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GCL-Poly Energy Holdings Limited

保利協鑫能源控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 3800)

ANNUAL RESULTS ANNOUNCEMENT FOR YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year ended 31 December		% of Changes
	2016 <i>RMB'million</i>	2015 <i>RMB'million</i> (Restated)	
Continuing operations			
Revenue	22,024.5	20,484.4	7.5%
Gross profit	7,044.2	5,740.9	22.7%
Profit the year	2,307.0	2,291.1	0.7%
Profit for the year attributable to owners of the Company	2,099.3	2,139.0	-1.9%

The basic earnings per share and diluted earnings per share for 2016 decreased to RMB11.41 cents and RMB11.41 cents (2015: RMB13.69 cents and RMB12.72 cents) respectively due to the effect of rights issue completed in 2016.

The profit for the year in 2015 included one-off compensation income arising from the amendment of settlement deed amounting to RMB1,160 million.

Discontinued operations

The loss for the year attributable to owners of the Company amounted to RMB69.9 million in 2016 (2015: Profit of RMB286.3 million).

Continuing and discontinued operations

The profit for the year attributable to owners of the Company for 2016 amounted to RMB2,029.4 million (2015: RMB2,425.2 million). The basic earnings per share and diluted earnings per share for 2016 are RMB11.03 cents and RMB11.03 cents (2015: RMB15.52 cents and RMB14.52 cents) respectively.

Business segment operating results from continuing operations:

- Profit from solar materials business increased by 23.9% to RMB2,319.5 million (2015: RMB1,872.4 million).
- Profit from new energy business increased by 309.8% to RMB243.6 million (2015: RMB59.4 million).

The board of directors (the “Board” or the “Directors”) of GCL-Poly Energy Holdings Limited (the “Company” or “GCL-Poly”) announces the audited consolidated results of the Company and its subsidiaries (the “Group” or “GCL-Poly”) for the year ended 31 December 2016 together with the restated comparative figures for the corresponding period in the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations			
Revenue	2	22,024,537	20,484,445
Cost of sales		<u>(14,980,339)</u>	<u>(14,743,575)</u>
Gross profit		7,044,198	5,740,870
Other income	3	926,431	908,578
Compensation income arising from the amendment of settlement deed	6	—	1,160,000
Distribution and selling expenses		(72,631)	(61,971)
Administrative expenses		(1,847,030)	(1,502,829)
Finance costs	4	(2,149,266)	(2,194,727)
Other expenses, gains and losses, net	5	(1,091,067)	(1,224,640)
Share of profits (losses) of joint ventures		<u>33,489</u>	<u>(49,859)</u>
Profit before tax		2,844,124	2,775,422
Income tax expense	7	<u>(537,172)</u>	<u>(484,299)</u>
Profit for the year from continuing operations	8	2,306,952	2,291,123
Discontinued operations			
(Loss) profit for the year from discontinued operations	14	<u>(112,208)</u>	<u>435,601</u>
Profit for the year		2,194,744	2,726,724
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<u>31,233</u>	<u>7,812</u>
Total comprehensive income for the year		<u>2,225,977</u>	<u>2,734,536</u>

	<i>Note</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Profit (loss) for the year attributable to owners of the Company			
— from continuing operations		2,099,295	2,138,966
— from discontinued operations		<u>(69,883)</u>	<u>286,254</u>
Profit for the year attributable to owners of the Company		<u>2,029,412</u>	<u>2,425,220</u>
Profit (loss) for the year attributable to non-controlling interests			
— from continuing operations		207,657	152,157
— from discontinued operations		<u>(42,325)</u>	<u>149,347</u>
Profit for the year attributable to non-controlling interests		<u>165,332</u>	<u>301,504</u>
		<u>2,194,744</u>	<u>2,726,724</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		2,064,780	2,420,755
Non-controlling interests		<u>161,197</u>	<u>313,781</u>
		<u>2,225,977</u>	<u>2,734,536</u>
		2016 <i>RMB cents</i>	2015 <i>RMB cents</i> (Restated)
Earnings per share	<i>10</i>		
From continuing and discontinued operations			
Basic		<u>11.03</u>	<u>15.52</u>
Diluted		<u>11.03</u>	<u>14.52</u>
From continuing operations			
Basic		<u>11.41</u>	<u>13.69</u>
Diluted		<u>11.41</u>	<u>12.72</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		52,461,558	41,649,905
Investment property		79,772	—
Prepaid lease payments		1,123,690	1,101,931
Goodwill		176,528	176,528
Other intangible assets		124,990	54,078
Interests in joint ventures		659,296	158,063
Available-for-sale investments		300,000	90,000
Convertible bonds receivable		128,211	93,707
Deferred tax assets		114,747	54,305
Deposits, prepayments and other non-current assets		3,639,900	2,685,754
Amount due from related companies		144,700	129,936
Pledged and restricted bank deposits		953,446	442,225
		<u>59,906,838</u>	<u>46,636,432</u>
CURRENT ASSETS			
Inventories		965,674	1,386,584
Trade and other receivables	<i>11</i>	12,284,566	14,367,687
Amounts due from related companies	<i>13</i>	267,764	51,809
Prepaid lease payments		25,726	25,127
Available-for-sale investments		112,922	38,726
Held for trading investments		111,522	14,456
Tax recoverable		23,968	2,690
Pledged and restricted bank deposits		3,230,654	6,616,105
Bank balances and cash		8,958,397	10,259,967
		<u>25,981,193</u>	<u>32,763,151</u>
Assets classified as held for sale		<u>1,131,282</u>	<u>291,907</u>
		<u>27,112,475</u>	<u>33,055,058</u>

		2016	2015
	Notes	RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and other payables	12	17,860,068	15,698,110
Amounts due to related companies	13	422,446	206,171
Advances from customers		517,566	478,773
Bank and other borrowings — due within one year		13,022,414	22,314,968
Obligations under finance leases — due within one year		858,173	934,578
Notes and bonds payables — due within one year		648,104	1,008,716
Derivative financial instruments		16,011	12,575
Deferred income		46,801	105,330
Tax payables		98,957	233,857
		<u>33,490,540</u>	<u>40,993,078</u>
Liabilities directly associated with assets classified as held for sale		<u>910,112</u>	<u>51,462</u>
		<u>34,400,652</u>	<u>41,044,540</u>
NET CURRENT LIABILITIES		<u>(7,288,177)</u>	<u>(7,989,482)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>52,618,661</u>	<u>38,646,950</u>
NON-CURRENT LIABILITIES			
Advances from customers		182,623	202,735
Bank and other borrowings — due after one year		20,257,141	12,120,725
Obligations under finance leases — due after one year		1,655,267	2,499,828
Notes payables — due after one year		4,473,241	3,670,615
Convertible bonds payables		2,012,997	2,018,472
Deferred income		276,329	352,002
Deferred tax liabilities		367,121	223,089
		<u>29,224,719</u>	<u>21,087,466</u>
NET ASSETS		<u>23,393,942</u>	<u>17,559,484</u>
CAPITAL AND RESERVES			
Share capital		1,631,804	1,372,260
Reserves		19,189,012	14,481,912
Equity attributable to owners of the Company		20,820,816	15,854,172
Non-controlling interests		2,573,126	1,705,312
TOTAL EQUITY		<u>23,393,942</u>	<u>17,559,484</u>

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) 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 of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The Group changed its presentation currency from Hong Kong dollar (“HK\$”) to Renminbi (“RMB”) effective from 1 July 2015 with details disclosed in the Company’s 2015 annual report.

The directors of the Company (the “Directors”) have given careful consideration to the going concern status of the Group in light of the fact that the Group’s current liabilities exceeded its current assets by RMB7,288 million as at 31 December 2016 and the Group had cash and cash equivalents of RMB8,958 million against the Group’s total borrowings (comprising bank and other borrowings, obligations under financial leases, notes payables and convertible bonds payables) amounted to approximately RMB43,192 million (including loan from a shareholder, bank and other borrowings and obligations under finance leases classified as held for sale of RMB265 million), out of which approximately RMB14,794 million will be due in the coming twelve months. The Directors have evaluated the Group’s current undrawn banking facilities and renewable bank borrowings. In order to improve liquidity, the Group continues to pay close attention in managing the Group’s cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates and raise additional banking facilities as and when required by the Group’s operating cash needs.

In 2014, the Group acquired GCL New Energy Holdings Limited (“GNE”), whose shares are listed on the Stock Exchange. As at 31 December 2016, certain subsidiaries of the Company guaranteed bank and other borrowings of GNE and its subsidiaries (collectively referred as “GNE Group”) amounted to RMB5,553 million. The Directors have evaluated the going concern status of GNE Group in preparing these consolidated financial statements, in light of the fact that, as at 31 December 2016, GNE Group’s current liabilities exceeded its current assets by RMB7,278 million. In addition, GNE Group has entered into agreements to acquire and construct solar farm sites and other assets which will involve total capital commitment of approximately RMB4,447 million.

In addition, subject to the availability of additional financial resources, GNE Group is currently looking for further opportunities to increase the scale of its solar farm operations through mergers and acquisitions. In the event that GNE Group is successful in securing more solar farms investments or expanding the investments in the existing solar farms in the coming twelve months from 31 December 2016, additional cash outflows will be required to settle further committed capital expenditure.

As at 31 December 2016, GNE Group’s total borrowings comprising bank and other borrowings, convertible bonds payables, obligations under finance leases, loan from a shareholder and loans from fellow subsidiaries amounted to RMB22,900 million, out of which RMB5,862 million will be due in the coming twelve months provided that the covenants under the borrowing agreements are satisfied. GNE Group’s pledged and restricted bank deposit and bank balances and cash amounted to approximately RMB2,276 million and RMB3,853 million (including pledged bank and other deposits and bank balances and cash classified as held for sale of RMB20 million and RMB27 million, respectively) as at 31 December 2016, respectively. The financial resources available to GNE Group as at 31 December 2016 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements. GNE Group is actively pursuing additional financing including, but not limited to, equity and debt financing and bank borrowings.

The Directors have evaluated the measures being undertaken by GNE Group to improve their liquidity position, which include:

- (i) Subsequent to 31 December 2016, GNE Group successfully obtained new borrowing of approximately RMB2,061 million from banks in the PRC;
- (ii) GNE Group has been negotiating with lenders for the renewal of its current borrowings as necessary when they fall due in the coming twelve months. Based on the past experience, GNE Group did not encounter any significant difficulties in renewing the borrowings and the directors of GNE are confident that all borrowings can be renewed upon the application when necessary;
- (iii) GNE Group is currently negotiating with several lenders in both Hong Kong and the PRC for additional financing. It has received detailed proposals from certain banks for banking facilities with repayment periods for more than one year. GNE Group also received letters of intent from certain other banks which indicated that these banks preliminarily agreed to offer banking facilities to GNE Group;
- (iv) In February 2016, GNE completed a rights issue of shares for a net proceeds of approximately RMB1,941 million (“GNE Rights Issue”). In July and December 2016, GNE Group proposed the issuance of non-public corporate bonds and non-public green bond to qualifying investors in the maximum principal amount of RMB2,000,000,000 and RMB1,750,000,000, respectively, which were fully underwritten and shall have a term of up to 3 years. No-objection letters from the Shanghai Stock Exchange and the Shenzhen Stock Exchange has been received in relation to these issues. GNE Group is also negotiating with other private investors for additional financing in the form of equity or debt or a combination of both; and
- (v) GNE Group has completed construction of 86 solar farms with approval for on-grid connection up to 31 December 2016. GNE Group also has additional 22 solar farms under construction targeting to achieve on-grid connection within the coming twelve months from the date of approval of these consolidated financial statements. The abovementioned solar farms have an aggregate installed capacity of approximately 4.1 GW and are expected to generate operating cash inflows to GNE Group.

