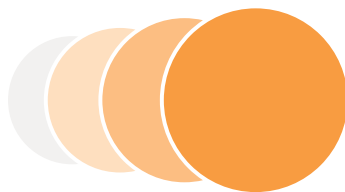


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GOLDEN SOLAR

GOLDEN SOLAR NEW ENERGY TECHNOLOGY HOLDINGS LIMITED

金陽新能源科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1121)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “Board”) of directors (the “Directors”) of Golden Solar New Energy Technology Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2022, together with the comparative figures for 2021 and the relevant explanatory notes as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
REVENUE	4	274,277	313,506
Cost of sales		<u>(238,754)</u>	<u>(224,989)</u>
GROSS PROFIT		35,523	88,517
Other net income and gains	4	55,502	32,486
Reversal of impairment loss/(impairment loss) on trade receivables		1,220	(648)
Selling and distribution expenses		(11,707)	(10,559)
General and administrative expenses		(240,906)	(88,530)
Amortisation of intangible assets		(416)	(107)
Finance costs	5	(4,414)	(5,572)
Fair value gain on financial assets at fair value through profit or loss		141	707
Fair value gain/(loss) on investment properties	10	<u>135</u>	<u>(4,763)</u>
(LOSS)/PROFIT BEFORE TAX	6	(164,922)	11,531
Income tax expense	7	<u>(2,118)</u>	<u>(2,308)</u>
(LOSS)/PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(167,040)</u>	<u>9,223</u>
(LOSS)/EARNINGS PER SHARE	9		
– Basic (RMB cent)		<u>(9.767)</u>	<u>0.579</u>
– Diluted (RMB cent)		<u>(9.767)</u>	<u>0.512</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		131,639	85,401
Investment properties	<i>10</i>	66,251	66,116
Right-of-use assets		5,674	8,479
Intangible assets		3,723	881
		<u>207,287</u>	<u>160,877</u>
CURRENT ASSETS			
Inventories		179,392	110,659
Trade and bills receivables	<i>11</i>	101,583	88,340
Prepayments, deposits and other receivables		69,934	79,883
Financial assets at fair value through profit or loss		990	707
Pledged deposits		1,431	426
Cash and bank balances		354,724	135,794
		<u>708,054</u>	<u>415,809</u>
CURRENT LIABILITIES			
Trade and bills payables	<i>12</i>	94,422	88,867
Deposits received, other payables and accruals		43,119	70,835
Short-term borrowings	<i>13</i>	91,000	100,441
Contract liabilities		16,424	694
Deferred income		3,636	3,912
Lease liabilities		1,716	2,325
Income tax payable		2,183	1,400
		<u>252,500</u>	<u>268,474</u>
NET CURRENT ASSETS		<u>455,554</u>	<u>147,335</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>662,841</u>	<u>308,212</u>
NON-CURRENT LIABILITIES			
Deferred income		12,572	16,208
Lease liabilities		109	2,144
Deferred tax liability		5,360	5,024
		<u>18,041</u>	<u>23,376</u>
NET ASSETS		<u>644,800</u>	<u>284,836</u>
EQUITY			
Share capital	<i>14</i>	113,799	110,606
Reserves		531,001	174,230
TOTAL EQUITY		<u>644,800</u>	<u>284,836</u>

NOTES:

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal places of business are located in Huoju Industrial Zone, Jiangnan Town, Licheng District, Quanzhou City, Fujian Province, the People's Republic of China ("PRC") and Room 504, 5/F, OfficePlus @Sheung Wan, 93-103 Wing Lok Street, Sheung Wan, Hong Kong. The ordinary shares of the Company ("Shares") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 January 2011.

The principal activity of the Company is investment holding. The Group is engaged in the manufacture and sale of slippers, sandals, casual footwear, graphene-based ethylene-vinyl acetate ("EVA") foam material ("Graphene-based EVA Foam Material") and slippers ("Graphene-based Slippers"), graphene deodorizing and sterilizing chips for air purifiers and air conditioners ("Sterilizing Chips"), graphene air sterilizers, cast monocrystalline silicon ("Cast-mono") wafers and Cast-mono heterojunction ("HJT") solar cells and modules, and the provision of technology licensing service.

In the opinion of the Directors, the immediate holding company and the ultimate holding company of the Company are Best Mark International Limited and Market Dragon Investments Limited, respectively, which were incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Chiu Hsin-Wang.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The Group has applied the following revised IFRSs, which include IFRSs and IASs issued by the IASB for the first time in the current year.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The Directors consider the application of the above amendments to IFRSs do not have any material impact on the consolidated financial statements for the current or prior accounting periods.

