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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2016

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
(Loss)/	(227,406)	16,441
Other comprehensive income (OCI):		
Items that may be reclassified subsequently to profit or loss:		
– Changes in fair value of available-for-sale investments	(4,443)	4,443
– Currency translation differences	(21,576)	(45,439)
Other comprehensive income	(253,425)	(24,555)
Attributable to:		
Equity holders of the Company	(265,168)	(25,343)
Non-controlling interests	11,743	788
Other comprehensive income	(253,425)	(24,555)

NOTE TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The annual results set out in the announcement do not constitute the Group's financial statements for the year ended 31 December 2016 but are extracted from those financial statements.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified

2. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURE

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11 HKFRS 14	<i>Accounting for Acquisitions of Interests in Joint Operations</i> <i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of Amendments to HKAS 1, Amendments to HKAS 16 and HKAS 38 and Amendments to HKFRS 5 included in the *Annual Improvements 2012-2014 Cycle*, the adoption of the above new and revised standards has had no significant financial impact on these financial statements.

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- *HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

3. OPERATING SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has identified four reportable segments: (i) the manufacturing of, trading of, and provision of processing services for polysilicon and monocrystalline and multicrystalline silicon solar ingots/wafers ("Segment A"); (ii) the manufacturing and trading of photovoltaic modules ("Segment B"); (iii) the manufacturing and trading of monocrystalline silicon solar cells ("Segment C") and (iv) the construction and operating of photovoltaic power plants ("Segment D"). No operating segments have been aggregated to form these reportable segments. Comparative figures have been provided on a basis consistent with the current year's segment analysis. Revenue, costs and expenses are allocated to those reportable segments with reference to sales generated by those segments and the costs and expenses incurred by those segments.

(b) , ■ ■ ■

For the purpose of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the years ended 31 December 2016 and 2015 is set out below:

	A		B		C		D		E	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Intersegment revenue	<u>652,487</u>	<u>514,706</u>	<u>2,230,621</u>	<u>2,029,513</u>	<u>71,424</u>	<u>231,039</u>	<u>66,444</u>	<u>124,292</u>	<u>3,020,976</u>	<u>2,899,550</u>
	<u>351,377</u>	<u>489,985</u>	<u>323,749</u>	<u>151,603</u>	<u>886,545</u>	<u>803,928</u>	<u>1,310</u>	<u>4,194</u>	<u>1,562,981</u>	<u>1,449,710</u>
Reportable segment (loss)/profit	<u>1,003,864</u>	<u>1,004,691</u>	<u>2,554,370</u>	<u>2,181,116</u>	<u>957,969</u>	<u>1,034,967</u>	<u>67,754</u>	<u>128,486</u>	<u>4,583,957</u>	<u>4,349,260</u>
Reportable segment assets	<u>(236,863)</u>	<u>(54,806)</u>	<u>14,652</u>	<u>56,995</u>	<u>8,049</u>	<u>24,438</u>	<u>(13,244)</u>	<u>(10,186)</u>	<u>(227,406)</u>	<u>16,441</u>
Reportable segment liabilities	<u>2,250,710</u>	<u>2,765,716</u>	<u>832,396</u>	<u>875,852</u>	<u>790,248</u>	<u>651,655</u>	<u>401,194</u>	<u>419,544</u>	<u>4,274,548</u>	<u>4,712,767</u>
Other segment information:										
Interest income from bank deposits	<u>740</u>	<u>1,513</u>	<u>4,425</u>	<u>11,180</u>	<u>646</u>	<u>10,033</u>	<u>15</u>	<u>8</u>	<u>5,826</u>	<u>22,734</u>
Finance costs	<u>(51,615)</u>	<u>(54,781)</u>	<u>(35,860)</u>	<u>(34,295)</u>	<u>(15,960)</u>	<u>(15,893)</u>	<u>(13,667)</u>	<u>(15,015)</u>	<u>(117,102)</u>	<u>(119,984)</u>
Depreciation and amortisation	<u>(157,920)</u>	<u>(147,975)</u>	<u>(19,668)</u>	<u>(11,567)</u>	<u>(35,069)</u>	<u>(34,848)</u>	<u>(11,118)</u>	<u>(10,961)</u>	<u>(223,775)</u>	<u>(205,351)</u>
Share of profits less losses of associates	<u>(18,573)</u>	<u>(13,093)</u>		<u>-</u>		<u>-</u>		<u>-</u>	<u>(18,573)</u>	<u>(13,093)</u>
Impairment losses on trade and other receivables	<u>(35,273)</u>	<u>-</u>	<u>(994)</u>	<u>-</u>	<u>(350)</u>	<u>-</u>		<u>-</u>	<u>(36,617)</u>	<u>-</u>
Write-down of inventories	<u>(825)</u>	<u>(9,711)</u>		<u>-</u>		<u>-</u>		<u>-</u>	<u>(825)</u>	<u>(9,711)</u>
Capital expenditure*	<u>42,790</u>	<u>59,890</u>	<u>79,081</u>	<u>11,924</u>	<u>11,537</u>	<u>22,747</u>	<u>21,672</u>	<u>1,990</u>	<u>155,080</u>	<u>96,551</u>
Investments in associates	<u>41,148</u>	<u>59,721</u>		<u>-</u>		<u>-</u>		<u>-</u>	<u>41,148</u>	<u>59,721</u>