Although the directors of GNE identified going concern as an area of significant uncertainty, the Directors are of the opinion that, taking into account the above undrawn banking facilities, renewal of existing banking facilities, the Group’s cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described above, the uncertainty from GNE Group will not have significant impact to the Group and the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

2. SEGMENT INFORMATION

The Group's reportable and operating segments under IFRS 8 are as follows:

- (a) Solar material business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.
- (b) Solar farm business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States of America (the “USA”) and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.
- (c) New energy business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms.

In December 2016, one of the operating segments of GNE Group regarding the PCB business was contracted to be sold and accordingly has been presented as discontinued operations.

In December 2015, an operating segment regarding the development, construction, management and operation of power plants and sales of coals in the PRC (collectively referred to as the “non-solar power business”) was discontinued.

The segment information reported below does not include these discontinued operations, which are described in more details in note 14.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment:

Year ended 31 December 2016

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000 (Note)	Total RMB'000
Segment revenue				
Revenue from external customers	<u>19,269,818</u>	<u>508,294</u>	<u>3,737,989</u>	<u>23,516,101</u>
Segment profit (loss)	<u>2,319,517</u>	<u>(161,262)</u>	<u>131,365</u>	2,289,620
Add: loss for the year from discontinued operations of PCB business				112,208
Elimination of inter-segment profit				(4,846)
Unallocated income				65,594
Unallocated expenses				(34,197)
Gain on fair value change of convertible bonds receivable				34,504
Loss on fair value change of convertible bonds issued by the Company				(180,878)
Gain on fair value change of held for trading investments				<u>24,947</u>
Profit for the year from continuing operations				<u>2,306,952</u>

For illustrative purpose, if excluding the operating results of the PCB Business of GNE Group:

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000	Total RMB'000
Segment revenue				
Revenue from external customers	<u>19,269,818</u>	<u>508,294</u>	<u>2,246,425</u>	<u>22,024,537</u>
Segment profit (loss)	<u>2,319,517</u>	<u>(161,262)</u>	<u>243,573</u>	<u>2,401,828</u>

Year ended 31 December 2015

	Solar material business <i>RMB'000</i>	Solar farm business <i>RMB'000</i>	New energy business <i>RMB'000</i> (Note)	Total <i>RMB'000</i> (Restated)
Segment revenue				
Revenue from external customers	<u>19,242,635</u>	<u>553,801</u>	<u>1,969,899</u>	<u>21,766,335</u>
Segment profit (loss)	<u>1,872,435</u>	<u>(302,945)</u>	<u>6,393</u>	1,575,883
Add: loss for the year from discontinued operations of PCB Business				53,042
Elimination of inter-segment profit				(28,196)
Unallocated income				9,296
Unallocated expenses				(395,791)
Loss on fair value change of convertible bonds receivable				(44,225)
Loss on fair value change of convertible bonds issued by the Company				(35,275)
Loss on fair value change of held for trading investment				(3,611)
Compensation income arising from the amendment of settlement deed				<u>1,160,000</u>
Profit for the year from continuing operations				<u>2,291,123</u>

For illustrative purpose, if excluding the operating results of the PCB Business of GNE Group:

	Solar material business <i>RMB'000</i>	Solar farm business <i>RMB'000</i>	New energy business <i>RMB'000</i> (Note)	Total <i>RMB'000</i>
Segment revenue				
Revenue from external customers	<u>19,242,635</u>	<u>553,801</u>	<u>688,009</u>	<u>20,484,445</u>
Segment profit (loss)	<u>1,872,435</u>	<u>(302,945)</u>	<u>59,435</u>	<u>1,628,925</u>

Note: The revenue of the new energy business for the current year mainly represents revenue arising on sales of electricity.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit (loss) from continuing operations represents the profit (loss) of each respective segment excluding unallocated income, unallocated expenses (including certain exchange losses (gains), depreciation of an aircraft and respective finance costs under sale and finance leaseback arrangements), change in fair value of convertible bonds receivable, change in fair value of convertible bonds issued by the Company, change in fair value of held for trading investments and compensation income arising from the amendment of settlement deed. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Segment assets		
Solar material business	38,350,554	47,161,479
Solar farm business	4,156,910	4,709,445
New energy business	<u>41,437,588</u>	<u>23,194,743</u>
 Total segment assets	 83,945,052	 75,065,667
Assets classified as held for sale	—	291,907
Convertible bonds receivable	128,211	93,707
Held for trading investments	111,522	14,456
Available-for-sale investments	112,922	38,726
Unallocated bank balances and cash	2,379,683	3,989,362
Unallocated corporate assets	<u>341,923</u>	<u>197,665</u>
 Consolidated assets	 <u><u>87,019,313</u></u>	 <u><u>79,691,490</u></u>
 Segment liabilities		
Solar material business	25,633,378	36,246,293
Solar farm business	2,407,710	3,843,939
New energy business	<u>34,157,909</u>	<u>20,422,363</u>
 Total segment liabilities	 62,198,997	 60,512,595
Liabilities directly associated with assets classified as held for sale	—	51,462
Convertible bonds issued by the Company	1,154,537	1,285,616
Unallocated corporate liabilities	<u>271,837</u>	<u>282,333</u>
 Consolidated liabilities	 <u><u>63,625,371</u></u>	 <u><u>62,132,006</u></u>

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to operating segments, other than assets classified as held for sale, corporate bank balances and cash and other assets (including an aircraft, convertible bonds receivable, held for trading investments and certain available-for-sale investments) of the management companies and investment holdings companies; and
- All liabilities are allocated to operating segments, other than liabilities directly associated with assets classified as held for sale and other liabilities (including convertible bonds issued by the Company and certain obligations under finance leases) of the management companies and investment holdings companies.

Note: The segment assets and liabilities of new energy business included the segment assets and liabilities of GNE Group and the effect arising from fair value adjustments relating to the assets and liabilities of GNE acquired in 2014, which were subject to subsequent amortisation/depreciation over the estimated useful lives of the relevant assets during the year ended 31 December 2015 and 2016. In 2016, fair value adjustments are fully offset by loss on measurement to fair value less cost to sell recognised.

The segment assets and liabilities of new energy business included the assets classified as held for sales amounting RMB1,131,282,000 and liabilities directly associated with assets classified as held for sale amounting RMB910,112,000 due to the operating segment of GNE Group regarding the PCB Business was contracted to be sold.

Revenue from major products

The following is an analysis of the Group's revenue from continuing operations and discontinued operations of PCB Business from its major products and services:

	2016 RMB'000	2015 <i>RMB'000</i> (Restated)
Continuing operations		
Sales of wafer	17,889,741	16,791,000
Sales of electricity (<i>Note</i>)	2,751,995	1,217,659
Sales of polysilicon	985,645	1,741,766
Others (comprising the sales of ingots, modules, and processing fees)	<u>397,156</u>	<u>734,020</u>
	22,024,537	20,484,445
Discontinued operations		
Sales of PCB	<u>1,491,564</u>	<u>1,281,890</u>
	<u>23,516,101</u>	<u>21,766,335</u>

Note: Sales of electricity included RMB1,860,222,000 (2015: RMB744,152,000) tariff adjustment received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar farms. Details of settlement arrangement of tariff is disclosed in note 11.

Geographical information

The Group's revenue from continuing operations and discontinued operations of PCB Business from external customers by location of operations is detailed below:

	2016 RMB'000	2015 <i>RMB'000</i> (Restated)
Continuing operations		
The PRC	18,427,434	18,009,925
Others	<u>3,597,103</u>	<u>2,474,520</u>
	22,024,537	20,484,445
Discontinuing operations		
Sales of PCB	<u>1,491,564</u>	<u>1,281,890</u>
	<u>23,561,101</u>	<u>21,766,335</u>

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total sales of the Group are as follows:

	2016 RMB'000	2015 RMB'000
Customer A ⁽¹⁾	<u>2,217,592</u>	<u>N/A⁽²⁾</u>

⁽¹⁾ Revenue from solar material business — sale of wafer.

⁽²⁾ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

3. OTHER INCOME

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations		
Government grants	347,087	162,656
Sales of scrap materials	199,994	202,856
Bank and other interest income	195,361	313,506
Management and consultancy fee income	20,843	91,430
Waiver of other payables	19,020	6,455
Commission income on modules procurement	—	89,245
Compensation income	43,167	—
Rental income	14,921	—
Income arising from transfer of capacity quota	22,725	—
Others	<u>63,313</u>	<u>42,430</u>
	<u>926,431</u>	<u>908,578</u>

4. FINANCE COSTS

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations		
Interest on:		
Bank and other borrowings	1,796,439	1,252,452
Discounted bills receivable and letters of credit	153,253	782,716
Obligations under finance leases	173,279	153,978
Notes and bonds payables	308,813	176,778
Imputed interest expenses on payables (<i>Note</i>)	<u>—</u>	<u>21,383</u>
Total borrowing costs	2,431,784	2,387,307
Less: Interest capitalised	<u>(282,518)</u>	<u>(192,580)</u>
	<u>2,149,266</u>	<u>2,194,727</u>

Borrowing costs capitalised during the year arose the general borrowing pool and are calculated by applying a capitalisation rate of 9.55% (2015: 8.03%) per annum to expenditure on qualifying assets.

Note: Imputed interest expenses arose from a discounting effect of the engineering, procurement and constructions (“EPC”) payable.

5. OTHER EXPENSES, GAINS AND LOSSES, NET

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Continuing operations		
Research and development costs	247,295	257,190
Exchange (gain) loss, net	(20,685)	451,344
(Gain) loss on fair value change of convertible bonds receivable	(34,504)	44,225
Loss on fair value change of convertible bonds payables	356,126	6,211
(Gain) loss on fair value change of held for trading investments	(24,947)	3,611
Bargain purchase from business combination	(67,111)	(21,626)
Impairment loss on property, plant and equipment	540,737	175,286
Impairment loss on deposit for acquisition of property, plant and equipment	59,536	—
Loss on fair value change of derivative financial instruments, net	3,436	12,575
Impairment loss on trade and other receivables, net	6,545	281,818
Loss on disposal of property, plant and equipment	26,461	14,006
Gain on deemed disposal of a joint venture	(1,822)	—
	<u>1,091,067</u>	<u>1,224,640</u>

6. COMPENSATION INCOME ARISING FROM THE AMENDMENT OF SETTLEMENT DEED

In November 2015, the Company entered into a deed of amendment of terms of settlement (“Amended Deed of Settlement”) with Mr. Zhu Gongshan, Mr. Zhu Yufeng and High Excel Investment Limited (hereinafter collectively defined as the “Covenantors”) to amend the terms of the deed of agreement dated 25 March 2015 entered into between the Company and the Covenantors (“Deed of Settlement”) pursuant to which such parties conditionally agreed to settle the possible claims relating to, or as a result of any breach or alleged breach of the deed of non-competition dated 27 October 2007 (as amended by a deed of amendment dated 27 March 2014) entered into between the Company and the Covenantors by virtue of the acquisition of, or investments in or the enjoyment of any benefits from, any interest in Jinshanqiao Cogeneration Plant (“Jinshanqiao”) by Mr. Zhu Gongshan or Mr. Zhu Yufeng. In terms of the Amended Deed of Settlement, the Covenantors paid a cash compensation to the Company of RMB1.16 billion in lieu of a transfer of 100% equity interest in the Jinshanqiao to the Company as originally provided for under the Deed of Settlement. Such amount was fully received in December 2015. Further details on this settlement arrangement have been set out in a circular of the Company to the shareholders dated 11 November 2015.

