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 2023

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 2023, together with the comparative figures for 2022 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 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	4	**295,348**	274,277
Cost of sales		**(252,443)**	(238,754)
GROSS PROFIT		**42,905**	35,523
Other net income and gains	4	**15,660**	55,502
(Impairment loss)/reversal of impairment loss on trade receivables		**(337)**	1,220
Selling and distribution expenses		**(24,814)**	(11,707)
General and administrative expenses		**(257,115)**	(184,551)
Impairment loss on property, plant and equipment		**(2,307)**	–
Impairment loss on inventories		**(9,255)**	(3,985)
Research and development costs		**(83,352)**	(52,370)
Amortisation of intangible assets		**(460)**	(416)
Finance costs	5	**(5,154)**	(4,414)
Fair value gain on financial assets at fair value through profit or loss		**608**	141
Fair value (loss)/gain on investment properties	10	**(208)**	135
LOSS BEFORE TAX	6	**(323,829)**	(164,922)
Income tax expense	7	**(2,551)**	(2,118)
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(326,380)**	(167,040)
LOSS PER SHARE	9		
– Basic (RMB cent)		**(18.400)**	(9.767)
– Diluted (RMB cent)		**(18.400)**	(9.767)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**203,964**	131,639
Investment properties	*10*	**66,043**	66,251
Right-of-use assets		**71,087**	5,674
Intangible assets		**38**	3,723
		341,132	207,287
CURRENT ASSETS			
Inventories		**138,183**	179,392
Trade and bills receivables	*11*	**155,321**	101,583
Prepayments, deposits and other receivables		**83,570**	69,934
Financial assets at fair value through profit or loss		**720**	990
Pledged deposits		**2,426**	1,431
Cash and bank balances		**142,643**	354,724
		522,863	708,054
CURRENT LIABILITIES			
Trade and bills payables	*12*	**79,592**	94,422
Deposits received, other payables and accruals		**47,589**	43,119
Short-term borrowings	*13*	**100,200**	91,000
Contract liabilities		**8,751**	16,424
Deferred income		**3,386**	3,636
Lease liabilities		**21,424**	1,716
Income tax payable		**400**	2,183
		261,342	252,500
NET CURRENT ASSETS		**261,521**	455,554
TOTAL ASSETS LESS CURRENT LIABILITIES		**602,653**	662,841
NON-CURRENT LIABILITIES			
Deferred income		**9,187**	12,572
Lease liabilities		**47,279**	109
Deferred tax liability		**5,193**	5,360
		61,659	18,041
NET ASSETS		**540,994**	644,800
EQUITY			
Share capital	*14*	**120,960**	113,799
Reserves		**420,034**	531,001
TOTAL EQUITY		**540,994**	644,800

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, Cast-mono heterojunction ("HJT") solar cells and modules, HJT back contact ("HBC") solar cells, HBC flexible modules and the bendable solar awnings.

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 new and amendments to revised IFRSs, which include IFRSs and IASs issued by the IASB for the first time in the current year.

Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules
IFRS 17	Insurance Contracts

Except as disclosed below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. BASIS OF PREPARATION *(continued)*

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities to provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" account policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by the HKICPA

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ("MPF") to offset severance payments ("SP") and long service payments ("LSP") (the "Abolition"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the "Transition Date"). The following key changes will take effect on the Transition Date:

– Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

– The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's MPF contributions and its LSP obligation and the accounting for offsetting mechanism could become material in light of the Abolition, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "Guidance") in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of Hong Kong Accounting Standard 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

2. BASIS OF PREPARATION *(continued)*

For the years ended 31 December 2022 and 2023, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is insignificant. Application of the guidance had no material effect on the consolidated financial statements of the Group.

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, Cast-mono HJT solar cells and modules, HBC solar cells, HBC flexible modules and bendable solar awnings (collectively as "Photovoltaic Products").