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

Substantially all of the Group's property, plant and equipment, lease prepayments, goodwill, intangible assets and interests in associates are located or operated in the PRC. The following table sets out information about the Group's revenue from external customers and the Group's non-current prepayments by geographical location. The geographical location of a customer is based on the location to which the goods were delivered or the services were provided.

(i) Revenue from external customers

	2016 RMB'000	2015 <i>RMB'000</i>
Mainland China	1,451,226	912,646
Export sales		
– Japan	1,386,488	1,775,295
– Taiwan	95,316	73,803
– Other Asian Regions	80,826	124,063
– Europe	6,151	–
– America	969	13,743
Sub-total	1,569,750	1,986,904
Total	3,020,976	2,899,550

(ii) Non-current prepayments

	2016 RMB'000	2015 <i>RMB'000</i>
Mainland China	33,626	54,784
Overseas		
– Taiwan	57,740	75,167
Sub-total	57,740	75,167
Total	91,366	129,951

4. OTHER INCOME AND GAIN, NET

	2016 RMB'000	2015 RMB'000
O		
Government grants	20,913	22,530
Interest income from bank deposits	5,826	22,734
Investment income from available-for-sale investment	6,205	–
Gain on disposal of a subsidiary	220	–
	<u>33,164</u>	<u>45,264</u>
O ()/ ,		
Net foreign exchange (loss)/gain	(9,823)	2,725
Net (loss)/gain on disposal of property, plant and equipment and land lease prepayments	(27,219)	100,242
Losses from sales of other materials	(40,925)	(10,595)
Others	(1,788)	3,605
	<u>(79,755)</u>	<u>95,977</u>

Note:

During the year ended 31 December 2015, the Group disposed of the land use right at Jinzhou City together with the factory premise and ancillary structures established thereon (the “Land”) with net carrying value of RMB43,783,000 to Jinzhou Land Reserve Center (the “Buyer”) at a cash consideration of RMB182,620,000. The Group incurred a relocation cost of RMB33,594,000 and passed the vacant possession of the Land to the Buyer during the year ended 31 December 2015. This disposal resulted in a gain on disposal of property, plant and equipment and land lease prepayments of RMB105,243,000 recognised during the year ended 31 December 2015. During the year ended 31 December 2016, no such significant disposal was incurred.