7. INCOME TAX EXPENSE

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Continuing operations		
PRC Enterprise Income Tax (“EIT”)		
Current tax	439,214	390,024
Overprovisions in prior years	<u>(27,376)</u>	<u>(25,081)</u>
	411,838	364,943
USA Federal and State Income Tax		
Current tax	260	28
Underprovisions in prior years	<u>9</u>	<u>—</u>
	269	28
Hong Kong Profits Tax — Current Tax	—	3,993
Other jurisdictions	11	—
PRC dividend withholding tax	46,834	103,951
Deferred tax	<u>78,220</u>	<u>11,384</u>
	<u><u>537,172</u></u>	<u><u>484,299</u></u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiaries is 25%, except for those subsidiaries described below. The overprovisions of EIT in prior years arose mainly as a result of completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

Certain subsidiaries operating in the PRC have been accredited as a “High and New Technology Enterprise” by the Science and Technology Bureau of Jiangsu Province and relevant authorities for a term of three years, and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by these subsidiaries are subject to 15% EIT rate for both years. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

Certain subsidiaries of GNE Group, being enterprises in public infrastructure projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for taxation in Hong Kong profit tax was made for the year as no assessable profits for both years.

Federal and State tax rate in the USA are calculated at 35% and 8.84%, respectively for both years.

The Group's subsidiaries and joint ventures that are tax residents in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC tax resident immediate holding companies registered in Hong Kong and the British Virgin Islands ("BVI"), respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Accordingly, a provision for deferred taxation of RMB136,606,000 (2015: RMB25,187,000) in respect of withholding tax on undistributed profits has been charged to profit or loss during the current year.

8. PROFIT FOR THE YEAR

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i> (Restated)
Continuing operations		
Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	2,287,949	2,042,917
Retirement benefit scheme contributions	74,820	48,494
Share-based payment expenses	<u>98,466</u>	<u>152,329</u>
Total staff costs	<u>2,461,235</u>	<u>2,243,740</u>
Depreciation of property, plant and equipment	3,435,905	2,656,562
Amortisation of prepaid lease payments	26,192	21,950
Amortisation of other intangible assets (included in cost of sales)	<u>11,014</u>	<u>8,039</u>
Total depreciation and amortisation	3,473,111	2,686,551
Add (less): Amounts included in closing inventories	<u>(77,360)</u>	<u>39,100</u>
Total of depreciation and amortisation charged to profit or loss	<u>3,395,751</u>	<u>2,725,651</u>
Auditor's remuneration	12,544	10,205
Cost of inventories recognised as cost of sales (including write down of inventories of approximately RMB199,905,000 (2015: RMB275,419,000))	<u><u>14,128,816</u></u>	<u><u>14,610,972</u></u>

9. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
2015 special dividend — HK\$0.0862 (2016: nil) per share	<u>—</u>	<u>1,120,000</u>

Subsequent to the end of the reporting period, no dividend was proposed by the Directors.

10. EARNINGS PER SHARE

For continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016 RMB'000	2015 <i>RMB'000</i> (Restated)
Earnings		
Earnings for the purpose of basic earnings per share		
— Profit for the year attributable to owners of the Company	2,029,412	2,425,220
Effect of dilutive potential ordinary shares:		
— Fair value change on convertible bonds issued by the Company	<u>—</u>	<u>(111,499)</u>
Earnings for the purpose of diluted earnings per share from continuing operations	<u>2,029,412</u>	<u>2,313,721</u>
	2016 '000	2015 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	18,393,103	15,621,866
Effect of dilutive potential ordinary shares:		
— Share options issued by the Company	6,106	8,923
— Convertible bonds issued by the Company	<u>—</u>	<u>303,034</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>18,399,209</u>	<u>15,933,823</u>

The weighted average number of ordinary shares for the purpose of calculation of basic earnings per share for 2015 has been adjusted for the effect of the Rights Issue completed on 26 January 2016.

Diluted earnings per share for the year ended 31 December 2016 did not assume (1) the conversion of convertible bonds issued by the Company in 2015 and the convertible bonds issued by GNE because the assumed conversion would result an increase in earnings per share; and (2) the exercise of certain share options granted by the Company and share options granted by GNE, since the exercise prices were higher than the average market prices of shares of the Company and GNE, respectively, for the year ended 31 December 2016.

Diluted earnings per share for the year ended 31 December 2015 did not assume (1) the conversion of the convertible bonds issued by the Company in 2013 and the convertible bonds issued by GNE because the assumed conversion would result in an increase in earnings per share; and (2) the exercise of certain share options granted by the Company and share option granted by GNE because the exercise price of those options was higher than the average market price of the Company and GNE, respectively, for the year ended 31 December 2015.

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Profit for the year attributable to owners of the Company	2,029,412	2,425,220
Less: Loss (profit) for the year from discontinued operations attributable to owners of the Company	<u>69,883</u>	<u>(286,254)</u>
Earnings for the purpose of basic earnings per share from continuing operations	<u>2,099,295</u>	<u>2,138,966</u>

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operations

Basic loss per share for the discontinued operations is RMB0.38 cent per share (2015: Earnings of RMB1.83 cents per share) and diluted loss per share for the discontinued operations is RMB0.38 cent per share (2015: Earnings of RMB1.80 cents per share), based on the loss for the year from the discontinued operations attributable to owners of the Company of RMB69,883,000 (2015: Profit of RMB286,254,000) and the denominators detailed above for both basic and diluted earnings per share.

11. TRADE AND OTHER RECEIVABLES

As at 31 December 2016, tariff adjustment receivables amounting to approximately RMB2,598,624,000 (31 December 2015: RMB1,013,018,000) are included in the trade receivables. The Directors expected certain part of the tariff adjustment receivables will be recovered after 12 months from the reporting date and have classified them as non-current assets accordingly. The current portion and non-current portion of tariff adjustment receivables are approximately RMB2,349,068,000 (31 December 2015: RMB837,318,000) and RMB249,555,000 (31 December 2015: RMB175,700,000), respectively.

The Group allows a credit period of approximately 1 month from the invoice date for trade receivables (excluding sales of electricity in the PRC) and may further extend 3 to 6 months for settlement through bills issued by banks and financial institutions obtaining from trade customers.

For sales of electricity in the PRC, the Group generally grant credit period of approximately 1 month to local power grid companies in the PRC from the date of invoice in accordance with relevant electricity sales contracts between the Group and the respective local grid companies.

The following is an aged analysis of trade receivables, net of allowances for doubtful debts, and bills receivable (trade-related) presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates and the bills issue date:

	2016 RMB'000	2015 <i>RMB'000</i> (Restated)
Trade receivables:		
Unbilled (<i>Note</i>)	2,093,632	1,013,018
Within 3 months	1,322,138	1,626,908
3 to 6 months	162,552	286,662
More than 6 months	361,934	282,738
	<u>3,940,256</u>	<u>3,209,326</u>
Bills receivable (trade-related):		
Within 3 months	3,424,004	4,304,120
3 to 6 months	2,662,711	4,043,610
	<u>6,086,715</u>	<u>8,347,730</u>

Note: Unbilled trade receivables include tariff adjustment to be billed and received based on prevailing nationwide government policies on renewable energy from the state grid companies.

12. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables and bills payable (trade-related) presented based on the invoice date and the bills issue date, respectively, at the end of the reporting period:

	2016 RMB'000	2015 <i>RMB'000</i>
Trade payables:		
Within 3 months	1,491,407	1,616,474
3 to 6 months	870,289	1,248,556
More than 6 months	9	11,455
	<u>2,361,705</u>	<u>2,876,485</u>
Bills payable (trade-related):		
Within 3 months	1,097,268	2,923,941
3 to 6 months	651,379	1,553,645
	<u>1,748,647</u>	<u>4,477,586</u>

13. BALANCES WITH RELATED PARTIES

The following is an aged analysis of amounts due from related companies (trade-related) at the end of the reporting period, presented based on the invoice date which approximated the respective revenue recognition dates:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	234,506	474
3 to 6 months	—	111
More than 6 months	187	1,079
	<u>234,693</u>	<u>1,664</u>

The following is an aged analysis of amounts due to related companies (trade-related) at the end of the reporting period, presented based on the invoice date:

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Within 3 months	94,490	3,660
3 to 6 months	22,011	24
More than 6 months	374	168
	<u>116,875</u>	<u>3,852</u>

The amounts due from/to related companies are unsecured, non-interest bearing and the credit period for trade-related balances are normally within 90 days.

14. DISCONTINUED OPERATIONS

Year ended 31 December 2016

On 30 December 2016, GNE entered into a sale and purchase agreement (“S & P Agreement”) to dispose of the entire interest in PCB business (the “Disposal”) to Mr. Yip Sum Yin (“Mr. Yip”), a former director of GNE, at a consideration of HK\$250,000,000 (equivalent to RMB223,625,000) plus, as the case may be, adjustment amounts pursuant to the S & P Agreement. The disposal of PCB business is consistent with GNE Group’s long-term policy to focus on its core solar farms business, which will allow GNE Group and its management team to focus its resources on the business area where it has the most competitive strengths. The completion of the Disposal was subject to the fulfilment of certain conditions precedent as set out in the S & P Agreement. Details of the Disposal are set out in the announcement of GNE dated 30 December 2016 and the circular of GNE issued to the shareholders dated 20 January 2017. The Directors consider that the disposal transaction is highly probable and will be completed within 12 months from the end of reporting period.

The loss for the year from the discontinued PCB business is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the PCB business as discontinued operations.

Analysis of loss for the period from discontinued operations

The results of the discontinued operations for the years were as follows:

	2016 RMB'000	2015 <i>RMB'000</i> (Restated)
Revenue	1,491,564	1,281,890
Cost of sales	(1,383,305)	(1,246,771)
Other income	29,577	42,920
Distribution and selling expenses	(19,811)	(17,133)
Administrative expenses	(71,549)	(78,463)
Other expenses, gains and losses	16,062	23,819
Finance costs	(12,207)	(14,049)
Profit (loss) before tax	50,331	(7,787)
Income tax expense	(48,104)	(45,255)
Profit (loss) for the year from discontinued operations	2,227	(53,042)
Loss on measurement to fair value less costs to sell	(114,435)	—
Loss for the year from discontinued operations (attributable to owners of GNE)	(112,208)	(53,042)
	2016 RMB'000	2015 <i>RMB'000</i> (Restated)
Loss for the period from discontinued operations include the following:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	236,661	212,742
Retirement benefit scheme contributions	19,128	15,975
Total staff costs	255,789	228,717
Depreciation of property, plant and equipment	155,856	219,871
Amortisation of prepaid lease payments	13,088	709
Total of depreciation and amortisation	168,944	220,580
Auditor's remuneration	694	321
Cost of inventories recognised as an expense	1,389,065	1,246,771

During the year, GNE Group's PCB business contributed RMB136 million (2015: RMB165 million) to the Group's net operating cash flows, paid RMB140 million (2015: RMB156 million) in respect of investing activities and paid RMB36 million (2015: contributed RMB42 million) in respect of financing activities.