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, (impairment loss)/reversal of impairment loss on trade receivables, 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 2023

	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	**684**	**5,531**	**209,377**	**79,756**	**295,348**
Segment results	**(1,523)**	**505**	**38,803**	**(121,245)**	**(83,460)**
Reconciliation:					
Interest income					**4,455**
Other unallocated net income and gains					**10,205**
Impairment loss on trade receivables					**(337)**
Corporate and other unallocated expenses					**(249,938)**
Fair value gain on financial assets at FVTPL					**608**
Fair value loss on investment properties					**(208)**
Finance costs					**(5,154)**
Loss before tax					**(323,829)**

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	845	15,411	187,363	70,658	274,277
Segment results	(976)	5,012	16,716	(9,132)	11,620
Reconciliation:					
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					(228,126)
Fair value gain on financial assets at FVTPL					141
Fair value gain on investment properties					135
Finance costs					(4,414)
Loss before tax					(164,922)

4. REVENUE, OTHER NET INCOME AND GAINS

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

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

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Recognised at a point in time		
Sale of goods and provision of service	**295,348**	274,277
Other net income and gains		
Interest income	**4,455**	432
Sales of scrap materials	**276**	492
Rental income from investment properties less direct outgoings expenses of RMB Nil (2022: RMB Nil)	**4,571**	4,475
Rental income under operating leases	**408**	343
Subsidy income*	**2,494**	2,965
Exchange gain, net	**1,545**	42,263
Gain on disposal of property, plant and equipment	**10**	79
Subcontracting income	**354**	4,366
Gain on modification of lease	**–**	13
Others	**1,547**	74
	15,660	55,502

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

5. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**3,867**	4,030
Interest on lease liabilities	**773**	146
Effective interest on deferred rental income	**514**	238
	5,154	4,414

6. LOSS BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories sold	**252,443**	238,754
Depreciation of property, plant and equipment	**17,616**	10,383
Depreciation of right-of-use assets	**6,164**	2,402
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	**103,848**	88,275
Equity-settled share-based payments	**177,637**	119,605
Staff welfares	**3,887**	3,426
Contributions to retirement benefits schemes	**7,695**	6,848
	293,067	218,154
Auditors' remuneration	**1,643**	1,591
Gross rental income from investment properties	**(4,571)**	(4,475)
Less: direct operating expenses incurred for investment properties (including generated and did not generated rental income during the year)	**–**	–
	(4,571)	(4,475)
Impairment loss on intangible assets	**4,374**	–

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 (2022: 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.

	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax		
Charge for the year	**2,001**	2,181
Under/(over)-provisions in prior years	**717**	(399)
Deferred tax	**(167)**	336
Total tax expense for the year	**2,551**	2,118

8. DIVIDEND

No dividend was proposed for the years ended 31 December 2023 and 2022 and since the end of the reporting period.

9. LOSS PER SHARE

(a) Basic loss 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 RMB326,380,000 (2022: RMB167,040,000) and the weighted average number of Shares of 1,773,772,107 (2022: 1,710,160,978) 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 2023 included the 1,711,959,608 Shares in issue as at 1 January 2023, 103,700,000 Shares issued during the year in respect of the exercise of share options. The Company repurchased 1,286,000 Shares in December 2023 on the Stock Exchange and such Shares were not cancelled as at 31 December 2023.

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.

9. LOSS PER SHARE *(continued)*

(b) Diluted loss per share

The diluted loss per share is calculated by dividing the consolidated loss 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 loss 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 2023 and 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.

10. INVESTMENT PROPERTIES

	RMB'000
As at 1 January 2022	66,116
Fair value gain on investment properties	135
As at 31 December 2022 and 1 January 2023	66,251
Fair value loss on investment properties	(208)
As at 31 December 2023	66,043

	2023	2022
	RMB'000	*RMB'000*
Representing:		
Leasehold land	**35,649**	35,670
Building	**30,394**	30,581

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

The fair values of the Group's investment properties as at 31 December 2023 and 2022 had been arrived at on the basis of the valuation 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 RMB35,649,000 (2022: RMB35,670,000) to secure general banking facilities granted to the Group.