5. (LOSS)/PROFIT BEFORE TAX

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

	2016 RMB'000	2015 RMB'000
(1) Selling expenses		
Salaries, wages and other benefits	169,263	154,848
Contributions to retirement schemes	25,640	26,275
	194,903	181,123
(2) Administrative expenses		
Audit services	2,790	2,110
Tax services	50	67
Other services	225	100
	3,065	2,277
(3) Other operating expenses		
Amortisation of lease prepayments	4,409	4,038
Depreciation [#]	219,366	201,231
Provision for warranties [#]	22,306	20,321
Operating lease charges – properties	1,290	1,240
Research and development costs	143,823	68,510
Impairment losses on trade and other receivables	36,617	–
Net loss/(gain) on disposal of property, plant and equipment and land lease prepayments	27,219	(100,242)
Cost of inventories sold [#]	2,360,477	2,403,240
Cost of services rendered [#]	331,422	253,772

[#] Cost of inventories sold and cost of services rendered include, in aggregate, RMB376,519,000 (2015: RMB343,053,000) for the year ended 31 December 2016, relating to staff costs, depreciation and provision for warranties which amounts are also included in the respective

6. FINANCE COST

	2016 RMB'000	2015 RMB'000
Interests on bank and other loans wholly repayable within five years	116,532	124,561
Interests on finance leases	570	—
Total interest expenses on financial liabilities not at fair value through profit or loss	117,102	124,561
Less: interest expenses capitalised into construction in progress*	—	4,577
	<u>117,102</u>	<u>119,984</u>

* There was no interest expense capitalised for the year ended 31 December 2016. The borrowing costs were capitalised at rates of 6.81% to 7.49% for the year ended 31 December 2015.

7. INCOME TAX

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

	2016 RMB'000	2015 RMB'000
Current tax		
Provision for the year	13,442	9,508
Under-provision in respect of prior years	5	386
	<u>13,447</u>	<u>9,894</u>
Deferred tax	<u>3,995</u>	<u>(6,864)</u>
Income tax expense for the year	<u>17,442</u>	<u>3,030</u>

8. DIVIDEND

The board does not recommend to declare a final dividend for the year ended 31 December 2016 (2015: Nil).

9. (LOSS)/EARNING PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(RMB) Basic ()/

The calculation of basic (loss)/earnings per share is based on the loss attributable to the ordinary equity holders of the Company of RMB239,149,000 (2015: profit of RMB15,653,000) and the weighted average of 3,211,780,566 (2015: 3,211,780,566) ordinary shares of the Company in issue during the year.

() Diluted ()/

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the Group had no dilutive potential ordinary shares in issue during the years ended 31 December 2016 and 2015.

10. TRADE AND BILLS RECEIVABLE

	2016 RMB'000	2015 RMB'000
Trade receivables	526,041	566,277
Bills receivables	17,117	38,472
Less: Impairment	(57,248)	(25,813)
	<u>485,910</u>	<u>578,936</u>

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

	2016 RMB'000	2015 RMB'000
Within 1 month	266,672	244,847
1 to 3 months	40,796	209,479
4 to 6 months	22,913	51,004
7 to 12 months	125,723	15,387
Over 1 year	29,806	58,219
	<u>485,910</u>	<u>578,936</u>

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

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

	2016 RMB'000	2015 RMB'000
At 1 January	25,813	24,445
Exchange adjustments	1,618	1,368
Impairment losses recognised	29,817	—
At 31 December	<u>57,248</u>	<u>25,813</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB57,248,000 (2015: RMB25,813,000) with a carrying amount before provision of RMB57,248,000 (2015: RMB25,813,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

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

	2016 RMB'000	2015 RMB'000
Not past due	272,491	445,250
Less than 1 month past due	8,677	37,749
1 to 3 months past due	30,997	18,807
4 to 6 months past due	88,632	23,869
7 to 12 months past due	55,620	12,271
Over 1 year past due	29,493	40,990
	485,910	578,936

As at 31 December 2016, bills receivables had been pledged as security to a bank for obtaining loans amounting to RMB4,000,000 (31 December 2015: for issuing bills payable to suppliers amounting to RMB24,500,000).