3. SEGMENT INFORMATION

Information reported to the Directors, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance, focuses on types of goods or services delivered or provided. Specifically, the Group’s reportable and operating segments are as follows:

- (a) the Boree branded products segment manufactures and sells Boree branded slippers, sandals and casual footwear (“Boree Products”);
- (b) the graphene-based products segment applied the technology know-how by applying graphene in the production of Graphene-based EVA Foam Material, Graphene-based Slippers, Sterilizing Chips and graphene air sterilizers (collectively as “Graphene-based Products”) and the provision of service;
- (c) the Original Equipment Manufacturer (“OEM”) segment produces slippers for branding and resale by others; and
- (d) the photovoltaic products segment manufactures and sells Cast-mono wafers and Cast-mono HJT solar cells and modules (collectively as “Photovoltaic Products”), and the provision of technology licensing service.

The CODM monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted result before tax.

The segment profit or loss represents the profit earned by or loss from each segment without allocation of interest income, other unallocated net income and gains, fair value gain on financial assets at fair value through profit or loss (“FVTPL”), fair value change on investment properties, finance costs as well as corporate and other unallocated expenses.

3. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2022

	Boree Products RMB'000	Graphene- based Products RMB'000	OEM RMB'000	Photovoltaic Products RMB'000	Total RMB'000
Segment revenue					
Sales and provision of service	<u>845</u>	<u>15,411</u>	<u>187,363</u>	<u>70,658</u>	<u>274,277</u>
Segment results	<u>(976)</u>	<u>5,012</u>	<u>16,716</u>	<u>(9,132)</u>	<u>11,620</u>
<i>Reconciliation:</i>					
Interest income					432
Other unallocated net income and gains					54,070
Reversal of impairment loss on trade receivables					1,220
Corporate and other unallocated expenses					(227,710)
Amortisation of intangible assets					(416)
Fair value gain on financial assets at FVTPL					141
Fair value gain on investment properties					135
Finance costs					<u>(4,414)</u>
Loss before tax					<u><u>(164,922)</u></u>

3. SEGMENT INFORMATION *(continued)*

Year ended 31 December 2021

	Boree Products <i>RMB'000</i>	Graphene- based Products <i>RMB'000</i>	OEM <i>RMB'000</i>	Photovoltaic Products <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sales to external customers	1,300	5,663	261,709	24,834	293,506
Provision of technology licensing service	–	–	–	20,000	20,000
	<u>1,300</u>	<u>5,663</u>	<u>261,709</u>	<u>44,834</u>	<u>313,506</u>
Segment results	<u>(673)</u>	<u>(1,084)</u>	<u>45,676</u>	<u>24,440</u>	<u>68,359</u>
<i>Reconciliation:</i>					
Interest income					82
Other unallocated net income and gains					32,399
Impairment loss on trade receivables					(648)
Corporate and other unallocated expenses					(78,926)
Amortisation of intangible assets					(107)
Fair value gain on financial assets at FVTPL					707
Fair value loss on investment properties					(4,763)
Finance costs					<u>(5,572)</u>
Profit before tax					<u><u>11,531</u></u>

4. REVENUE, OTHER NET INCOME AND GAINS

Revenue, which is also the Group's turnover, represents i) the net invoiced value of goods sold, after allowances for returns and trade discounts and the provision of service, and ii) the provision of technology licensing service.

An analysis of revenue, other net income and gains is as follows:

	2022	2021
	RMB'000	RMB'000
Revenue		
Recognised at a point in time		
Sale of goods and provision of service	274,277	293,506
Provision of technology licensing service	–	20,000
	<u>274,277</u>	<u>313,506</u>
Other net income and gains		
Interest income	432	82
Sales of scrap materials	492	35
Rental income from investment properties less direct outgoings expenses of RMB Nil (2021: RMB Nil)	4,475	2,182
Rental income under operating leases	343	1,197
Subsidy income*	2,965	1,207
Compensation for land resumption	–	22,158
Over-provision for social security	–	4,570
Reversal of long outstanding payables	–	745
Gain on termination of lease	–	5
Exchange gain, net	42,263	–
Gain on disposal of property, plant and equipment	79	–
Subcontracting income	4,366	–
Gain on modification of lease	13	–
Others	74	305
	<u>55,502</u>	<u>32,486</u>

* *There are no unfulfilled conditions or contingencies relating to these subsidies.*

5. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest on bank loans and other borrowings	4,030	5,466
Interest on lease liabilities	146	93
Effective interest on deferred rental income	238	13
	<u>4,414</u>	<u>5,572</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cost of inventories sold	238,754	226,653
Cost of services	–	1,718
Depreciation of property, plant and equipment	10,383	8,671
Depreciation of right-of-use assets	2,402	954
Amortisation of intangible assets	416	107
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	88,275	66,274
Equity-settled share-based payments	119,605	6,030
Staff welfares	3,426	1,894
Contributions to retirement benefits schemes	6,848	4,156
	<u>218,154</u>	<u>78,354</u>
Auditors' remuneration	1,591	1,378
(Reversal of impairment loss)/impairment loss on trade receivables	(1,220)	648
Impairment loss/(reversal of impairment loss) on inventories	3,985	(3,382)
Loss on write-off/disposals of property, plant and equipment	2	1,500
Exchange loss, net	–	7,845
Research and development costs	52,370	18,873
	<u>52,370</u>	<u>18,873</u>

7. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the year (2021: Nil). Taxes on profits assessable in the PRC have been calculated at the prevailing rates, based on existing legislation, interpretations and practices in respect thereof.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
PRC Enterprise Income Tax		
Charge for the year	2,181	2,699
(Over)/under-provisions in prior years	(399)	1
Deferred tax	336	(392)
	<hr/>	<hr/>
Total tax expense for the year	2,118	2,308
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

No dividend was proposed for the years ended 31 December 2022 and 2021 and since the end of the reporting period.

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic loss per share is based on the consolidated loss for the year attributable to owners of the Company of approximately RMB167,040,000 (2021: consolidated profit of approximately RMB9,223,000) and the weighted average number of Shares of 1,710,160,978 (2021: 1,591,515,624) in issue during the year.

The weighted average number of Shares used to calculate the basic loss per share for the year ended 31 December 2022 included the 1,661,909,608 Shares in issue as at 1 January 2022, 50,000 Shares issued during the year in respect of the exercise of share options and 50,000,000 Shares issued in respect of the completion of placing of new Shares on 14 January 2022.

The weighted average number of Shares used to calculate the basic earnings per share for the year ended 31 December 2021 included the 1,486,859,608 Shares in issue as at 1 January 2021, 98,050,000 Shares issued during the year in respect of the exercise of share options and 20,000,000 Shares and 57,000,000 Shares issued in respect of the completion of subscription and placing of new Shares on 19 April 2021.

9. (LOSS)/EARNINGS PER SHARE (continued)

(b) Diluted (loss)/earnings per share

The diluted earnings per share is calculated by dividing the consolidated profit for the year attributable to owners of the Company by the weighted average number of Shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of Shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential Shares into Shares.

For the year ended 31 December 2022, diluted loss per share does not assume the exercise of the Company's share options as the exercise of the Company's share options would result in a decrease in loss per share, and is regarded as anti-dilutive.

For the year ended 31 December 2021, the weighted average number of Shares used in calculating the diluted earnings per share amount is as follows:

	2021
	Number of
	Shares
Weighted average number of Shares used in the basic earnings per share calculation	1,591,515,624
Effect of dilutive potential ordinary shares	<u>208,482,658</u>
Weighted average number of Shares used in the diluted earnings per share calculation	<u><u>1,799,998,282</u></u>

10. INVESTMENT PROPERTIES

	<i>RMB'000</i>	
As at 1 January 2021		60,029
Additions at cost		10,850
Fair value loss on investment properties		<u>(4,763)</u>
As at 31 December 2021 and 1 January 2022		66,116
Fair value gain on investment properties		<u>135</u>
As at 31 December 2022		<u><u>66,251</u></u>
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Representing:		
Leasehold land	35,670	35,180
Building	<u>30,581</u>	<u>30,936</u>

The Group's properties located in the PRC are leased to a third party to earn rentals or for capital appreciation purposes.

The fair values of the Group's investment properties as at 31 December 2022 and 2021 had been arrived at on the basis of the valuations carried out by Quanzhou Heyi Assets and Real Estate Appraisal Co., Ltd, an independent professional valuer. In estimating the fair value of the investment properties, the management of the Group has considered the highest and best use of the investment properties.

The Group has pledged the leasehold land of investment properties with a net carrying amount of approximately RMB35,670,000 (2021: RMB35,180,000) to secure general banking facilities granted to the Group. As at 31 December 2021, the building of investment properties with a net carrying amount of approximately RMB11,137,000 was pledged to secure loan facility from an independent third party. This loan facility was expired in March 2022.