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 (2022: 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.

	2023	2022
	RMB'000	*RMB'000*
Trade receivables:		
– sales of goods	**155,771**	95,674
Bills receivables	**–**	6,056
	155,771	101,730
Less: Allowance for credit losses	**(450)**	(147)
	155,321	101,583

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**125,502**	93,842
4 to 6 months	**16,959**	3,772
Over 6 months	**12,860**	3,969
	155,321	101,583

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:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**64,493**	72,805
Over 3 months	**15,099**	21,617
	79,592	94,422

12. TRADE AND BILLS PAYABLES *(continued)*

The trade and bills payables are non-interest-bearing and are normally settled on six months terms (2022: six months). Bills payable of approximately RMB2,426,000 (2022: RMB4,770,000) were secured by the Group's pledged deposits amounted to approximately RMB2,426,000 (2022: RMB1,431,000) as at 31 December 2023.

13. SHORT-TERM BORROWINGS

		2023	2022
		RMB'000	*RMB'000*
Secured bank loans repayable within one year	(b)	**100,200**	91,000

(a) At 31 December 2023 and 2022, the loans were denominated in Renminbi and bore interest rates ranging from:

Year ended 31 December 2023	3.70% to 4.55% per annum
Year ended 31 December 2022	3.90% to 4.44% per annum

(b) At 31 December 2023, the secured bank loans of the Group were secured by a pledge of the Group's buildings with carrying amount of approximately RMB1,973,000 (2022: RMB1,856,000), leasehold land of right-of-use assets and the leasehold land of investment properties with carrying amounts of approximately RMB3,752,000 (2022: RMB3,900,000) and approximately RMB35,649,000 (2022: RMB35,670,000) respectively. In addition, the bank loans were secured by guarantees provided by an independent third party and a Director (2022: guarantees provided by an independent third party, 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 *RMB'000*
Authorised:		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	5,000,000,000	342,400
Issued and fully paid:		
At 1 January 2022	1,661,909,608	110,606
Completion of placing of new Shares	50,000,000	3,190
Issue of Shares upon exercise of share options	50,000	3
At 31 December 2022 and 1 January 2023	1,711,959,608	113,799
Issue of Shares upon exercise of share options	103,700,000	7,161
At 31 December 2023	1,815,659,608	120,960

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 placees 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.

During the year ended 31 December 2023, the Company repurchased 1,286,000 Shares on the Stock Exchange with a total cash consideration of approximately HK$4,752,000 (equivalent to approximately RMB4,326,000) before deducting relevant expenses. The lowest and highest repurchased price per Share is HK$3.60 and HK$3.88 respectively. All repurchases were executed in December 2023. None of the repurchased Shares had been cancelled and deducted from the share capital and share premium within shareholders' equity, and the repurchased Shares were recorded as treasury stock as at 31 December 2023.

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 2023:

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 2023 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 increased by approximately RMB21.1 million or approximately 7.7% to approximately RMB295.4 million (2022: RMB274.3 million), which was mainly attributable to the increase in revenue of Photovoltaic Products business and OEM business. The gross profit of the Group during the year increased by approximately 20.8% to approximately RMB42.9 million and the gross profit margin of the Group for the year increased to approximately 14.5% as compared to approximately 13.0% in 2022.

Regarding the business of Photovoltaic Products, the revenue for the year increased by approximately 12.9% to approximately RMB79.8 million as compared to approximately RMB70.7 million in 2022. The main driver for the increase in revenue was the high efficiency HJT solar modules which were sold to European customers of the Group.

For the OEM business, though the Group still faced worsening macroeconomic factors such as domestic inflation and sluggish consumer demand in the United States of America ("US"), with the effort of the Group's sales team, the revenue increased by approximately 11.7% to approximately RMB209.4 million for the year in comparison to approximately RMB187.4 million in 2022.