Year ended 31 December 2015

On 14 September 2015, the Company entered into a sale agreement to dispose of the Group's non-solar power business to 上海其辰投資管理有限公司 Shanghai Qichen Investment Management Co. Ltd., a company in which Mr. Zhu Gongshan has control, at a consideration of RMB3.2 billion. The disposal of non-solar power business is consistent with the Group's long-term policy to focus on its core integrated solar business, including the manufacturing and sale of polysilicon and wafer products, and developing, owning and operating downstream solar farms both within the PRC and overseas, to reinforce its position as a leading global player in the rapidly growing photovoltaic industry. The disposal was completed on 8 December 2015, when control of the non-solar power business was passed to the acquirer, a company in which Mr. Zhu Gongshan has control. Details of the disposal of the non-solar power business are set out in the announcement of the Company dated 7 September 2015 and the circular of the Company issued to the shareholders dated 11 November 2015.

The profit for the period from the discontinued non-solar power business is set out below.

	2015 RMB'000
Profit of non-solar power business for the period	406,232
Gain on disposal of non-solar power business	<u>82,411</u>
	<u><u>488,643</u></u>

Analysis of profit for the period from discontinued operations

The results of the discontinued operations for the period from 1 January 2015 to 8 December 2015, were as follows:

	Period from 1 January 2015 to 8 December 2015 RMB'000
Revenue	6,624,587
Cost of sales	(5,630,479)
Other income	219,817
Distribution and selling expenses	(6,723)
Administrative expenses	(528,082)
Finance costs	(216,472)
Other expenses, gains and losses	154,861
Share of profits of associates	<u>7,481</u>
Profit before tax	624,990
Income tax expense	<u>(218,758)</u>
	406,232
Gain on disposal of non-solar power business	<u>82,411</u>
Profit for the period from discontinued operations	<u><u>488,643</u></u>

Profit for the period from discontinued operations include the following:

Staff costs, including directors' remuneration	
Salaries, wages and other benefits	444,111
Retirement benefit scheme contributions	30,288
Share-based payment expenses	<u>2,000</u>
Total staff costs	<u>476,399</u>
Depreciation of property, plant and equipment	331,239
Amortisation of prepaid lease payments	10,214
Amortisation of other intangible assets (included in cost of sales)	<u>10,138</u>
Total of depreciation and amortisation	<u>351,591</u>
Auditor's remuneration	2,163
Cost of inventories recognised as an expense	<u><u>4,942,511</u></u>

During the year ended 31 December 2015, the Group's non-solar power business contributed RMB949 million to the Group's net operating cash flows, paid RMB72 million in respect of investing activities and contributed RMB330 million in respect of financing activities.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2016 marked an important milestone for the development of GCL-Poly. Abiding by the mission and vision of the Company, we work hard to fulfill our commitment to creating value for our shareholders and assume corporate social responsibility to bring green energy to life. We are strongly determined to develop solar photovoltaic business and have achieved good performance continuously.

After completion of the divestiture transaction in respect of other businesses in 2016, the Company focuses on the business of production research and development and supply of polysilicon and wafer, the largest of its kind globally. Meanwhile, with the expansion of its subsidiary, GNE, the Company becomes a top-notch solar farm developer and operator in China.

2016 Business Review

During 2016, GCL-Poly's total production of polysilicon and wafer were 69,345 MT and 17,327 MW respectively, ranking first in the world again. For the year ended 31 December 2016, GCL-Poly recorded a revenue of RMB22.02 billion, representing a 7.5% increase as compared with the same period in 2015; gross profit was approximately RMB7.04 billion, a 22.7% increase as compared with the same period in 2015; profit attributable to owners of the Company amounted to approximately RMB2.03 billion and basic earnings per share were approximately RMB11.03 cents.

For the year 2016, GNE's total PV installed capacity was 3,516 MW, a 114.4% increase as compared with the same period in 2015. Total revenue from new energy business was approximately RMB2.25 billion, up by 226.5% year-on-year. Profit significantly increased by 309.8% to RMB0.24 billion over last year.

Driven by Innovation, GCL-Poly and GNE Recorded Further Growth

Global PV industry developed rapidly in 2016, seen total PV installation capacity of approximately 77 GW, representing a 32% increase as compared with the same period in 2015, among which, China continued to lead the global PV market with 34.5 GW of new installation in 2016. By implementing the strategy of "Embrace Client", GCL-Poly worked together with other PV enterprises in improving new techniques and new processes to promote industry upgrade and reduce the costs of PV products and solar farms.

GCL-Poly also made various achievements in intellectual property in 2016. Throughout the year, subsidiaries under GCL-Poly applied for 100 patents (including 37 patents for invention) and were granted 53 patents. To date, GCL-Poly applied for 556 patents and was granted 374 patents, among which 104 were patents for invention.

The Company further enhanced Siemens method polysilicon production technology in 2016. Moreover, the scientific research projects of upgrading the technological transformation of ingot casting furnaces, optimisation of the high-efficiency polycrystalline ingot casting process, the research and development of ingot casting monocrystalline technology, upgrades of diamond wire cutting, black silicon technology, and equipment and process optimisation of fluidised-bed silicon particles via silane method etc. achieved outstanding improvement and each achievement of research and development is in the leading edge of the industry, which not only reduced the manufacture cost of products but also provided a reliable assurance for subsequent capacity improvement, cost reduction and further product upgrades.

In 2017, we will introduce core techniques with international competitiveness by means of cooperation with international renowned companies and merge and acquisition while focusing on self-development and innovation, so as to keep long-term competitiveness in the market for the Company in the future.

Through its rising proportion of self development, controlled costs in construction of power station and improved efficiency in power generation, GNE had new additional power plant grid integration capacity of approximately 1.9 GW and construction in progress pending grid integration of approximately 1 GW in 2016. GNE secured 360 MW “Top Runner” (領跑者) project leveraging on its leading techniques and innovative management, and was granted a quota of 250 MW for photovoltaic poverty alleviation in view of its assistance in relevant works, taking lead throughout the country.

In 2017, GNE has already comprehensively carried out the development of distributed business and expansion of global key regional projects and intends to expand new projects of 1.5 to 2 GW in the regions with rich solar resource and has a plan of joint upgrade and transformation with its strategic partners to continue reducing cost significantly by various means such as enhancing technical innovation, speeding up efficiency of capital usage and providing management services, striving to reduce the average cost of solar generation to RMB6–6.5 per watt.

Social Responsibility

As a global leading enterprise engaged in renewable energy development for a long period, GCL-Poly is well aware of its responsibility in environmental protection and social contribution. While ensuring our power generation and manufacturing activities in compliance with national environmental standards, we also actively participated in various public welfare activities, such as “Sunshine Love and Care Action” (陽光關愛行動) and “Higher Education Subsidies” (高等教育獎助學基金) organised by “GCL-Poly Sunshine Charity Fund”, and kinds of disaster relief and poverty alleviation projects. Over the years, we have initiated and participated in over 100 charitable events and received wide recognition from the society. In the summer of 2016, Funing, a city in Jiangsu Province, was severely hit by extremely disastrous weather. On confirmation of the news, the Company held an emergency rescue meeting and decided to donate RMB10 million for the purpose of rescue and reconstruction works in the affected area.

During 2016, GCL-Poly was awarded with the “Capital China Outstanding New Energy Enterprise” (資本傑出中國新能源企業) by South China Media, the “2016 China Securities Golden Bauhinia Award”, and the “Best PV Material Supplier in China” (中國最佳光伏材料商) at OFWeek’s PV Industry Award Ceremony 2016 (2016中國光伏行業年度評選頒獎典禮). At the same time I, as the Chairman of the Company was named as “PV Leader of the Year” (年度光伏領袖) during Solarbe’s CREC 2016, reflecting trust and recognition from all parties to GCL-Poly. In the future, we will continue to make active contribution to the society by jobs creation, charity donation, public welfare and every other possible ways.

Outlook

In response to increasingly serious environment issues, the execution and enforcement of the Paris Agreement on climate change clarifies the direction for related global cooperation post 2020, showing the pace of adjustment on global energy structure is accelerating. In fighting against climate change, China has adopted strong policies and measures in order to reach its target, namely, non-fossil energy accounting for 15% and 20% of total energy consumption by 2020 and 2030 respectively, which were proved effective and progressed well. The 13th Five-year Plan for the Solar Photovoltaic Industry (《太陽能發展十三五規劃》) and the 13th Five-year Plan for Energy Industry (《能源發展十三五規劃》) set out the energy blueprint and action guideline from 2016 to 2020. A PV installation goal of more than 110 GW is to achieve by 2020, including 5 GW of PV solar and 60 GW of distributed generation, in addition to the realisation of grid-parity on the user side, ushering in a upsurge for the development of solar energy industry.

During the 13th Five-year Plan covered period, the PV industry in China is expected to overcome core technical difficulties with the expansion of industry scale, promote diversified application of PV products, and further to reduce costs and improve efficiency. Meanwhile, historic development opportunities will emerge for the growth of various forms of projects such as photovoltaic poverty alleviation and photovoltaic agriculture.

Driven by innovation, GCL-Poly will be strongly committed to the research and development of new products and techniques related to PV materials so as to make solar power to reach grid-parity before 2020. As a result, we will continue to improve core competitiveness of our products and ensure the advantages of our products in the market by focusing on high efficiency and diversification of wafer products, improve production through refined internal management and implementation of streamlined production, and improve product quality while reducing costs. We will continue to increase investment in science and technology, deepen cooperation with financial institutes, promote innovation in forms of financial cooperation, further improve balance sheet and financing structure, reduce finance costs and enhance liquidity. We will also accelerate the pace of smart manufacturing and information construction to improve automation level of existing production capacity for the purpose of industry upgrade.

I’m confident with technical progress and quick development in the industry, in combination with our direction of “Embrace Grid-parity”, GCL-Poly’s dream to bring green energy to thousands of households will come true soon.

Finally, I would like to express my heartfelt gratitude to the board of directors, management team and all dedicated staff of the Company for their efforts and hard work in 2016. I also wish to extend my gratitude to the shareholders and business partners of the Company for their strong support to the Company.

CEO'S REVIEW OF OPERATION AND OUTLOOK

On behalf of the management of the Company, I hereby report the following annual results of GCL-Poly for 2016. For the year ended 31 December 2016, GCL-Poly recorded revenue of RMB22.02 billion, representing a 7.5% increase as compared with the same period in 2015; gross profit was approximately RMB7.04 billion, representing a 22.7% increase as compared with the same period in 2015; profit attributable to owners of the Company amounted to approximately RMB2.03 billion and basic earnings per share were approximately RMB11.03 cents. During 2016, total production and sales of polysilicon of the Company were 69,345 MT and 9,951 MT respectively and total production and sales of wafer were 17,327 MW and 17,518 MW respectively. The Company ranked first in the world in both polysilicon and wafer production.