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000
Prepayments for raw materials	160,384	272,616
Deductible value-added tax	229,614	259,985
Other receivables	53,098	51,533
Less: Impairment	(6,800)	–
	436,296	584,134

The movements in the allowance for other receivables during the year are as follows:

	2016 RMB'000	2015 RMB'000
At 1 January		–
Impairment losses recognised	6,800	–
At 31 December	6,800	–

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of RMB6,800,000 (2015: Nil) with a carrying amount before provision of RMB6,800,000 (2015: Nil).

Except for those other impaired receivables, the financial assets included in the above balances related to receivables for which there were no recent history of default and no fixed term of repayment.

12. AVAILABLE-FOR-SALE INVESTMENT

	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at fair value:		
In Mainland China		123,942
		<u>123,942</u>

Available-for-sale investments was financial products purchased from bank with principal guaranteed and floating interests. As at 31 December 2016, the Group sold the available-for-sale investment. As such, the Group recognised an investment income on disposal of an available-for-sale investment of RMB6,205,000 in its financial statements.

13. TRADE AND BILLS PAYABLE

	2016 RMB'000	2015 RMB'000
Trade payables	546,813	558,200
Bills payables	<u>181,434</u>	<u>241,048</u>
	<u>728,247</u>	<u>799,248</u>

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

	2016 RMB'000	2015 RMB'000
Within 1 month	311,257	404,101
1 to 3 months	119,240	40,532
4 to 6 months	218,125	274,617
7 to 12 months	61,451	27,626
Over 1 year	<u>18,174</u>	<u>52,372</u>
	<u>728,247</u>	<u>799,248</u>

- (b) As at 31 December 2016, the Group's bills payables were not secured by Group's bills receivables. As at 31 December 2015, the Group's bills payables of RMB24,500,000 were secured by Group's bills receivables of RMB24,500,000.

14. OTHER PAYABLE AND ACCRUAL

	2016 RMB'000	2015 RMB'000
Other payables and accrued expenses	78,831	141,722
Other tax payables	13,103	10,176
Receipts in advance	23,588	14,306
Dividends payable	<u>151</u>	<u>142</u>
	<u>115,673</u>	<u>166,346</u>

15. INTEREST-BEARING BORROWINGS

	Notes	Effective interest rate (%)	2016		Effective interest rate (%)	2015	
			MMR (%)	RMB'000		Maturity	RMB'000
Current:							
Bank loans – secured	(a)	4-7.8	2017	1,105,045	1.31-5.6	2016	764,376
Bank loans – guaranteed	(b)	1.3734-8	2017	763,458	2.276-9	2016	1,110,109
Current portion of long-term borrowings							
Bank loans – secured	(a)	5.39	2017	15,000	6.15	2016	12,000
Bank loans – guaranteed	(b)	5.225	2017	33,000	5.5-6.05	2016	45,000
Third parties – guaranteed	(b)	3.3-6.15	2017	120,364	3.3	2016	364
Total				<u>2,036,867</u>			<u>1,931,849</u>
Non-current:							
Bank loans – secured	(a)	5.39	2018-2027	179,000	6.15	2017-2027	194,000
Bank loans – guaranteed	(b)				5.5-7.748	2017	33,000
Third parties – guaranteed	(b)	3.3	2018-2020	780	3.3-6.15	2017-2020	121,144
Total				<u>179,780</u>			<u>348,144</u>

(a) The bank borrowings are secured, among which RMB1,299,045,000 (2015: RMB848,946,000) was secured by certain of the Group's bills receivables, property, plant and equipment and land lease prepayments with the net book value of RMB650,993,000 (2015: RMB613,361,000) and none of them (2015: RMB121,430,000) was secured by other assets (2015: available-for-sale investments of RMB123,942,000).

(b) Certain subsidiaries' borrowings are guaranteed by the other subsidiaries of the Group.