11. TRADE AND BILLS RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period offered to its customers is generally for a period of one to three months (2021: one to three months). The Group seeks to apply strict control over its outstanding receivables and has a credit control department to monitor credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. Trade and bills receivables are non-interest-bearing.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables:		
– sales of goods	95,674	68,215
– provision of technology licensing service	–	21,200
Bills receivables	6,056	292
	101,730	89,707
Less: Allowance for credit losses	(147)	(1,367)
	101,583	88,340

An aging analysis of the Group's trade and bills receivables, net of allowance for credit losses as at the end of the reporting period, based on the invoice dates, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	93,842	84,617
4 to 6 months	3,772	3,723
7 to 9 months	3,969	–
	101,583	88,340

12. TRADE AND BILLS PAYABLES

An aging analysis of the Group's trade and bills payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	72,805	68,770
Over 3 months	21,617	20,097
	94,422	88,867

12. TRADE AND BILLS PAYABLES (continued)

The trade and bills payables are non-interest-bearing and are normally settled on six months terms (2021: six months). Bills payable of approximately RMB4,770,000 (2021: RMB1,420,000) were secured by the Group's pledged deposits amounted to approximately RMB1,431,000 as at 31 December 2022 (2021: RMB426,000).

13. SHORT-TERM BORROWINGS

		2022 RMB'000	2021 <i>RMB'000</i>
Secured bank loans repayable within one year	(b)	91,000	91,000
Unsecured loans repayable within one year		<u>–</u>	<u>9,441</u>
		<u>91,000</u>	<u>100,441</u>

- (a) At 31 December 2022 and 2021, the loans were denominated in Renminbi and bore interest rates ranging from:

Year ended 31 December 2022 3.90% to 4.44% per annum

Year ended 31 December 2021 4.35% to 5.13% per annum

- (b) At 31 December 2022, the secured bank loans of the Group were secured by a pledge of the Group's buildings with carrying amount of approximately RMB1,856,000 (2021: RMB2,238,000), leasehold land of right-of-use assets and the leasehold land of investment properties with carrying amounts of approximately RMB3,900,000 (2021: RMB4,047,000) and approximately RMB35,670,000 (2021: RMB35,180,000) respectively. In addition, the bank loans were secured by guarantees provided by an independent third party and a Director and his son.

14. SHARE CAPITAL

The details of the authorised and issued share capital of the Company are as follows:

	Number of ordinary shares of US\$0.01 each	Nominal value of ordinary shares US\$'000	Nominal value of ordinary shares RMB'000
Authorised:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,000,000,000	50,000	342,400
Issued and fully paid:			
At 1 January 2021	1,486,859,608	14,869	99,310
Completion of subscription and placing of new Shares	77,000,000	770	5,050
Issue of Shares upon exercise of share options	98,050,000	980	6,246
At 31 December 2021 and 1 January 2022	1,661,909,608	16,619	110,606
Completion of placing of new Shares	50,000,000	500	3,190
Issue of Shares upon exercise of share options	50,000	1	3
At 31 December 2022	1,711,959,608	17,120	113,799

As disclosed in the Company's announcements dated 24 March 2021 and 19 April 2021, Mr. Lin Dongliang, an independent subscriber, subscribed for a total of 20,000,000 new Shares of US\$0.01 each at a subscription price of HK\$4 per subscription share (the "Share Subscription") and the Company placed a total of 57,000,000 new Shares through a placing agent at placing price of HK\$4 per placing share (the "2021 Placing"). The Share Subscription and the 2021 Placing were completed on 19 April 2021. The net proceeds from the Share Subscription and the 2021 Placing (after deducting the relevant expenses) were approximately HK\$79,700,000 and HK\$226,720,000 respectively.

As disclosed in the Company's announcements dated 30 December 2021 and 14 January 2022, the Company placed a total of 50,000,000 new Shares through a placing agent to two places at the placing price of HK\$10 per placing share (the "2022 Placing") which was completed on 14 January 2022. The net proceeds from the 2022 Placing (after deducting the relevant expenses) were approximately HK\$497,850,000.

EXTRACTS FROM INDEPENDENT AUDITOR’S REPORT

The following is an extract from the report issued by Confucius International CPA Limited, the Company’s auditor, on the consolidated financial statements of the Group for the year ended 31 December 2022:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the revenue of the Group amounted to approximately RMB274.3 million, representing a decrease of approximately 12.5% when compared to the amount of approximately RMB313.5 million for the corresponding period in 2021. The gross profit of the Group during the year decreased by 59.9% to approximately RMB35.5 million and the gross profit margin of the Group during the year also decreased to approximately 13.0% as compared to approximately 28.2% in 2021.

