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Gowin New Energy Grp - Final Results London Stock Exchange
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Gowin New Energy Group Limited
31 May 2016

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Gowin New Energy Group Limited
("Gowin" or the "Company")

Audited Annual Results for the year ended 31 December 2015

Gowin New Energy Group Limited are delighted to report its audited annual results for the twelve months ended 31 December 2015.

Chairman's statement

Recap of Circumstances Leading to Termination of VIE Contracts with Yichia Optoelectronics Technology Co. Ltd

2015 was a very difficult year for the Group. The Group had contractual relationships via a Variable Interest Equity ("VIE") structure with a PRC company Dongguan Yichia Optoelectronic Technology Co. Ltd. ("Yichia Opto") which began making losses in 2014, in part because of severe economic conditions in China that led to the Group's revenue dropping significantly. Accordingly, the Group's estimated losses for 2015 increased beyond that indicated in the Group's published 2015 Interim Report. In addition, upon the expiration of the lease of the Yichia Opto factory, the Guangdong Chashan ("Chashan") government imposed rent increases on the Yichia Opto factory which substantially increased the fixed costs of Yichia Opto. With the upward trend of manufacturing costs of Yichia Opto, the Group had begun transforming its business into a sales model, outsourcing its production. By the end of 2014 approximately 95% of the overall turnover was externally manufactured and this increased to 100% in the first half year of 2015. Consequently, the requirement and demand for the factory was being effectively eliminated. Yichia Opto employees provoked a backlash against that company. On 26 November 2015, the Board received, without notice, information from the previous executive director Hsieh Chin Lung that the Chashan government had turned to the Chashan court applying for enforcement action to auction the assets of Yichia Opto and possession of the factory.

Clarification of the Legal Aspects in Relation to the Termination of VIE Contracts with Yichia Optoelectronics Technology Co. Ltd

The legal relationship between the Group and Yichia Opto was based on five contracts known as a VIE structure. Due to restrictions on foreign ownership of Chinese companies, within certain industries, the VIE structure concept is widely used by Chinese companies to list in jurisdictions such as UK, USA and Hong Kong. The VIE contracts allowed the Group to acquire control of profit distribution from Yichia Opto as well as a call contract over the equity. On 26 November 2015, after the Board received notice from previous executive director, Hsieh Chin Lung, the Board immediately convened a Board meeting to assess the situation and together with the Group's advisors, including PRC lawyers, assessed the risks and the potential impacts on the Group's shareholders. After the assessment, the

Board concluded Yichia Opto had breached the VIE contracts signed with the Group and consequently the Board terminated those contracts with Yichia Opto without liability on behalf of the Group. In order to ensure it met its obligations to maintain an orderly market, the Board then complied with ISDX regulations to voluntarily apply for the temporary suspension of trading and the previous executive directors Hsieh Chin Lung and Juping Cao, having responsibility for Yichia Opto, resigned from the Board. The Board invested significant resources assessing the impacts on the Group's future business and its financial affairs as a result of the termination of contracts with Yichia Opto. The Board concluded that separating Yichia Opto was, in effect, in the best interests of the Group and its shareholders and would substantially contribute to the business transformation of the Group, particularly in the light of its implementation of an outsourced manufacturing model. The Board also confirmed with its PRC lawyer, in the context of the governing law of China, that the termination of the VIE contracts between Yichia Opto and the Group would not raise any subsequent liabilities or impact on the Group. Accordingly, following the intensive efforts of the Board, ISDX approved the Group's application to lift the temporary suspension of trading of the Group on 31 December 2015. The Board at all times was concerned to protect the interests and the rights of shareholders throughout the process. Shareholders can search the Group's website for the relevant documents and the relevant announcement articles in

<http://www.isdx.com/forcompanies/ourcompanies/companydetail/default.aspx?securityid=2074322>
(<http://www.isdx.com/forcompanies/ourcompanies/companydetail/default.aspx?securityid=2074322>)

The Group's Business and Sales Strategy

Following the termination of the VIE contracts with Yichia Opto, the Group is no longer providing funds to Yichia Opto, with potential savings of approximately 600,000 RMB per month. The Group's financial strength is therefore improved significantly. In the light of the PRC economic climate and along with increasing consolidation in the LED industry eliminating smaller firms, the Group needs to re-position its core business to be a successful participant in the market.