	2016 RMB'000	2015 RMB'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	1,916,503	1,931,485
In the second year	16,000	48,000
In the third to fifth years, inclusive	55,000	64,000
Beyond five years	108,000	115,000
	<u>2,095,503</u>	<u>2,158,485</u>
Other borrowings repayable:		
Within one year	120,364	364
In the second year	364	120,364
In the third to fifth years, inclusive	416	780
	<u>121,144</u>	<u>121,508</u>
	<u>2,216,647</u>	<u>2,279,993</u>

16. PREPAYMENT FOR MATERIAL

In order to secure a stable supply of polysilicon materials, the Group entered into short-term and long-term contracts with certain raw material suppliers and made advance payments to these suppliers which are to be offset against future purchases. Prepayments for raw materials where the Group expects to receive the raw materials more than twelve months after the end of the reporting period are classified as non-current assets and to receive within one year are classified as current assets. There is no prepayment for raw materials made to a related party as at 31 December 2016 (31 December 2015: Nil).

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

Based on the updated assessment by management for the year ended 31 December 2016, no further impairment or reversal of impairment was made during the year ended 31 December 2016. The movement during the year merely represented exchange adjustments.

17. OTHER NON-CURRENT ASSETS

Other non-current assets represent the deductible input value added taxes (“VAT”) that are not expected to be utilised within one year. These deductible input VATs are arisen from the purchases of the property, plant and equipment for a photovoltaic power plant, which are eligible for deduction within the whole life of the power plant in Mainland China.

MARKETING

In 2016, the newly-added global installed photovoltaic capacity was 73GW, with China continuing to take the lead in the global solar market. The global photovoltaic industry has been flourishing with a steady growth in scale, an effective rise in capacity utilization and a significant increase in profitability.

According to the latest photovoltaic power generation statistics published by the National Energy Bureau, the annual newly-added installed photovoltaic capacity was 34.54GW in 2016 (2015: 15.13GW) in China and its cumulative installed capacity reached 77.42GW, both of which ranked first worldwide. In particular, the cumulative installed capacity of photovoltaic power plants and distributed power plants amounted to 67.10GW and 10.32GW, respectively. Distributed power plants developed rapidly in terms of installed capacity, with a newly-added installed photovoltaic capacity of 4.24GW in 2016, representing a growth of 200% as compared with 2015.

Due to technical improvement in the production process and enhancement of production efficiency, the average selling price of photovoltaic products declined gradually during the past years while the gross profit margin of the industry remained stable. The China market is expected to maintain a sound development trend in 2017. According to the China Photovoltaic Industry Association, the global photovoltaic market is expected to maintain its growth momentum. The Guiding Opinions on Energy-related Work for 2017 (《二零一七年能源工作指導意見》) issued by the National Energy Bureau urged to stress on the development of solar energy while continuing to implement the Photovoltaic Power Generation Top Runner Program (領跑者計劃) in order to drive down the costs of photovoltaic power generation.

Since introduction of the “Top Runner Program” (the “Program”), it has been able to promote healthy competition through high standards of technical certification and efficiency requirements. However, due to the Program, more weight is being placed on the feed-in-tariff. As such, auctions intensified and the tender offer of photovoltaic power plants are getting lower and lower, resulting in closure of manufacturers who find it difficult to effectively control the cost to be eliminated in the tendering process. In view of this, the National Energy Bureau launched an upgraded version of the national “Top Runner Program”, also known as the “Super Runner Program”, focusing on large-scale and advanced technology companies. “Super Runner Program” sees efficient product development as its main focus, the main products include double-sided photovoltaic modules, black silicon battery components, intelligent components. The Group’s high-end product, N-type double-sided photovoltaic modules, are expected to gain attention from the market.

Regarding the Japan market, the Governmental program Zero Energy Homes (“ZEH”) is expected to continue being a major catalyst for solar installation growth in the residential market. The ZEH program was launched in the beginning of 2016, in order to minimize energy consumption and improve the energy efficiency of residential homes with a target of 50% of all new homes to be ZEH by 2020.