The decrease in revenue and gross profit was primarily attributed to the following factors:

- i) In 2021, due to the impact of the novel coronavirus (“COVID-19”) pandemic, some of the Group’s customers of the OEM business transferred orders originally placed with Southeast Asian and Indian manufacturers to PRC manufacturers. In 2022, suppliers in Southeast Asia and India resumed production and supply, resulting in some orders redirected back to those regions. In addition, due to macroeconomic factors such as domestic inflation and sluggish consumer demand in the United States of America (“US”), the orders returning to the PRC were limited, ultimately leading to sharp price-cutting competition among domestic manufacturers and impacting the Group’s gross profit.
- ii) In 2021, there was a one-off provision of technology licensing service income of RMB20 million in the Photovoltaic Products segment.

MANAGEMENT DISCUSSION AND ANALYSIS (continued)

During the year, the Group recorded a net loss of approximately RMB167.0 million, as compared with the net profit of approximately RMB9.2 million of last year. The increase in net loss of the Group during the year was mainly due to i) the grant of a total of 54,000,000 share options by the Company on 21 January 2022 with an equity-settled share-based payments of approximately RMB119.6 million during the year. Such expense is a non-cash accounting item which has no impact on the cash flow of the Group; ii) the Group increased its research and development investment in the Photovoltaic Products business during the year to improve products and prepare for mass production after relocation to the new plant, resulting in a year-on-year increase of approximately RMB33.5 million in research and development costs; iii) there was a one-off provision of technology licensing service income of RMB20 million in 2021; and iv) there was a one-off compensation for land resumption recorded in other income of approximately RMB22.2 million in 2021.

FINANCIAL REVIEW

Revenue by Product Category

	2022	2021	Increase/ (decrease)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>% change</i>
Revenue (Boree Products)	845	1,300	(35.0)%
Revenue (Graphene-based Products)	15,411	5,663	172.1%
Revenue (OEM Business)	187,363	261,709	(28.4)%
Revenue (Photovoltaic Products)	70,658	44,834	57.6%
Revenue (Total)	<u>274,277</u>	<u>313,506</u>	<u>(12.5)%</u>

Boree Products

Revenue from Boree Products decreased by 35.0% to approximately RMB0.8 million during the year (2021: RMB1.3 million) because of the decrease in online sales.

FINANCIAL REVIEW *(continued)*

Graphene-based Products

The revenue of Graphene-based Products increased by approximately RMB9.7 million to approximately RMB15.4 million during the year (2021: RMB5.7 million) as the Group has successfully designed and developed air purification device and sterilizing modules for air conditioning system and delivered to customer commencing from second half of 2021 and the sales of such modules amounted to approximately RMB14.0 million during the year.

OEM Business

The revenue of OEM business decreased by approximately RMB74.3 million to approximately RMB187.4 million during the year (2021: RMB261.7 million). During the year, suppliers in Southeast Asia and India resumed production and supply, resulting in some orders redirected back to those regions. In addition, due to macroeconomic factors such as domestic inflation and sluggish consumer demand in the US, the orders returning to the PRC were limited, ultimately leading to sharp price-cutting competition among domestic manufacturers and resulting in a decrease in both revenue and gross profit margin of the OEM business during the year.

Photovoltaic Products

In 2021, Golden Solar Silicon Science & Technology (Xu Zhou) Co., Ltd., an indirect wholly-owned subsidiary of the Company was set up to manufacture Cast-mono wafers and the first production facility of Cast-mono wafers in Xuzhou has successfully achieved commercial mass production in the second half of 2021. In 2022, the Group's Photovoltaic Products business has taken another step in the vertical integration of its supply chain. Golden Solar (Quanzhou) New Energy Technology Co., Ltd., an indirect wholly-owned subsidiary of the Company has entered into a production facility lease agreement in relation to the leasing of a 250 megawatts high efficiency HJT solar cell production line and related auxiliary production facilities located in Putian, Fujian Province. This new business of Photovoltaic Products brought a new source of income to the Group. The sales in the year amounted to approximately RMB70.7 million, increased by 57.6% as compared to 2021 (2021: RMB44.8 million). Excluding the technology licensing service income of RMB20 million in 2021, sales amount of Photovoltaic Products business in 2022 reached approximately 2.8 times of sales amount of approximately RMB24.8 million in 2021. As the market gradually transitions to technology such as HJT and Tunnel Oxide Passivated Contact ("TOPCon") technology and has higher demand for low-cost and high-efficiency N-type silicon wafers, the Group anticipates continued growth and higher contributions from its Photovoltaic Products business.