The Group recorded a net loss for the year of approximately RMB326.4 million, as compared with the net loss of approximately RMB167.0 million in 2022. The increase in net loss was mainly attributable to i) increase of equity-settled share-based payments of approximately RMB58.0 million to approximately RMB177.6 million during the year in comparison to approximately RMB119.6 million in 2022 which was incurred as a result of the grant of share options by the Company in 2022 and 2023. Such expense is a non-cash accounting item and has no impact on the cash flow of the Group; ii) increase of the research and development costs of approximately RMB31.0 million to approximately RMB83.4 million during the year due to the preparation for the launch of HJT solar awnings and development of HBC solar cells for the production of HBC flexible modules; iii) increase of approximately RMB13.1 million selling and distribution expenses to approximately RMB24.8 million during the year as the Group recruited more staff and allocated more resources to marketing and promotional activities in order to explore overseas markets for Photovoltaic Products; and iv) decrease of other net income and gains of approximately RMB39.8 million to approximately RMB15.7 million for the year due to decrease of exchange gain of approximately RMB40.7 million.

FINANCIAL REVIEW

Revenue by Product Category

	2023	2022	Increase/ (decrease)
	RMB'000	*RMB'000*	*% change*
Revenue (Boree Products)	**684**	845	(19.1)%
Revenue (Graphene-based Products)	**5,531**	15,411	(64.1)%
Revenue (OEM Business)	**209,377**	187,363	11.7%
Revenue (Photovoltaic Products)	**79,756**	70,658	12.9%
Revenue (Total)	**295,348**	274,277	7.7%

Boree Products

Revenue from Boree Products decreased by approximately 19.1% to approximately RMB0.7 million during the year (2022: RMB0.8 million) because of the decrease in online sales.

FINANCIAL REVIEW *(continued)*

Graphene-based Products

Revenue of Graphene-based Products decreased by approximately 64.1% to approximately RMB5.5 million during the year (2022: RMB15.4 million) as the Group focused on development of new products tailored made according to customer requirements during the year.

OEM Business

For the OEM business, though the Group still faced worsening macroeconomic factors such as domestic inflation and sluggish consumer demand in the US, with the effort of the Group's sales team, the revenue increased by approximately 11.7% to approximately RMB209.4 million for the year (2022: RMB187.4 million). Besides, in response to the threat of steep price-cutting competition among manufacturers in the PRC, the Group shifted the focus towards development of high-end products with higher gross profit margin. Moreover, the Group focused on optimisation of production process and improvement of the production efficiency and successfully increased the gross profit margin during the year.

Photovoltaic Products

Revenue of Photovoltaic Products for the year increased by approximately 12.9% to approximately RMB79.8 million as compared to approximately RMB70.7 million in 2022. The main driver for the increase in sales for the year was the high efficiency HJT solar modules which were sold to European customers which offsets the decrease in sales of Cast-mono wafers business. Due to the delay in the relocation of the new factory in Xuzhou to the second quarter of 2023 and the weakening of cost advantages of Cast-mono wafers due to the general decline in global silicon material price, the revenue of Cast-mono wafers business reduced during the year. However, as European and other overseas customers valued the Group's high efficiency HJT solar modules and such products commanded higher product premium, the Group successfully launched the high efficiency HBC solar cells which were initially applied to the bendable HJT solar awnings for recreational vehicle ("RV") and the HJT flexible modules on residential consumer products targeting customers in the US, Europe and Australia in the fourth quarter of the year. Moreover, the Group successfully initiated collaborations with multiple large RV retailers and manufacturers using bendable HJT solar awnings for RV of the Group as their power generation system.

FINANCIAL REVIEW *(continued)*

Selling and Distribution Expenses

During the year, selling and distribution expenses increased by approximately 112.0% to approximately RMB24.8 million as compared with that of last year (2022: RMB11.7 million), which accounted for approximately 8.4% (2022: 4.3%) of the Group's revenue for the year. In order to explore overseas markets for Photovoltaic Products, the Group incorporated a wholly owned subsidiary in US to sell bendable solar awnings and HJT flexible modules and set up a team specialized for sales and marketing in Australia and Europe and allocated more resources to marketing and promotional activities in 2023.