Global PV Market Enjoyed Sustained Growth with Strong Momentum in Emerging markets

In 2016, global PV industry developed rapidly. According to the technical report from HIS Markit (London, UK), global installation capacity in 2016 reached 77 GW, an increase of 32% as compared with the same period in 2015. China became the largest PV market in the world for the fourth consecutive year with 34.5 GW installations in 2016, following by America and Japan, with 14 GW and 8.7 GW installations respectively. India, with approximate 6 GW installations in 2016, ranked fourth currently, likely to outperform Japan in 2017. Meanwhile, PV installations in emerging markets, such as Mexico, Chile, Peru in Latin America, Thailand, Malaysia and some African countries, were growing with strong momentum.

Domestic Market Saw Stable Growth in PV Demand and Market Price Experienced Moderate Adjustments

China's PV installation capacity was 34.5 GW in 2016, maintaining a strong demand and accounting for almost half of global installed capacity. With a cumulative installation capacity of 77.4 GW, China continued to lead the global PV market. Polysilicon and wafer showed completely different trends of supply and demand relationship during the year, though both prices fluctuated generally. Following inventory digestion in the first quarter of 2016, price of polysilicon rebounded in April, showing some signs of recovery. Demand for polysilicon maintained a robust demand during the year. Wafer market has seen strong demand since middle 2015, driving continuous price hikes. Affected by seasonality of installation rush, the overall market performance had been sluggish since 30 June 2016, particularly in the third quarter, resulting in a shrinked demand and certain falls in price until recovery at the quarter end.

Annual Operation Target was Fully Achieved through Duly Adjustment of Production and Sales Strategy in Line with Market Changes

Look back at 2016, based on scientific research and judgment, capturing changes in market demand and developing a supply-side adjustment approach accordingly, GCL-Poly secured flourishing production and sales of both polysilicon and wafer products and maintained excellent performance in gross profit margin throughout the year. During the first half of the year witnessing thriving market development, the Company made great efforts in exploring production capacity and strict cost control, therefore, production and sales targets in all product categories were fully achieved. During the market slump in the third quarter, the Company made corresponding adjustment to production schedule in advance, in addition to strict control of cost and inventory, which effectively avoid loss from declined price. Again, in the fourth quarter marked with market recovery, the Company resumed production and adjusted product structure promptly to satisfy market needs as far as possible. Relying on scientific market research and judgment, the Company captured opportunities emerged in the market and was determined to take the initiative to adopt various refined management measures against the adverse market condition reflected by declined demand in the third quarter and finally survived such market downturn with outstanding operating results.

In 2016, GCL-Poly's wafer production continued to maintain a high-speed growth. Cost of silicon and wafer products continued to record significant decrease, laying a solid foundation for the commencement of the 13th Five-year Plan. Benefitted from equipment transformation and replacement of manufacturing equipment upgrading, increase of single furnace feed capacity and decrease of technology period, together with application of new equipments, ingoting capacity of GCL Multi-Wafer was improved 12.5% than in 2015 and ingot production was expected to be 5.7% higher than in 2015. Meanwhile, cutting capacity was significantly improved attributable to full application of structure line technology, complementary with improvement of cutting efficiency, which made the Group well positioned for satisfying product demand during the post-30 June-period's installation rush. With technology upgrades, energy consumption control and refined management in various processes of production, production cost of wafer products was effectively reduced. In 2016, GCL-Poly's vertical manufacturing costs decreased by about 10% compared to 2015.

Technology Innovation Drove Transformation and Upgrading While Refined Production Improved Corporate Efficiency

Technology innovation is a driving force for long-term development of an enterprise. In 2016, the Company continuously promoted its technology transformation and research and development (R&D) programmes and established effective tracking mechanism for key R&D programmes including FBR (fluidized bed reactor) technology (流化床法製備顆粒硅), R&D of high-efficient new polysilicon products (高效多晶新品研發), monosilicon ingot (整錠單晶), high-efficient MCCE (metal catalyzed chemical etching) black silicon (高效濕法黑硅多晶硅片), czochralski monosilicon technology (直拉單晶技術) and diamond wire sawing technology transformation (砂線機金剛線切割改造), providing technical supports for the innovation and replacement of new products and cost control of existing products. During the Chinese Renewable Energy Conference and Exhibition organized in Wuxi, we released new TS series of black silicon wafer applying diamond wire sawing technology (金剛線切多

晶技術) and “GCL Suede-Surface” submicron multihole suede-surface making technology (「鑫絨面」亞微米級多孔製絨技術). The conversion efficiency of TS products using ordinary battery technology is up to 18.8 -19.0%, up by 0.2%-0.4% compared with ordinary wafer products. Due to our commitment of technological innovation and continuous input in R&D resources, GCL-Poly also made various achievements in intellectual property in 2016. During the year, subsidiaries under GCL-Poly applied for 100 patents (including 37 patents for invention) and were granted 53 patents. To date, GCL-Poly applied for 556 patents and was granted 374 patents, among which 104 were patents for invention.

In 2016, we constantly improved the evaluation system for refined production, implemented and improved the level of automation and information in respect of production method, thus creating a benchmark for intelligent manufacturing in the industry, which greatly boosted production efficiency and made significant contribution to the achievement of the Company’s annual operating results. The Company further achieved remarkable results in both production and sales in 2016. Total production and sales of polysilicon for the year were 69,345 MT and 9,951 MT respectively and total production and sales of wafer were 17,327 MW and 17,518 MW respectively. Both production and sales targets were fully achieved in 2016. The Company ranked first in the world in both polysilicon and wafer products, accounting for approximately 23% and 30% of the global market respectively.

Management Reform for Efficiency Improvement and Resource Consolidation for Joint Development

We have been advocating a “Simple and Efficient” working approach. Under the control and direction of our well-established system, we have continuously optimized and improved working mode and strived to improve overall working effectiveness and efficiency through ongoing progress in management details. In 2016, highlights in each line of our function were summarized as follows. 1. Various measures, including promoting segregation of management and supervision functions of EHS and studying and applying JHA, were implemented, achieving the target of nil material safety accident during the year, which facilitated production and quality improvement, cost saving and efficiency increase; 2. Adhering to the keynote of “capital optimisation and cost control”, we implemented capital and asset restructuring, prepare capital increase methods in a legal and reasonable manner, and reduce and control receivables in various ways, which improved each financial indicator to a large extent. During the year, financial structure and position of the Company hit historic record; 3. Impressive progress was made in respect of asset management through various measures focusing on “restructuring, platform construction, channel optimisation and centralised management”. The investment platform of GCL-Poly received AA+ rating from CCXI (中誠信國際) and CCXR (中誠信證評), representing a breakthrough in PV industry. 4. Industry informatization-based information construction, accompanied by the automation of manufacturing equipment, was proved to be effective in creating digital factory plants. 5. A partnership system was implemented during the year to reform existing incentive approach, which aligned the interests of relevant parties with the Company to seek for joint development. 6. A “Simple and Efficient” approach was strongly advocated in our work to create a concise, fair and equitable working environment.

In 2016, by means of resource consolidation, GCL-Poly established an improved development package in light of market conditions and referring to existing strategic steps to propel each investment project in a stable manner. To this end, the 1 GW-monosilicon project in Ningxia and 1 GW-diamond wire sawing project in Funing were completed as scheduled; and other projects including electronic grade silicon and particle silicon were progressed orderly by the scheduled time. Product portfolio was continuously optimized for further industry chain extension.

Solar Farm Platform “GCL New Energy” has been Developed in a Stable and Rapid Manner

The year 2016 marked a significant milestone for the development of business of GNE. For the year ended 31 December 2016, total installed capacity of GNE was 3,516 MW, representing a substantial increase of 114.4% over the same period last year. GNE has played a leading role in both domestic and global PV power generation sector in terms of installed capacity. Besides, total revenue from GNE’s solar energy business amounted to approximately RMB2.25 billion for 2016, representing a year-on-year increase of 226.5%. Profit recorded a substantial increase of 309.8% from previous year to approximately RMB244 million.

GNE has steadily stepped into high-growth trajectory through various efforts, for example, increase in-house development, reduce cost of construction, control construction price and improve power generation efficiency. Going forward, GNE will make more efforts in cost control and efficient improvement while making full preparation for the development of distributed photovoltaic generation, ready for further new projects development to maintain its global leading position in the industry.

New Opportunities Emerged in the Industry with the Launch of Intensive Global Policies

The pace of global energy restructuring is accelerating upon the execution and taking effect of the Paris Agreement. The National Development and Reform Commission and National Energy Administration of the PRC also issued the 13th Five-year Plan for the Electricity Industry (《電力發展十三五規劃》), the 13th Five-year Plan for the Solar Photovoltaic Industry (《太陽能發展十三五規劃》) and the 13th Five-year Plan for Energy Industry (《能源發展十三五規劃》) respectively, which set out the energy blueprint and action guideline from 2016 to 2020. A PV installation goal of more than 110 GW is to achieve by 2020, including 5 GW of PV solar and 60 GW of distributed generation, ushering in a new opportunity for the development of solar energy industry. During the period covered by the 13th Five-year Plan, the PV industry is expected to overcome core technical difficulties with the expansion of industry scale, promote diversified application of PV products, and further reduce costs and improve efficiency. Meanwhile, the modernisation progress of agriculture in China will be accelerated, representing historic development opportunities for the growth of various forms of projects such as photovoltaic poverty alleviation, photovoltaic agriculture and distributed photovoltaic generation, particularly, distributed photovoltaic generation in combination with agriculture.

During the 12th Five-year Plan covered period, the PV installations in China grew by 168 times, faster than all other renewable energies. The PV industry in China is expected to maintain fast growth and vast potential during following new historical stage. Affected by the new PV subsidy policy came into force on 30 June 2016, China's total installed capacity is expected to be 25–30 GW in 2017. With the extension of the Solar Investment Tax Credit through 2019, the PV market in America will continue to grow steadily. The same is with Japan, which will be benefitted from on-going price falling of PV products. India, Latin America, Southeast Asia and other emerging markets may become new growth points in PV industry with further development of auxiliary policies and finance means.

Under the guideline of “technology innovation for transformation and upgrading, management reform for efficiency improvement and resource consolidation for joint development” and taking the approach of “innovation, transformation, ingenuity and cooperation”, GCL-Poly charges itself with the mission and responsibility to provide green energy to thousands of households and is strongly committed to drive solar power to reach grid-parity. As a result, we will continue to improve core competitiveness of our products, focusing on the competitive strengths of high efficiency and differentiation of wafer products. Through refined internal management and implementation of streamlined production, we will keep improving product quality while reducing costs. We will continue to increase investment in science and technology, keeping close eyes on new promising techniques in the field of PV materials in addition to implementing existing research and development tasks as scheduled. Besides, we will deepen cooperation with financial institutes, promote innovation in forms of financial cooperation, improve balance sheet and financing structure, reduce finance costs and enhance liquidity. We will make more efforts in intelligent manufacturing and information construction for synergy effect in order to improve automation level of existing production capacity and introduce and realize industry upgrade.