FINANCIAL REVIEW *(continued)*

Selling and Distribution Expenses

During the year, selling and distribution expenses increased by 10.9% to approximately RMB11.7 million as compared with that of last year (2021: RMB10.6 million), which accounted for 4.3% (2021: 3.4%) of the Group's revenue. The increase was mainly attributable to the increase in both local and overseas transportation fee and inspection fee due to lockdowns and stricter COVID-19 epidemic prevention requirements.

General and Administrative Expenses

General and administrative expenses recorded an increase of approximately RMB152.4 million or 172.1% during the year to approximately RMB240.9 million as compared with that of last year (2021: RMB88.5 million), which was mainly attributable to (i) increase in equity-settled share-based payments of approximately RMB113.6 million in relation to 54,000,000 share options granted by the Company on 21 January 2022; (ii) increase in research and development costs of approximately RMB33.5 million; and (iii) increase in wages and salaries of approximately RMB5.4 million as more senior management and administrative staff were recruited to support the new business of Photovoltaic Products.

Liquidity and Financial Resources

During the year, net cash outflow from operating activities of the Group amounted to approximately RMB78.7 million (2021: RMB63.1 million). As at 31 December 2022, cash and bank balances were approximately RMB354.7 million, approximately 2.6 times of the cash and bank balances as at the end of last year (2021: RMB135.8 million). As at 31 December 2022, around 78.9%, 5.0% and 14.4% of the Group's cash and bank balances were denominated in Hong Kong dollars, Renminbi and US dollars respectively. As at 31 December 2022, the short-term borrowings of the Group were approximately RMB91.0 million (2021: RMB100.4 million). All loans were denominated in Renminbi, with fixed interest rates and repayable within one year.

As at 31 December 2022, the gearing ratio of the Group was 40.8% (2021: 100.2%). Gearing ratio was calculated as total debts divided by the total equity. Total debts refer to the total liabilities minus the sum of tax payable and deferred tax liability.

FINANCIAL REVIEW *(continued)*

Capital Structure

As at 1 January 2022, the Company had 1,661,909,608 Shares in issue and a paid-up capital of approximately RMB110,606,000. During the year, the Company issued a total of 50,000 Shares to share option holders who exercised their share options, and issued a total of 50,000,000 Shares in respect of the completion of 2022 Placing on 14 January 2022. As at 31 December 2022, the Company had 1,711,959,608 Shares in issue and a paid-up capital of approximately RMB113,799,000.

Significant Investments, Material Acquisitions and Disposals

During the year, the Group did not have any other significant investments, material acquisitions and disposals.

Pledge of Assets

As at 31 December 2022, the bills payables were secured by a pledge of the Group's deposits amounting to approximately RMB1.4 million (2021: RMB0.4 million). As at 31 December 2022, the bank borrowings of the Group were secured by a pledge of the Group's buildings with carrying amount of approximately RMB1.9 million (2021: RMB2.2 million), leasehold land of right-of-use assets and the leasehold land of investment properties with carrying amounts of approximately RMB3.9 million (2021: RMB4.0 million) and approximately RMB35.7 million (2021: RMB35.2 million) respectively.

As at 31 December 2021, the building of investment properties with a net carrying amount of approximately RMB11.1 million was pledged to an independent third party for a loan facility of RMB20 million. The loan was not yet utilised as at 31 December 2021. This loan facility was expired in March 2022.

Contingent Liabilities

There was no material contingent liabilities as at 31 December 2022 and 2021.

FINANCIAL REVIEW *(continued)*

Foreign Exchange Risk

During the year, the revenue of the Group were mainly denominated in US dollars and Renminbi. The cost of sales and operating expenses were mainly denominated in Renminbi. Management of the Group monitors the foreign exchange risk and will consider hedging significant foreign currency risk exposure if necessary.

Human Resources

As at 31 December 2022, the Group had a total of approximately 930 employees (2021: 780 employees), with total staff costs for the year ended 31 December 2022, including directors' remuneration, amounted to approximately RMB218,154,000 (2021: RMB78,354,000). The Group's emolument policies are based on the merit, qualifications and competence of individual employee and are reviewed by the remuneration committee periodically. The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics. The Company also adopted a new share option scheme on 2 July 2021 to motivate and reward its Directors and eligible employees.