In the future, the Group will mainly focus on the sales of LED technologies and the relevant LED products, outsourcing manufacturing whilst maintaining design and sales in-house. The Group has further developed its traditional core values in design and R&D. Although the transformation of the business will have an impact on the gross profit of sales, it will also mean much less capital needs to be deployed to run the business. From now on, the Group will be able to eliminate key business risks that previously were inherent in its significant accounts receivable and inventory exposures. The Group's business will more effectively match its current capital scale and will be able to manage its finances and cash flows more predictably.

Apart from the LED industry, the Group desires to prudently expand into new product areas such as cultural and creative industry products, new energy industry products and potentially biotechnology and health care industry products. To avoid spending too much money on R&D for the new industry lines together with the need to achieve a sustainably profitable business, the Group is exploring cooperation with quality Taiwan and PRC companies to obtain the distribution rights and joint production development. In so doing, short-term profits can be achieved, production cycles can be managed and costs will be reduced thus reducing the Group's business risks in the future.

The Group is also evaluating the opportunity to achieve value through share swaps and mergers and acquisitions ("M&A") with suitable companies in appropriate circumstances, taking advantage of the Group's strength as a publicly listed holding company in the new energy industry field. Such target companies may include those publicly listed in Taiwan and ones with which the Group may wish to ultimately merge.

The Board believes the business and sales strategy as outlined here will have positive effects on the cash flow of the Group, where the demand for capital is low and the return on the investment is high. The Board aims to achieve a business that has sustainable earnings performance and growth in market value.

Financial Reporting and Accounting Implications of the Termination of VIE Contracts with Yichia Optoelectronics Technology Co. Ltd

As a result of the termination of the VIE contracts with Yichia Opto in 2015, there are relatively large differences between the 2014 and 2015 financial statements. Under IFRS the Group is required to reflect the performance of Yichia Opto within its income statement up to the date control was lost. Yichia Opto's performance is disclosed as a discontinued activity. Various loans provided by the Group to Yichia Opto were advanced to the previous executive director, Hsieh Chin Lung, and then passed to Yichia Opto. All sums due from Yichia Opto and the Group's investment in Yichia Opto as well as the loans made to Hsieh Chin Lung have been fully impaired within the year.

As a result of Yichia Opto being administered by the Chashan court, the Group has had difficulties accessing the complete financial accounts information of Yichia Opto and has not been able to provide the comprehensive accounting records for the purposes of the annual audit. The results of Yichia Opto have been consolidated up to the date control was lost based on management information. Despite the best efforts of the Board the books and records of Yichia Opto could not be presented in full for audit and as a consequence the Auditors have been required to qualify their audit report accordingly. The Board notes that the financial statements have been prepared in accordance with IFRS.

The Chashan court auctioned the assets of Yichia Opto. The proceeds of the liquidation could only provide for the outstanding remuneration of employees, together with other high priority claims including tax liabilities. Therefore, the Group is unable to collect the debts due from Yichia Opto. The Board is confident that with new management and the termination of its relationship with Yichia Opto, the Group will be able to improve the quality, consistency and transparency of the Group's financial statements in the future.

Conclusion

In summary, the Board has seriously endeavoured to adequately inform shareholders on the circumstances of the termination of the VIE contracts with Yichia Opto and the manner by which the Board has managed any potential risks to the Group and its stakeholders. The improvement of the Group's finances following the termination of the VIE contracts is expected to create a solid foundation for the Group to move forward more effectively operationally and build shareholder value in the future.

Garry Willinge
Non-Executive Chairman
31 May 2016

The directors of Gowin New Energy Group Limited accept responsibility for this announcement.