In respect of USA market, according to GTM research and the preliminary study carried out by the Solar Energy Industries Association (“SEIA”) of USA, the cumulative installed solar photovoltaic capacity has now topped 40GW in USA, up from 25GW in 2015. The photovoltaic installations reached a historic high of 14.6GW, up 95% from 7.5GW in 2015. For the first time, solar energy has also become the top source of new electricity-generating capacity, accounting for 39% of all new power. According to GTM Research and SEIA, the cumulative solar market in USA is estimated to nearly triple in size over the next five years.

For emerging markets, India became the fourth largest solar market in 2016, with an annual installed photovoltaic capacity of 5.8GW. Based on the statistics published by the Ministry of New and Renewable Energy of India (“MNRE”), the cumulative installed solar photovoltaic

After the transformation of monocrystalline wafer production technology and capacity, the production capacity of monocrystalline wafer will be close to that of monocrystalline ingots in 2017. As such, the increase in photovoltaic module capacity becomes compatible with that of upstream capacity. This will strengthen the upstream and downstream supply and demand stability. And through strategic alliances, such as Motech which is a large solar cell-focused manufacturer, demand for the Group's middle segment of the production chain in which the Group is relatively weaker, solar cell, will be met by more stable supply. Based on the above, coupled with the gradual expansion of monocrystalline product market share, the advantages of vertical integration will be fully reflected. The Group's total annual production volume of photovoltaic modules then reached 1.2GW (31 December 2015: 600MW). Through the domestic and foreign companies engaged in the photovoltaic system business, to capture the overseas market business opportunities, and also through the domestic appetite to the distributed power plants, it will lead to strong demand for the Group's upstream monocrystalline product production and sales.

During the year, certain segment of machinery and equipment was under upgrade and transformation and hence production capacity was less than expected and the benefit of vertical integration was not reflected. As a result, the Group was not able to capitalise on the advantages of economies of scale. Further, to complement the upgrade and transformation, the Group has incurred an increased amount of research and development expenses for the continuous enhancement of manufacturing process and existing and new products. This led to an increase in administrative expenses. As such, an operating loss of RMB74.289 million was recorded, compared to an operating profit of RMB152.548 million in 2015.

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

Silicon Ingot and Wafer Business

The Group's all-rounded photovoltaic industry chain with its

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During the year, demand for monocrystalline N-type products has increased which led to growing market share of monocrystalline N-type products. This was mainly driven by the higher conversion efficiency, thereby leading to the sales hinder(f(nce)3016.8()]TJT*47725 Tc(pro

Module Business

In 2016, the demand for solar modules has grown rapidly and it led to an increase in solar

Cost of sales

For the year ended 31 December 2016, cost of sales increased by 1.3% to RMB2,691.899 million from RMB2,657.012 million for the year ended 31 December 2015. Cost of sales represented 89.1% of total revenue. The increase in cost of sales mainly due to the increase in

Income tax

Income tax expense was RMB17.442 million for the year ended 31 December 2016, while an income tax expense amounted to RMB3.03 million was recorded for the year ended 31 December 2015. Income tax expense recorded for 2016 was attributable to the taxable profits generated by the solar cell and photovoltaic module businesses in China.

(Loss)/profit attributable to the equity shareholders

For the year ended 31 December 2016, the Group recorded a loss attributable to the equity shareholders of RMB239.149 million as compared to the profit attributable to the equity shareholders of RMB15.653 million for the year ended 31 December 2015.