Use of Net Proceeds From the Share Subscription and Placing

As disclosed in the Company's announcements dated 24 March 2021 and 19 April 2021, the Share Subscription and the 2021 Placing were completed on 19 April 2021. The closing market price was HK\$4.76 per Share on the date on which the terms of the Share Subscription and 2021 Placing were fixed. The gross proceeds from the Share Subscription and 2021 Placing were approximately HK\$80,000,000 (equivalent to approximately RMB67,494,000) and approximately HK\$228,000,000 (equivalent to approximately RMB192,359,000) respectively, and the net proceeds (after deducting the relevant expenses incurred in the Share Subscription and 2021 Placing) were approximately HK\$79,700,000 (equivalent to approximately RMB67,242,000) and approximately HK\$226,720,000 (equivalent to approximately RMB191,280,000) respectively. The net subscription price and net placing price, after deducting relevant expenses, were approximately HK\$3.99 per subscription share and HK\$3.98 per placing share, respectively.

The Directors considered that the Share Subscription and 2021 Placing represented an opportunity to strengthen the Group's financial position and raise additional funding for the business operations of the Group without any interest burden, as well as to enlarge shareholders' base of the Company which may in turn enhance the liquidity of the Shares.

FINANCIAL REVIEW (continued)

The utilisation of the net proceeds of the Share Subscription and 2021 Placing as at 31 December 2022 is set out as follows:

Nature	Intended	Amount of the	Amount of the	Balance of the
	use of the	net proceeds	net proceeds	net proceeds
	net proceeds	utilised during	utilised during	un-utilised
		the year ended	the year ended	as at
		31 December	31 December	31 December
		2021	2022	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Development of photovoltaic and related business	134,990	96,181	38,809	–
Settlement of other payables and short-term borrowings	42,184	30,656	11,528	–
Settlement of other payables for the casting silicon furnaces	37,460	37,460	–	–
General working capital	43,888	43,888	–	–
Total:	<u>258,522</u>	<u>208,185</u>	<u>50,337</u>	<u>–</u>

As disclosed in the Company's announcements dated 30 December 2021 and 14 January 2022, the 2022 Placing was completed on 14 January 2022. The closing market price was HK\$10.3 per Share on the date on which the terms of the 2022 Placing were fixed. The gross proceeds and net proceeds (after deducting the placing commission and other related expenses and professional fees) from the 2022 Placing were approximately HK\$500,000,000 (equivalent to approximately RMB409,050,000) and approximately HK\$497,850,000 (equivalent to approximately RMB407,291,000) respectively. The net placing price, after deducting relevant expenses, was approximately HK\$9.96 per placing share.

The Directors considered that the 2022 Placing represented a good opportunity for the Company to raise additional capital and hence strengthen the Company's capital base for the business operations of the Group without incurring interest costs.

FINANCIAL REVIEW (continued)

The utilisation of the net proceeds of the 2022 Placing as at 31 December 2022 is set out as follows:

Nature	Intended use of the net proceeds RMB'000	Amount of the net proceeds utilised during the year ended 31 December 2022 RMB'000	Balance of the net proceed un-utilised as at 31 December 2022 RMB'000
Procurement costs of raw materials and subcontracting fee for production of the Cast-mono wafers and solar modules	156,952	88,297	68,655
Modification of the casting silicon furnaces	61,358	2,016	59,342
Procurement of other peripheral production equipment	49,086	5,889	43,197
Procurement of production equipment for flexible modules	14,726	2,763	11,963
Procurement costs of raw materials for the flexible modules	2,454	2,454	–
Potential strategic equity investment to establish a Cast-mono HJT photovoltaic cell and module manufacturing facility	40,905	–	40,905
General working capital	81,810	69,345	12,465
Total:	<u>407,291</u>	<u>170,764</u>	<u>236,527</u>

Note:

It is expected that the remaining balances of the unutilised net proceeds will be utilised before 31 December 2023.

FUTURE PROSPECTS

Photovoltaic Products Business

In 2022, due to different levels of COVID-19 prevention measures in various regions leading to a temporal production suspension and delays in the construction of the power supporting facilities for the new factory in Xuzhou, Photovoltaic Products business was also affected in various ways. The substation construction which is the most critical factor for the relocation of the new factory is expected to be completed in the second quarter of 2023, and the Group expects to relocate cast-mono wafers production centre immediately after the completion of the construction. Nevertheless, Photovoltaic Products business recorded revenue of approximately RMB70.7 million in 2022, an increase of approximately 57.6% as compared to 2021. Excluding the technology licensing service income of RMB20 million in 2021, sales amount for Photovoltaic Products business in 2022 reached approximately 2.8 times of sales amount of approximately RMB24.8 million in 2021, indicating an increasing market's acceptance of our new Photovoltaic Products.