General and Administrative Expenses

General and administrative expenses recorded an increase of approximately RMB72.6 million or approximately 39.3% to approximately RMB257.1 million for the year (2022: RMB184.5 million), which was mainly attributable to (i) increase of equity-settled share-based payments of approximately RMB58.0 million to approximately RMB177.6 million during the year in comparison to approximately RMB119.6 million in 2022 due to the grant of share options by the Company in 2022 and 2023; and (ii) increase in wages and salaries of approximately RMB8.1 million as more senior management and administrative staff were recruited to support the business of Photovoltaic Products.

Research and Development Costs

During the year, research and development costs increased by approximately RMB31.0 million to approximately RMB83.4 million during the year (2022: RMB52.4 million) due to the preparation for the launch of HJT solar awnings and development of the HBC solar cells for the production of HBC flexible modules.

Liquidity and Financial Resources

During the year, net cash outflow from operating activities of the Group amounted to approximately RMB161.9 million (2022: RMB78.7 million). As at 31 December 2023, cash and bank balances were approximately RMB142.6 million, representing a decrease of approximately RMB212.1 million as compared with approximately RMB354.7 million as at the end of last year. As at 31 December 2023, around 46.9%, 12.7% and 40.4% of the Group's cash and bank balances were denominated in Hong Kong dollars, Renminbi and US dollars respectively. As at 31 December 2023, the short-term borrowings of the Group were approximately RMB100.2 million (2022: RMB91.0 million). All loans were denominated in Renminbi, with fixed interest rates and repayable within one year.

FINANCIAL REVIEW *(continued)*

Liquidity and Financial Resources *(continued)*

As at 31 December 2023, the gearing ratio of the Group was 58.7% (2022: 40.8%). 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.

Capital Structure

As at 1 January 2023, the Company had 1,711,959,608 Shares in issue and a paid-up capital of approximately RMB113,799,000. During the year, the Company issued a total of 103,700,000 Shares to share option holders who exercised their share options. As at 31 December 2023, the Company had 1,815,659,608 Shares in issue and a paid-up capital of approximately RMB120,960,000.

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 2023, the bills payables were secured by a pledge of the Group's deposits amounting to approximately RMB2.4 million (2022: RMB1.4 million). As at 31 December 2023, the bank borrowings of the Group were secured by a pledge of the Group's buildings with carrying amount of approximately RMB2.0 million (2022: RMB1.9 million), leasehold land of right-of-use assets and the leasehold land of investment properties with carrying amounts of approximately RMB3.8 million (2022: RMB3.9 million) and approximately RMB35.6 million (2022: RMB35.7 million) respectively.

Contingent Liabilities

There was no material contingent liabilities as at 31 December 2023 and 2022.

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.

FINANCIAL REVIEW *(continued)*

Human Resources

As at 31 December 2023, the Group had a total of approximately 1,090 employees (2022: 930 employees), with total staff costs for the year ended 31 December 2023, including directors' remuneration, amounted to approximately RMB293,067,000 (2022: RMB218,154,000). 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 share option scheme on 2 July 2021 (which was terminated with effect from 16 June 2023) and a new share option scheme on 16 June 2023 to motivate and reward its Directors and eligible employees.

Use of Net Proceeds From 2022 Placing

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.

The utilisation of the net proceeds of the 2022 Placing as at 31 December 2023 is set out as follows:

Nature	Intended use of the net proceeds	Amount of the net proceeds utilised during the year ended 31 December 2022	Amount of the net proceeds utilised during the year ended 31 December 2023	Balance of the net proceeds untilised as at 31 December 2023
	RMB'000	*RMB'000*	*RMB'000*	*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	6,498	52,844
Procurement of other peripheral production equipment	49,086	5,889	39,724	3,473
Procurement of production equipment for flexible modules	14,726	2,763	3,206	8,757
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:	407,291	170,764	130,548	105,979

Note:

1. It is expected that the remaining balances of the unutilised net proceeds will be utilised on or before 31 December 2024.