Inventory turnover days

The inventories of the Group comprised mainly raw materials, namely polysilicon and other auxiliary raw materials, and finished goods. During the year ended 31 December 2016, the inventory turnover days of the Group were 86 days (2015: 89 days). The Group is putting in enormous effort toward maintaining a level of lower inventory turnover days. During the

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flows from bank borrowings. As at 31 December 2016, the current ratio (current assets divided by current liabilities) of the Group was 0.78 (31 December 2015: 0.87). The Group had net borrowings of RMB1,538.358 million as at 31 December 2016 (31 December 2015: RMB1,626.869 million), including cash at banks and on hand of RMB293.628 million (31 December 2015: RMB193.953 million), pledged bank deposits of RMB384.661 million (31 December 2015: RMB459.171 million), bank loans due within one year of RMB2,036.867 million (31 December 2015: RMB1,931.849 million) and non-current bank and other loans of RMB179.780 million (31 December 2015: RMB348.144 million). After the balance sheet date, the Group agreed to dispose of a wholly-owned subsidiary, Golmud Solargiga Energy Electric Power Co., Ltd. (subject to shareholders' approval). It would improve the Group's financial structure and the related debt ratios. Meanwhile, the Group has been increasing the number of its financing banks and the banking facilities. It is expected that in 2017, the finance costs would be reduced as a result.

Contingent liabilities

Financial guarantees issued

At 31 December 2016, the Group has undertaken to guarantee a bank loan to an associate, Jinzhou Aoke New Energy Co., Ltd.* (錦州奧克陽光新能源有限公司) ("Jinzhou Aoke"), to the extent of RMB31,450,000 (31 December 2015: RMB37,000,000). As most of the loan balances are secured by the fixed assets of the associate, the directors consider fair value of the above financial guarantee is insignificant.

The directors do not consider it probable that a claim will be made against the Group under the above guarantee. The maximum liability of the Group at the end of the reporting period under the above guarantee issued is the outstanding amount of the loan advanced by the bank to the associate of RMB31.450 million.

The Group agreed to acquire the 63% equity interest in Jinzhou Aoke after the year end date and Jinzhou Aoke which would become a wholly-owned subsidiary of the Company upon completion. It would in turn to create effective conditions for future improved profitability. Thus, the contingent liabilities of the above guarantee issue would not exist.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases and cash, bank deposits and bank loans that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk are primarily the US Dollar, Euro, Hong Kong Dollar and Japanese yen. The Directors do not expect any significant impact from the change in exchange rates since the Group uses foreign currencies received from customers to settle the amounts due to suppliers which naturally mitigates the exchange rate risk. In addition, the Group will consider the difference in interest rates and fluctuations in the exchange rates of foreign currency-denominated and local currency-denominated loan balance, and the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

* For identification only

Human resources

As at 31 December 2016, the Group had 3,664 (31 December 2015: 3,748) employees.

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Focusing on the development of monocrystalline products, the Group commands industry-leading technology for the production of monocrystalline products. It also runs on a unique business model covering the whole industry chain of the photovoltaic industry, fully leveraging the synergy among business segments of the Group and providing the Group with obvious competitive advantage on the market.

2016 is the first year of the Thirteenth Five-Year Plan of China. After the successful implementation of the Twelfth Five-Year Plan of China and the “Notice relating to the Issuance of the Implementation Plan of Photovoltaic Power Generation Infrastructure in 2015” (《關於下達2015年光伏發電建設實施方案的通知》) published by the National Energy Administration in March 2015, which stated that the installed solar capacity is targeted to reach over 110GW by the end of 2020 including an installed photovoltaic capacity of over 105GW, market confidence was greatly boosted, creating favorable conditions for photovoltaic growth and development in China.

In March 2016, the National Development and Reform Commission (“國家發展和改革委員會”) issued “Opinions on the Implementation of Poverty Alleviation through Photovoltaic Power Generation” (《關於實施光伏發電扶貧工作的意見》) with the aim to alleviate poverty through photovoltaic power generation. It is expected that two million poor households from 35,000 poor villages in 471 counties from 16 provinces will be earmarked to develop village-wide installation of photovoltaic power and enhance agricultural productivity to ensure an increment in annual household income by RMB3,000 before year 2020. On the other hand, the combination of agriculture and photovoltaic power generation (“農光互補”) utilises the character of zero pollution during power generation combining with the available space on top of the planting greenhouses and breeding shelters to install photovoltaic power generation systems, creating favourable growing and breeding environment for agriculture and livestock breeding, as long as generating electricity to power the operations of the farms. This in turn creates better economic and social benefits.