For further information please visit www.gowinyichia.com (<http://www.gowinyichia.com>) or contact the following:

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GOWIN NEW ENERGY GROUP LIMITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	Restated 2014
		RMB'000	RMB'000
Continuing Operations			
Revenue	6	652	-
Cost of sales	11	(632)	-
Gross profit		20	-

Administrative expenses	11	(9,248)	(4,548)
Impairment of trade receivables	17	(410)	-
Other income	9	105	-
Operating loss		(9,533)	(4,548)
Finance cost	10	(15)	(8)
Provision on amount due from equity holder	17	(20,941)	-
Loss before tax from continuing operations		(30,489)	(4,556)
Tax	13	-	-
Loss for the year from continuing operations		(30,489)	(4,556)
Discontinued operations			
Loss from discontinued operations	8	(23,011)	(28,991)
Loss for the year attributed to equity holders of the parent		(53,500)	(33,547)
Other Comprehensive Income		-	-
Total Comprehensive Income for the year attributable to owners of the parent		(53,500)	(33,547)
Earnings per share expressed in RMB per share			
Basic and diluted earnings per share for the year attributable to equity holders of the parent	14	(0.12)	(0.10)
Earnings per share for continuing operations expressed in RMB per share			
Basic and diluted earnings per share for continuing operations for the year attributable to equity holders of the parent	14	(0.07)	(0.00)

The notes on pages A-17 to A-38 are an integral part of these Consolidated Financial Statements.

GOWIN NEW ENERGY GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2015

Note

Restated

2015

2014

		RMB'000	RMB'000
ASSETS			
CURRENT ASSETS			
Trade and other receivables	17	6,532	17,677
Cash and cash equivalents	18	1,309	12
		7,841	17,689
Assets directly associated with the discontinued operations	8	-	126,618
Total Assets		7,841	144,307
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	17,052	4,138
		17,052	4,138
Liabilities directly associated with the discontinued operations	8	-	111,192
		17,052	115,330
NET ASSETS		(9,211)	28,977
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
Share capital	20	44,571	34,571
Share premium		19,989	14,677
Reverse acquisition reserve		-	(10,049)
Retained earnings		(73,771)	(10,222)
		(9,211)	28,977

The Consolidated Financial Statements were approved by the board of directors and authorised for issue on 31 May 2016 and were signed on its behalf by:

Garry Willinge	Chen Chih-Lung
Director	Director

The notes on pages A-17 to A-38 are an integral part of these Consolidated Financial Statements.

**GOWIN NEW ENERGY GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

Attributable to owners of the parent

Share capital (Note 20)	Share premium	Reverse acquisition reserve	Retained earnings	Total
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	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	34,571	14,677	(10,049)	23,325	62,524
Profit for the year	-	-	-	(33,547)	(33,547)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(33,547)	(33,547)
Balance as at 31 December 2014	34,571	14,677	(10,049)	(10,222)	28,977
Balance as at 1 January 2015	34,571	14,677	(10,049)	(10,222)	28,977
Loss for the year	-	-	-	(53,500)	(53,500)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(53,500)	(53,500)
Total transactions with owners, recognized directly in equity					
Issue of shares	10,000	5,312	-	-	15,312
Reallocation	-	-	10,049	(10,049)	-
Balance as at 31 December 2015	44,571	19,989	-	(73,771)	(9,211)

The notes on pages A-17 to A-38 are an integral part of these Consolidated Financial Statements.

**GOWIN NEW ENERGY GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015**

	2015	Restated 2014
	RMB'000	RMB'000
Cash Flows from Operating Activities		
Loss Before Tax	(9,533)	(1,014)
Finance cost	(15)	(8)
(Increase)/Decrease in trade and other receivables	327	18
(Decrease)/Increase in trade and other payables	(1,464)	(6,616)
Net cash (used by)/generated from discontinued operations	(10,250)	1,482
Net cash used in operating activities	(20,935)	(6,138)
Cash Flows from Investing Activities		
Net cash used by discontinued operations	-	(2,660)
Net cash used in investing activities	-	(2,660)

Cash Flows from Financing Activities

Proceeds from issue of shares	15,312	-
Shareholders' loans	12,618	8,506
Loan made to related party	(5,775)	-
Net cash used by discontinued operations	-	(703)
Net cash generated from financing activities	22,155	7,803
Net increase/(decrease) in cash and cash equivalents	1,220	(995)
Cash and cash equivalents at the beginning of the year	89	1,084
Cash and cash equivalents at the end of the year	1,309	89

The notes on pages A-17 to A-38 are an integral part of these Consolidated Financial Statements.

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The company news service from the London Stock Exchange

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