FUTURE PROSPECTS

In 2023, in spite of the drastic changes in the global photovoltaic market, the Group achieved the following milestones by focusing its resources on the development of HJT technology in previous years:

1. Became the world's first mass producer of second-generation high efficiency hybrid HBC solar cells with maximum conversion efficiency exceeding 27%;

2. Became the world's first mass producer of high efficiency flexible HBC solar modules focusing on consumer products for residential and RVs usage by using HBC solar cells. The weight of such innovative product is only one-eighth of the weight of a traditional glass solar modules and is bendable with less than 3 inches diameter when fully rolled in;

3. Applied for several patents, including Europe and US patents, covering structure, production process and production equipment of HBC solar cells and modules, and has successfully obtained dozens of authorized patents.

In view of the above favorable conditions, the Group's innovative high efficiency flexible HBC solar modules has successfully entered into the high-end market for RVs and camping solar application products in the first phase, and successfully initiated collaborations with multiple large RV retailers and manufacturers in the US, Europe and Australia. In the near future, the Group will build up a multi-channel sales business model through 1) the Group's own website and other online channels, 2) offline channels for RV manufacturers and after-sales installation markets, and 3) partners' online channels. Selecting RV market as the first market for the Group's high efficiency flexible HBC solar modules is mainly due to the inherent power generation demands of RV users. Due to the physical limitations of most RVs, the power of modules usually ranges between 400 watt ("W") and 1,500W depending on the size of RVs. Take the Group's 12 feet 800W bendable solar awning for RV as an example, users may generate an additional 50% to 200% electricity, without occupying rooftop area, making it a very attractive product. Currently, the Group's first batch of products have been shipped to the US and the Group plans to ship large quantities to Europe and Australia in the next two quarters.

There are about 20 million RVs in the world. With an average of 1,000W at US$2.20 per W of flexible solar cells per RV, the total market capacity would exceed US$40 billion. The Group plans to cover most of such inherent demand of this market within the next three to five years.

Based on consumers' positive experience in solar awning for RV, the Group's second phase plan is to gradually replace the existing residential solar energy systems and eventually develop into an independent power system for household. Such system can better integrate with the building and is expected to reduce the cost compared to existing independent power system for household in US by at least 30%.

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 2023, the Company has complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix C1 (formerly known as Appendix 14) to the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

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 C3 (formerly known as 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 2023.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events affecting the Company nor any of its subsidiaries after the reporting period requiring disclosure in this announcement.

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 C1 (formerly known as Appendix 14) to the Listing Rules. The primary duties of the audit committee are to review and supervise the 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 2023, the audit committee comprised three independent non-executive Directors, namely Mr. Chen Shaohua, Professor Zhao Jinbao and Ms. An Na, and Mr. Chen Shaohua is the chairperson of the audit committee. The annual results of the Group for the year ended 31 December 2023 have been reviewed by the audit committee.

REVIEW OF THIS ANNUAL RESULTS ANNOUNCEMENT

This preliminary annual results 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

For the year ended 31 December 2023, as the Board considered that the price of the Shares did not reflect their intrinsic value, and the share repurchase program could reflect the Board's confidence in the Company's development prospects, the Company repurchased on the Stock Exchange a total number of 1,286,000 Shares at a total consideration (before deduction of expenses) of approximately HK$4,752,000 (equivalent to approximately RMB4,326,000). None of the repurchased Shares had been cancelled and deducted from the share capital and share premium within shareholders' equity, and the repurchased Shares were recorded as treasury stock as at 31 December 2023.

Save as disclosed above, during the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed 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 2023.

ANNUAL GENERAL MEETING AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

A notice convening the annual general meeting containing, among others, the period of closure of register of members 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 for the year ended 31 December 2023 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, 28 March 2024

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.