In the second half of 2022, advanced technologies such as heterojunction and TOPCon that mainly use N-type silicon wafers gradually increased their share in the global photovoltaic production capacity, and application-oriented photovoltaic products such as Building Integrated Photovoltaics received more market attention. Accordingly, our research and development and capital investment in 2022 mainly focused on:

- (1) improving the yield rate and quality of N-type cast-mono wafers and impurity removal technology; and
- (2) developing moulds for new flexible and lightweight modules, constructing pilot lines, and developing encapsulation technology.

In the solar cell and module business, our Cast-mono HJT solar cells' conversion efficiency for mass production has reached 24.8%, whereas our tested production of Czochralski method-based monocrystalline ("CZ-mono") HJT solar cells' conversion efficiency reached 25.2%. Excellent conversion efficiency performance and stable performance have been recognized, especially by European and American customers who value quality. Leveraging these overseas customer base, our international sales team has engaged in in-depth discussions with one of the leading chain home product retail brands in Europe, and is planning to launch our new consumer-end module products in 2023. Meanwhile, the Group will also collaborate with one of the largest recreational vehicle retail companies in the US to provide our rollable, foldable and bendable new flexible or lightweight modules that are suitable for different application scenarios in the US, Europe, and Australia. To achieve these plans, the Group currently plans to achieve the commercialization of B-to-C products such as flexible and lightweight modules according to the following schedule in 2023:

- (1) Establishment of a flexible production line in the second quarter of 2023;
- (2) sample delivery and product fine-tuning in mid-2023; and
- (3) formal production and supply in the second half of 2023.

In the cast-mono wafer business, in addition to continuous investment in yield rate and quality improvement, the Group has already started preliminary cooperation with multiple suppliers who have upgraded to advanced technologies such as heterojunction and TOPCon to develop corresponding Cast-mono N-type silicon wafer products. Compared to CZ-mono N-type silicon wafers, Cast-mono N-type silicon wafers with more cost advantages are expected to shorten the cost gap between advanced and existing mainstream technologies and accelerate technological transition.

Other Business

Due to the domestic inflation and sluggish consumer demand in the US, the Group expects a mild decrease in the revenue of OEM business in 2023. For Graphene-based Products, the Group would focus to sell the sterilizing modules for air conditioning system in 2023.

CORPORATE GOVERNANCE

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value.

Throughout the year ended 31 December 2022, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules, save for the deviations as detailed below. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Code Provision C.2.1 stipulates that the roles of the Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The Company deviated from this provision because Mr. Leung Tsz Chung had been performing both the roles of Chairman and Chief Executive Officer from 26 February 2021 to 16 October 2022. The Directors considered that vesting two roles in the same person provided the Group with strong and consistent leadership in the development and execution of the Group's business strategies and was beneficial to the Group. The balance of power and authorities was ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. Since 17 October 2022, Mr. He Shuangquan has been appointed as the Chief Executive Officer of the Group while Mr. Leung Tsz Chung has remained as the Chairman of the Board. The Company has recomplied with Code Provision C.2.1 after such appointment. The Board currently comprises 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors and therefore has a strong independence element in its composition.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the required standard for securities transactions by the Directors. The Company made specific enquiries of all the Directors and each of them confirmed that they have complied with the required standards set out in the Model Code during the financial year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee was established by the Board with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our Group's financial reporting process and risk management and internal control systems, effectiveness of the Group's internal audit function and review and monitor appointment of the auditors and their independence. As at 31 December 2022, the audit committee comprised three independent non-executive Directors, namely Mr. Chen Shaohua, Professor Zhao Jinbao and Ms. An Na, and Mr. Chen Shaohua was the chairperson of the audit committee. The annual results of the Group for the year ended 31 December 2022 have been reviewed by the audit committee.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

This preliminary announcement has been compared by the Group's auditor, Confucius International CPA Limited ("Confucius"), Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Confucius in this respect did not constitute an audit, review or 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 auditor on this preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022.

ANNUAL GENERAL MEETING

A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and despatched to the shareholders of the Company in the manner as required by the Listing Rules in due course.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement is available for viewing on the website of the Stock Exchange and the website of the Company at <http://www.goldensolargroup.com>. The annual report of the Company will be despatched to shareholders of the Company in due course.

On behalf of the Board
Golden Solar New Energy Technology Holdings Limited
Leung Tsz Chung
Chairman

Hong Kong, 31 March 2023

As at the date of this announcement, the executive Directors are Mr. Leung Tsz Chung and Mr. Zheng Jingdong; the non-executive Director is Ms. Lin Weihuan; and the independent non-executive Directors are Ms. An Na, Mr. Chen Shaohua and Professor Zhao Jinbao.