Under the improving environment in the global photovoltaic industry and the frequent launches of favourable policies and plans by the PRC government, it has highlighted the advantage of high conversion ratios, stable decay rate in its photovoltaic systems, continued reduction in unit cost, etc of monocrystalline products. In addition, with the increased attention by national policy on distributed solar power plants, market of monocrystalline products are expected to grow continually. Hence, monocrystalline products are becoming the popular choice in solar projects and the market share of monocrystalline products is improving. The proportion of solar plants installing monocrystalline PV systems and the monocrystalline products used by distributed power plants have increased as a result.

During 2016, the Group performed upgrades and transformation work on certain segment of machinery and equipment, including ingots, wafers, cells and modules segments, with special focus on the manufacturing capacity of ingots and wafers, and engaged in continuous enhancement of manufacturing process and existing and new products. Although the

production capacity was affected and the Group was not able to capitalise on the advantages of economies of scale, the Group expects the production capacities and production volume to resume normal in 2017. Further, during the year, the Group has also expanded its photovoltaic module manufacturing capacity to 1.2GW. This matches our upstream ingot manufacturing capacity and will allow the Group to capitalise its advantage in vertical integration.

On the other hand, the Group agreed to dispose of a wholly-owned subsidiary, Golmud Solargiga Energy Electric Power Co., Ltd. after the year end date (subject to shareholders' approval), which engaged in the operation and maintenance of a photovoltaic solar plant located in Qinghai Province, China. After the disposal, the Group's financial structure will be improved as a result of the offsetting of respective fixed assets and bank loans. The Group will look for investment opportunities with higher IRRs than this project under Golmud Solargiga to improve investment returns. Through building these new projects, it will create huge demands for our photovoltaic modules, and in time expand the distribution channels for the Group's downstream photovoltaic modules.

In order to enhance economies of scale and operational efficiency while minimising the overall operational and management costs, the Company has implemented an integration and centralisation strategy to consolidate various production bases across Jinzhou, Liaoning. The Group has fully grasped the market trend. While maintaining its own leading technological advantage in monocrystalline products, and adhering to the vertical integration strategy, through strengthened long-term strategic partnerships especially Motech being a well-known solar cell-focused manufacturer, the Group and its partners will be able to leverage on their respective strengths and experiences in laying a solid foundation for broader cooperation in the future. Through this kind of strategic alliances with the large solar cell-focused manufacturer, this will on one hand allow the Group to enjoy huge growth in its monocrystalline wafer sales, and on the other hand secure the sales channel of wafers and hence ensure stable supply of solar cells for our production of photovoltaic modules.

In addition to the existing long-term local key customers State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC"), through rigorous efforts in developing new customers in the PRC, the Group has strengthened its ties with large-scale state-owned enterprises, others of the big-five major power companies and other large listed companies. These include CGN New Energy Holdings Co., Ltd. (中國廣核新能源控股有限公司) and China Huadian Corporation (中國華電集團公司), etc. Without compromising its overseas shipment volume and sales, the Group has successfully improved its proportion of local to overseas sales from a 31:69 ratio in 2015 to a 48:52 ratio in 2016, and expects to maintain at a sustainable ratio of 50:50.

In future, the Group will adhere to its development strategy of vertical integration. By fully leveraging its technological advantage in monocrystalline products and focusing on the development of monocrystalline products, it will make good use of its vertically-integrated capacity with both upstream and downstream portions to raise the gross profit of the Group's module products and drive profit growth of the Group. While maintaining its leading position in upstream and downstream businesses and creating more demands for our photovoltaic modules, the Group will actively expand its downstream business of constructing, operating and maintaining photovoltaic power plants, and foster market development in overseas markets on the basis of its existing market share, with a view to enhancing the Group's downstream businesses and raising its overall profitability.