I'm confident with technical progress and quick development in the industry, GCL-Poly's dream of green energy will come true soon.

Finally, I would like to express my heartfelt gratitude to the management team and staff of the Company for their efforts and hard work in 2016. I also wish to extend my gratitude to our shareholders and business partners for their strong support to GCL-Poly.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Despite the challenging environment, we have successfully achieved a good results for 2016. We have improved our financial leverage and fortified our capital position. We are continuing to improve our production technology, attacking our production cost and reinvesting to strengthen our competitive advantages.

Results of the Group

For the year ended 31 December 2016, the revenue, gross profit of the Group and profit attributable to the owners of the Company from continuing operations were approximately RMB22,025 million, RMB7,044 million and RMB2,099 million, respectively, representing an increase of 7.5%, 22.7% and a decrease of 1.9% respectively as compared with approximately RMB20,484 million, RMB5,741 million and RMB2,139 million in 2015. The profit attributable to owners of the Company from both continuing operations and discontinued operations for the year ended 31 December 2016 amounted to approximately RMB2,029 million as compared to approximately RMB2,425 million in 2015.

During the year, GCL New Energy Holdings Limited (“GNE”), a subsidiary of the Group, has entered into a sale and purchase agreement to dispose of entire interest in printed circuit board business (the “Disposal”). As GNE will cease to carry on printed circuit board business and expected the Disposal will be completed within coming several months, its operating results was classified as discontinued operations and the comparative figures have been restated accordingly.

Business Structure

The Group is principally engaged in: (i) manufacturing and sales of polysilicon and wafers for solar industry and (ii) the development, construction, operation and management of solar farms.

Except for 371MW solar farm that were constructed or acquired by the Group prior to obtaining a controlling stake in GNE, the Group primarily develops, constructs, operates and manages downstream solar farms through the platform of GNE.

For illustration purpose, if excluding GNE Group and recognising the costs of investment in GNE and the perpetual notes from GNE Group as non-current assets, the effect of de-consolidated GNE Group as at 31 December 2016 would be as follows:

	The Group <i>RMB million</i>	GNE Group <i>RMB million</i>	De-consolidation adjustments <i>RMB million</i>	The effect of de- consolidated GNE Group <i>RMB million</i>
Total assets	87,019	41,478	(5,098) ^{1,2,3}	50,639
Total liabilities	<u>63,625</u>	<u>35,059</u>	<u>(901)³</u>	<u>29,467</u>
Bank balances and cash, pledged and restricted bank deposits	13,142	6,082	—	7,060
Bank balances and cash classified as assets held for sale	47	47	—	—
Indebtedness				
Bank and other borrowings	33,279	21,101	—	12,178
Indebtedness directly associated with assets held for sale	265	265	—	—
Loan from fellow subsidiaries	—	676	(676) ³	—
Obligations under finance leases	2,513	—	—	2,513
Notes and bonds payables	5,121	—	—	5,121
Convertible bonds payables	<u>2,013</u>	<u>858</u>	<u>—</u>	<u>1,155</u>
Net debt	<u><u>30,002</u></u>	<u><u>16,771</u></u>	<u><u>(676)</u></u>	<u><u>13,907</u></u>

Note:

De-consolidation adjustments included:

- (1) the Group's costs of investment in GNE amounted to be RMB2,365,304,000;
- (2) the GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group;
- (3) the balances with GNE Group.

As at 31 December 2016, certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB5,553 million.

Segment Information

The Group are reported on the three continuing operating segments as follows:

- a) Solar Material Business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.
- b) Solar Farm Business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.
- c) New Energy Business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms.

The following table sets forth the Group's operating results from continuing operations by business segments:

	2016			2015 (Restated)		
	Revenue	Segment profit (loss)	Adjusted EBITDA	Revenue	Segment profit (loss)	Adjusted EBITDA
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Solar Material Business	19,270	2,319	7,117	19,242	1,873	6,531
Solar Farm Business	508	(161)	258	554	(303)	116
Corporate ¹	N/A	N/A	9	N/A	N/A	(382)
Sub-total	19,778	2,158	7,384	19,796	1,570	6,265
New Energy Business	<u>2,247</u>	<u>244²</u>	<u>1,838</u>	<u>688</u>	<u>59²</u>	<u>491</u>
Total	<u>22,025</u>	<u>2,402</u>	<u>9,222</u>	<u>20,484</u>	<u>1,629</u>	<u>6,756</u>

1. The corporate items is not a reportable segment and it primarily included unallocated income, unallocated expenses and inter-segment transactions.
2. The segment profit of the new energy business includes reported net profit of GNE Group of approximately RMB309.4 million (2015: RMB75.7 million) and allocated corporate expenses of approximately RMB65.0 million (2015: RMB16.3 million).
3. Calculation of the adjusted EBITDA is detailed in the Financial Review section in this announcement.

BUSINESS REVIEW

Solar Material Business

Production

The Group's solar material business belongs to the upstream of the solar supply chain, which supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material used in the solar wafer production. In addition, the Group also produces wafer by using polysilicon that are produced by the Group. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

As at 31 December 2016, the Group's annual polysilicon production capacity was maintained at 70,000 MT. During the year ended 31 December 2016, the Group produced approximately 69,345 MT of polysilicon, representing a decrease of 6.7% as compared to 74,358 MT for the same period in 2015.

During the year ended 31 December 2016, the Group continued to adopt various technological improvements on application of advanced ingot furnace facility and wafer slicing process. The Group's annual wafer production capacity has increased to 18.5 GW as at 31 December 2016. During the year ended 31 December 2016, the Group produced approximately 17,327 MW of wafers, representing an increase of 15.8% from 14,968 MW for the same period in 2015. In 2016, the Group successfully launched its brand new efficient polysilicon wafer product — TS series HP multi-wafer product. This product applies the diamond wire cutting polycrystalline technique and the metal catalyzed chemical etching (MCCE) technique newly successfully developed by GCL-Poly and can significantly increase the conversion efficiency of cells and reduce the costs of products.

Sales Volume and Revenue

For the year ended 31 December 2016, the Group sold 9,951 MT of polysilicon and 17,518 MW of wafer, representing a decrease of 44.8% and an increase of 15.4% respectively, as compared with 18,023 MT of polysilicon and 15,178 MW of wafer for the same period in 2015.

The average selling prices of polysilicon and wafer were approximately RMB99.0 (US\$15.0) per kilogram and RMB1.085 (US\$0.164) per W respectively for the year ended 31 December 2016. The corresponding average selling prices of polysilicon and wafer for the year ended 31 December 2015 were approximately RMB97.8 (US\$15.6) per kilogram and RMB1.175 (US\$0.188) per W respectively.

During the year ended 31 December 2016, revenue from external customers of our Solar Material Business amounted to approximately RMB19,270 million (2015: RMB19,243 million).

Cost and Net Profit Margin

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. During the year ended 31 December 2016, the Group continued to make effort on cost reduction and control measures.

Attributed to the effective method on raw material recycling together with technology innovation, the Group was able to reduce its fundamental production cost to an extremely competitive level, and hence resulted in production yield increase. Based on improvement of production efficiency, polysilicon and wafer have further decreased their production costs and further improved their operating performance as a result of contribution from the captive cogeneration power plant, increased production of ingots and improvement of wafer technology.

The net profit margin of our Solar Material Business for the year ended 31 December 2016 was increased to 12.0% as compared with net profit margin of 9.7% in the same period in 2015. The increase was mainly combined with the following:

- (1) Decrease in its finance costs as a result of decrease in bank and other borrowings during the year.
- (2) Increase in profit margin as a result of the reduction of production cost, partially offsetting by decrease in average selling price of wafer.
- (3) Increase in the administrative expenses due to increase in staff costs.

Solar Farm Business

Overseas Solar Farms

As at 31 December 2016, the Solar Farm Business includes 18 MW of solar farms in the United States. Besides, 150 MW solar farms in South Africa, which was partnered with CAD fund, commenced operation in 2014 with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

As at 31 December 2016, the Solar Farm Business also includes 10 solar farms in the PRC and its installed capacity and attributable installed capacity were remained unchanged at 353.0 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the year ended 31 December 2016, the electricity sales volume of Solar Farm Business in overseas and the PRC were 31,302 MWh and 498,420 MWh (2015: 31,412 MWh and 503,435 MWh), respectively.

For the year ended 31 December 2016, revenue for Solar Farm Business was approximately RMB508 million (2015: RMB554 million).

New Energy Business

As at 31 December 2016, the Group owns 11,880 million shares of GNE (approximately 62.28% of GNE's issued capital). During the year, GNE continued to expand its Solar Energy Business through joint development, acquisition and in-house development.

Development Type	As at 31 December				% of Changes
	2016		2015		
	<i>No. of solar farms</i>	<i>MW</i>	<i>No. of solar farms</i>	<i>MW</i>	
Joint development	43	1,831	28	1,170	56%
Acquisition	16	570	6	300	90%
In-house development	<u>31</u>	<u>1,115</u>	<u>7</u>	<u>170</u>	556%
Total	<u>90</u>	<u>3,516</u>	<u>41</u>	<u>1,640</u>	114%

As at 31 December 2016, the aggregated installed capacity of the 90 grid-connected solar farms of GNE Group (31 December 2015: 41) increased by 114% to 3,516 MW (31 December 2015: 1,640 MW). Details of the electricity sales volume and revenue for the year ended 31 December 2016 are set out below.

	Tariff zones	Number of solar power plant	Aggregate Installed Capacity ⁽¹⁾ (MW)	Grid-connected Capacity ⁽¹⁾ (MW)	Electricity Sales Volume (million MWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB Million)
Subsidiaries							
Inner Mongolia	1	8	326	327 ⁽²⁾	452	0.77	348
Ningxia	1	4	150	150	205	0.74	152
Qinghai	1	3	100	107 ⁽²⁾	118	0.91	108 ⁽⁵⁾
Xinjiang	1	2	80	81 ⁽²⁾	82	0.69	57
Sub-total	Zone 1	17	656	665	857	0.78	665
Shaanxi	2	7	590	466	308	0.78	240
Hebei	2	1	85	89 ⁽²⁾	133	1.03	137
Qinghai	2	2	80	80	80	0.79	63
Yunnan	2	2	80	71	84	0.73	61
Sichuan	2	1	50	50	20	0.80	16
Jilin	2	2	25	25	15	0.80	12
Liaoning	2	1	20	7	—	—	—
Sub-total	Zone 2	16	930	788	640	0.83	529
Henan	3	7	325	287	153	0.84	128
Jiangsu	3	15	314	261	237	0.87	206
Hebei	3	4	137	139	126	1.02	128
Anhui	3	6	230	228	136	0.85	116
Hubei	3	2	216	219 ⁽²⁾	125	0.92	115
Shanxi	3	5	180	161	222	0.85	189
Jiangxi	3	3	120	121 ⁽²⁾	67	0.86	57
Shandong	3	4	115	116 ⁽²⁾	87	1.00	87
Guangdong	3	1	100	2	—	—	—
Hainan	3	2	50	50	66	0.87	57
Hunan	3	1	60	45	2	0.90	2
Guizhou	3	1	30	5	—	—	—
Zhejiang	3	2	23	21	20	0.95	19
Sub-total	Zone 3	53	1,900	1,655	1,241	0.89	1,104
Total of subsidiaries		86	3,486	3,108	2,738	0.84	2,298
Joint venture⁽⁴⁾							
PRC	2	1	25	25	46	0.85	40 ⁽⁵⁾
Overseas	—	3	5	5	6	2.21	12
Total		90	3,516	3,138	2,790	0.84	2,350
Representing:							
Electricity sales							742
Tariff adjustment — subsidies received and receivable from the local government authorities							1,556
							2,298
Less: effect of discounting non-current tariff adjustment receivable ⁽³⁾							(52)
Total revenue of GNE Group							2,246

- (1) Aggregate installed capacity represents the maximum capacity that approved by local government authorities while grid-connected capacity represents that the actual capacity connected to the State Grid.
- (2) The grid-connected capacity of some projects are larger than its installed capacity as approved by local government.
- (3) Certain portion of the tariff adjustment (government subsidies) receivables will be recovered after twelve months from the reporting date. The non-current tariff adjustment receivables are discounted at an effective interest rate of 2.65% per annum.
- (4) Revenue from joint venture solar farms was accounted for under “Share of Profit of Joint Ventures” in the consolidated statement of profit and loss and other comprehensive income.
- (5) In 2016, the Group further acquire the interest in the joint venture, 海南州世能光伏發電有限公司, and it becomes a subsidiary of the Group.

Revenue

During the year ended 31 December 2016, the revenue of GNE Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB2,246 million (2015: RMB688 million), net of discounting the non-current tariff receivables of approximately RMB52 million (2015: Nil).

The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar farms by 220% as a result of intensive developments and acquisitions of solar farms in 2016 and full year operation for those solar farms achieved on-grid connection in the fourth quarter of 2015. The average tariff (net of tax) was approximately RMB0.84/w (2015: RMB0.84/w). Majority of the solar farms of GNE Group get grid-connected before 30 June 2016 which can enjoy prior year tariff. Thus, the impact on tariff cut in 2016 did not materially affect the average tariff price for 2016 when compared with same period last year.

In terms of revenue generated by tariff zone, for the year ended 31 December 2016, approximately 29%, 23% and 48% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2015: zone 1 of 48%, zone 2 of 13% and zone 3 of 39%). During 2016, GNE Group focused more on developing solar farms in well-developed areas with strong domestic power demand (eg. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area. For the year ended 31 December 2016, approximately 9% (2015: 14%) of total GNE Group’s revenue who generated from grid curtailment area.

Financial resources of GNE Group

For the year ended 31 December 2016, the Group’s main sources of funding were cash generated from financing activities totalling RMB11,155 million including newly raised bank and other borrowings of RMB15,163 million, issuance of perpetual notes of RMB1,800 million and the rights issue of RMB1,941 million, partially offsetted by repayment of bank and other borrowings amounted to RMB6,383 million.

The net cash from operating activities during the year ended 31 December 2016 was RMB450 million which was mainly attributable to the cash received from electricity sales.

The net cash used in investing activities during the year ended 31 December 2016 primarily arose from payments and deposit paid for the acquisition and development of solar farm projects.

GNE Group's Use of Proceeds

GNE Group had completed the rights issue of 5,201,922,393 rights shares at HK\$0.45 per rights share in early February 2016 with net proceeds of approximately RMB1,941 million. GNE Group had used RMB1,014 million for project developments, RMB754 million for reducing indebtedness and approximately RMB173 million for general working capital.

GNE Group had also completed the issuance of perpetual notes with net proceeds of RMB1,800 million. GNE Group had used approximately RMB400 million for project development and approximately RMB800 million for reducing indebtedness.

Fund Raising Activities

In January 2016, the Company raised approximately HK\$3,396 million (equivalent to approximately RMB2,845 million, net of expenses), by way of right issue of 3,097,927,453 rights shares at the Subscription Price of HK\$1.12 per rights share.

Use of Proceeds

The Company had mainly utilised the net proceeds from the disposal of the non-solar power business of approximately RMB2,945 million, the settlement sum received in respect of the deed of non-competition of approximately RMB1,160 million and the rights issue of approximately RMB2,845 million for the following purposes:

- 1) Special dividend distribution of RMB1,120 million;
- 2) Subscription of 3,240,000,000 GNE Rights Shares of RMB1,222 million;
- 3) Repayment of bank borrowings of US\$530 million (equivalent to RMB3,493 million);
- 4) Partial redemption of convertible bonds in the principal amount of US\$50 million at a purchase price of US\$48 million (equivalent to RMB308 million);
- 5) Payment of bank loan interest of US\$21 million (equivalent to RMB143 million); and
- 6) Use for working capital and other general corporate purposes of US\$97 million (equivalent to RMB664 million).

Outlook

We have experienced stable pricing in polysilicon in 2016, as a result of Import Duty Levy on foreign import, especially those from the United States. With robust demand from the second half of 2016, polysilicon prices remained stable as a result of channel inventory normalisation. Meanwhile, it is increasingly difficult to justify investments to expand polysilicon capacity for overseas manufacturers. Despite our revenue mainly derived from solar wafer sales and prices had been relatively soft compared to polysilicon, resilient polysilicon price environment will put tremendous pressure on dedicated wafer manufacturers, and as a result, restoring supply-demand balance in the long run.

We anticipate strong seasonality to continue through the first half of 2017, and with high utilization, we believe that cost should continue to come down in 2017. The demand visibility for the second half of 2017 is still limited at this point, but we are confident that we continue to execute our cost reduction strategy with our new technology programs such as Diamond Wire and Black Silicon. Solar industry had been historically very seasonal, we anticipate a more evenly distributed China installation compared to 2017.

We anticipate that 2017 global PV solar demand to exceed 85 GW, up from around 75 GW in 2016, with strong demand in China, India, the USA, Japan and the Middle East, while emerging markets in the “sun-belt” regions such as Southeast Asia, Latin America and Africa will continue to increase. These emerging markets will play a more important role in the solar industry development, resulting in a more balanced geographical diversification.

We also believe that environmental and energy-related spending will still be a new driver in sustaining China’s GDP growth, as air pollution still remained a big concern in China. In addition, Chinese government had revised down the ground-mounted Feed-In-Tariff (“FiT”) in China, while curbing excessive overbuild of solar farms, reasonable returns remain due to falling borrowing rate and improvement in lending for the capable companies. We continue to see the Chinese government continue to issue favorable policy for the industry while addressing concerns of excessive overbuild. That said, as in the past, both the timing of any government subsidy changes and project annual allocation announcement will have an significant impact to the volatility of the seasonality of demand, which could adversely impact our financial performance.

Recently, China has been addressing the renewable energy funding surcharge, alleviating the issue of postponed subsidy payments to renewable projects. China also made it mandatory for the State Grid to buy back all renewable energy generation, and has initiated several new programs such as the fore-runner solar farm scheme and the solar for the poverty program. While renewable energy projects in some provinces such as those in Gansu and Xinjiang are experiencing curtailments, but the completion of Ultra-High Voltage transmission lines linking the western part of China was already underway to resolve the issues. With the advent of the 13th Five-Year-Plan, we expect new solar installations will remain robust in the next several years will well exceed the earmarked target of 110 GW by 2020. While we expect solar will achieve grid-parity in China by year 2020, we believe with the introduction of “Green Certificates” in China, should help the industry to sustain in the medium and long term.

For the US market, we do not believe there will be any material change in the current solar Investment Tax Credit (ITC) through 2019, as investors had feared changes might be introduced with the newly elected President. Meanwhile, oil prices appeared to have bottomed out from recent trough and the solar industry created a huge job market pool for the US market. As such, we believe the US market will remain robust in the upcoming years.

As we have recently signed a long-term coal purchase agreement, we will strive to minimize the volatility of coal prices with respect to the operation of our captive power plant facilities.

FINANCIAL REVIEW

Continuing operations

Revenue

Revenue for the year ended 31 December 2016 amounted to approximately RMB22,025 million, representing an increase of 7.5% as compared with approximately RMB20,484 million for the same period in 2015. The increase was primarily contributed by the increase in electricity sales of GNE in 2016.

Gross Profit Margin

The Group's overall gross profit margin for the year ended 31 December 2016 was 32.0%, as compared with 28.0% for the same period in 2015.

Gross profit margin for the solar material business increased from 27.0% for the year ended 31 December 2015 to 27.7% for the year ended 31 December 2016. The increase was mainly attributed to operation of the captive cogeneration power plant and improvement of wafer technology, partially offsetting by the decrease in average selling price of wafer in 2016.

Solar farm business has a gross profit margin of 20.7% for the year ended 31 December 2016, as compared with 3.1% for the corresponding period in 2015. The increase in gross profit margin was primarily due to the significant decrease in impairment loss on overseas project assets in the current year.

The gross profit margin for the new energy business was 70.0% for the year ended 31 December 2016 and 72.1% for the corresponding period in 2015. The decrease in gross margin is mainly due to (1) effect from discounting tariff adjustment to its present value, the impact of which is not significant, in 2015; (2) the impact of grid curtailment in early 2016 and (3) the drop in revenue caused by lower solar radiation due to smog in late 2016.

Other Income

For the year ended 31 December 2016, other income mainly comprised government grants of approximately RMB347 million (2015: RMB163 million), sales of scrap materials of approximately RMB200 million (2015: RMB203 million), bank and other interest income of approximately RMB195

million (2015: RMB314 million), management and consultancy fee income of approximately RMB21 million (2015: RMB91 million) commission income on modules procurement of Nil (2015: RMB89 million) and compensation income of RMB43 million (2015: Nil).

Distribution and Selling Expenses

Distribution and selling expenses amounted to approximately RMB73 million for the year ended 31 December 2016, representing an increase of 17.2% from approximately RMB62 million for the same period in 2015. Increase in distribution and selling expenses were due to more sales and marketing activities were carried out during the year.

Administrative Expenses

Administrative expenses amounted to approximately RMB1,847 million for the year ended 31 December 2016, representing an increase of 22.9% from approximately RMB1,503 million for the same period in 2015. Increase in administrative expenses was primarily due to the increase in staff costs and professional fees.

Other Expenses, Gains and Losses, Net

The other expenses, gains and losses represents net expenses of RMB1,091 million for the year ended 31 December 2016 (2015: RMB1,225 million). The net losses for the current year mainly comprises of loss on fair value change of convertible bonds payables of approximately RMB356 million, bargain purchase from business combination of approximately RMB67 million, the impairment loss on property, plant and equipment of approximately RMB541 million and research and development costs of approximately RMB247 million.

Finance Costs

Finance costs for the year ended 31 December 2016 were approximately RMB2,149 million, decreased by 2.1% as compared to approximately RMB2,195 million for the corresponding period in 2015. The slight decrease was mainly attributed to the decrease in bank and other borrowings in our solar material business, partially offsetting by the increase in bank and other borrowings in GNE Group.

Share of Profits of Joint Ventures

The Group's share of profits of Joint Ventures for the year ended 31 December 2016 was approximately RMB33 million, mainly comprises of share of profit of a joint venture in the South Africa.

Income Tax Expense

Income tax expense for the year ended 31 December 2016 was approximately RMB537 million, representing an increase of 10.9% as compared with approximately RMB484 million for the same period in 2015. The increase in income tax expense was primarily due to the increase in operating profit of solar materials business during the year.

Profit attributable to Owners of the Company

Profit attributable to Owners of the Company from continuing operations amounted to approximately RMB2,099 million for the year ended 31 December 2016, representing a decrease of 1.9% as compared with a profit of approximately RMB2,139 million, which included one-off compensation income arising from the amendment of settlement deed, for the same period in 2015.

The loss for the year from discontinued operations includes printed circuit board business's loss of approximately RMB112 million. The profit of RMB436 million from discontinued operations for the year ended 31 December 2015 included non-solar power business's profit of RMB489 million and printed circuit board business's loss of approximately RMB53 million.

As a result, profit attributable to Owners of the Company from continuing operations and discontinued operations amounted to approximately RMB2,029 million for the year ended 31 December 2016 as compared with a profit of approximately RMB2,425 million for the same period in 2015.

Adjusted Net Margin, Adjusted EBITDA and Adjusted EBITDA Margin

	2016 <i>RMB million</i>	2015 <i>RMB million</i>
For the year ended 31 December:		
Profit for the year from continuing operations	2,307	2,291
Adjust: non-operating or non-recurring items:		
Impairment loss of property, plant and equipment	541	175
(Gain) loss on fair value change of convertible bonds receivable	(34)	44
Loss on fair value change of convertible bonds payables	356	6
(Gain) loss on fair value change of held for trading investments	(25)	4
Loss on fair value change of derivative financial instruments, net	3	12
Impairment loss on deposit for acquisition of property plant and equipment	59	—
Bargain purchase from business combination	(67)	(22)
Compensation income arising from the amendment of settlement deed	—	(1,160)
	3,140	1,350
Add:		
Finance costs	2,149	2,195
Income tax expense	537	484
Depreciation and amortization	3,396	2,727
Adjusted EBITDA	9,222	6,756
Adjusted EBITDA margin	41.9%	33.0%

As a result of continued growth of new energy business, the Group can enjoy economies of scale, thereby lowering the average costs per unit of power generated. Thus, the adjusted EBITDA margin for the Group increased from 33.0% for the year ended 31 December 2015 to 41.9% for the year ended 31 December 2016.

Property, Plant and Equipment

Property, plant and equipment increased from RMB41,650 million as at 31 December 2015 to RMB52,462 million as at 31 December 2016. The significant increase is mainly attributable to the significant amount of solar farm assets acquired by GNE Group during the year.

Deposits, Prepayments and Other Non-current Assets

Non-current portion for deposits, prepayments and other non-current assets increased from RMB2,686 million as at 31 December 2015 to RMB3,640 million as at 31 December 2016. The increase was mainly attributable to the increase in refundable value-added tax arising from purchase of materials for construction of solar farms as a result of business expansion.

Trade and Other Receivables

Trade and other receivables decreased from RMB14,368 million as at 31 December 2015 to RMB12,285 million as at 31 December 2016. The decrease was mainly due to decrease in bills receivable received from customers for the settlement of accounts receivables and the decrease in receivables for modules procurement.

The following is an aged analysis of trade receivables, net of allowances for doubtful debts, and bills receivable (trade-related) at the end of the reporting period:

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables:		
Unbilled	2,093,632	1,013,018
Within 3 months	1,322,138	1,626,908
3 to 6 months	162,552	286,662
Over 6 months	361,934	282,738
	<u>3,940,256</u>	<u>3,209,326</u>
Bills receivable (trade-related):		
Within 3 months	3,424,004	4,304,120
3 to 6 months	2,662,711	4,043,610
	<u>6,086,715</u>	<u>8,347,730</u>

Trade and Other Payables

Trade and other payables increased from RMB15,698 million as at 31 December 2015 to RMB17,860 million as at 31 December 2016. The increase was mainly due to increase in construction payables, partially offsetting by the decrease in bills payables for trade.

Liquidity and Financial Resources

As at 31 December 2016, the total assets of the Group were about RMB87,019 million, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB13,189 million (including bank balances and cash classified as assets held for sale of RMB47 million). The bank and other interest received for the year ended 31 December 2016 was approximately RMB165 million.

For the year ended 31 December 2016, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities was RMB7.8 billion, compared with RMB3.2 billion in the same period in 2015. The increase was primarily due to the improvement of operation performance in solar materials business.

For the year ended 31 December 2016, the net cash used in investing activities was approximately RMB8.2 billion, primarily related to the deposits paid for and purchase of property, plant and equipment of approximately RMB10.8 billion (which was mainly attributable to GNE Group of approximately RMB8.3 billion), partially offsetting by inflow of approximately RMB2.8 billion for net withdrawal of pledged bank deposits.

For the year ended 31 December 2016, the net cash used in financing activities for the current year was approximately RMB1.2 billion. This was mainly due to the net repayment of bank and other borrowings of RMB1.7 billion, interest paid of RMB2.4 billion and net repayment of obligations under finance leases RMB1.0 billion, partially offsetting by rights issue of RMB3.6 billion.

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB7,288 million as at 31 December 2016 and the Group had cash and cash equivalents of RMB8,958 million against the Group's total borrowings (comprising bank and other borrowings, obligations under financial leases, notes and bonds payables and convertible bonds payables) amounted to approximately RMB43,192 million (including indebtedness directly associated with assets classified as held for sale of RMB265 million), out of which approximately RMB14,794 million will be due in the coming twelve months. The Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings. In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates and raise additional banking facilities as and when required by the Group's operating cash needs.

The Directors are of the opinion that, taking into account the above undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months.

For detailed information, please refer to "Basis of Preparation" Section of this announcement.

Indebtedness

Details of the Group's net indebtedness are as follows:

	2016 <i>RMB million</i>	2015 <i>RMB million</i>
Current liabilities		
Bank and other borrowings — due within one year	13,022.4	22,315.0
Obligations under finance leases — due within one year	858.2	934.6
Notes and bonds payables — due within one year	648.1	1,008.7
Indebtedness directly associated with assets classified as held for sale	<u>264.7</u>	<u>—</u>
	<u>14,793.4</u>	<u>24,258.3</u>
Non-current liabilities		
Bank and other borrowings — due after one year	20,257.1	12,120.7
Obligations under finance leases — due after one year	1,655.3	2,499.8
Notes payables — due after one year	4,473.2	3,670.6
Convertible bonds payables	<u>2,013.0</u>	<u>2,018.5</u>
	<u>28,398.6</u>	<u>20,309.6</u>
Total indebtedness	<u>43,192.0</u>	<u>44,567.9</u>
Less: Pledged and restricted deposit and bank balances and cash	<u>(13,189.6)</u>	<u>(17,399.1)</u>
Net debts	<u><u>30,002.4</u></u>	<u><u>27,168.8</u></u>

The Group's indebtedness are denominated in the following currencies:

	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
RMB	38,032.3	33,440.5
USD	4,283.3	10,368.7
HKD	<u>876.4</u>	<u>758.7</u>
	<u><u>43,192.0</u></u>	<u><u>44,567.9</u></u>

Below is a table showing the bank and other borrowing structure and maturity profile of the Group's bank and other borrowings:

	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
Secured	27,134.8	21,803.9
Unsecured	<u>6,144.7</u>	<u>12,631.8</u>
	<u><u>33,279.5</u></u>	<u><u>34,435.7</u></u>

Maturity profile of bank and other borrowings

On demand or within one year	13,022.4	22,315.0
After one year but within two years	4,950.8	3,913.8
After two years but within five years	7,777.1	4,165.9
After five years	<u>7,529.2</u>	<u>4,041.0</u>

Group's total bank and other borrowings	<u><u>33,279.5</u></u>	<u><u>34,435.7</u></u>
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Bank and other borrowings are denominated in the following currencies:

	2016	2015
	<i>RMB million</i>	<i>RMB million</i>
RMB	30,520.7	25,507.6
USD	2,758.8	8,902.2
HKD	<u>—</u>	<u>25.9</u>
	<u><u>33,279.5</u></u>	<u><u>34,435.7</u></u>

As at 31 December 2016, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China. USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

The note payables bear interest at a rate of 3.99% — 7.50% per annum, the bonds payable bears interest at a rate of 6.7% and the convertible bonds payables bear interest at a fixed rate of 0.75% — 6.0% per annum.

Key Financial Ratios of the Group

	As at 31 December 2016	As at 31 December 2015
Current ratio	0.79	0.81
Quick ratio	0.76	0.77
Net debt to total equity attributable to owners of the Company (<i>Note</i>)	144.1%	171.4%

Note:

As at 31 December 2016, the net debt of GNE was approximately RMB16,772 million (including the loans from fellow subsidiaries of RMB676 million) and the net debt to equity attributable to owners of GNE was 366.8%. For illustration purpose, if purely excluding GNE Group's net debt of RMB16,095 million (excluded the loans from fellow subsidiaries provided by the Group) and assuming the equity attributable to owners of the Company remains unchanged, the net debt to equity attributable to owners of the Company would be 66.8%.

Current ratio	=	Balance of current assets at the end of the year/balance of current liabilities at the end of the year
Quick ratio	=	(Balance of current assets at the end of the year — balance of inventories and project assets at the end of the year)/balance of current liabilities at the end of the year
Net debt to total equity attributable to owners of the Company	=	(Balance of total indebtedness at the end of the year — balance of bank balances, cash and pledged and restricted bank deposits at the end of the year)/balance of equity attributable to owners of the Company at the end of the year

Credit Risk

Each major operating business has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

Credit risk on sales of polysilicon and wafer products is not significant as the major customers are listed entities with good repayment history. Credit risk of sales of electricity is also not significant as most of the revenue is obtained from the subsidiaries of State Grid Corporation of China (the "State Grid"). The State Grid is a state-owned enterprise in China, which possesses low default risk.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically to ensure that adequate impairment losses are made for irrecoverable amounts.

Foreign Currency Risk

Most of the Group's business is located in the PRC and the presentation currency of the consolidated financial statements of the Company is expressed in RMB. Substantially all of the Group's revenue, cost of sales and operating expenses are denominated in RMB, and the majority of the Group's assets and liabilities are denominated in RMB, while the rest are mainly denominated in US dollar and Hong Kong dollar. Any depreciation of RMB against US dollar or any other foreign currencies may result in an increase in value of the monetary assets and liabilities that are denominated in foreign currencies and affect the earnings and value of the net assets of the Group.

The Group continues to adopt a conservative approach on foreign exchange exposure management and ensure that its exposure to fluctuations in foreign exchange rates is minimised. The majority of the Group's borrowings are denominated in RMB.

During the year ended 31 December 2016, the Group managed foreign currency exchange rate risk by acquiring USD-denominated monetary assets. Foreign currency forward contracts will be utilised when it is considered as appropriate to hedge against foreign currency risk exposure.

The Directors are of the opinion that, with the successful implementation of the above measures, the abovementioned foreign currency risk exposure can be reduced.

Pledge of Assets

As at 31 December 2016, property, plant and equipment and prepaid lease payments with a carrying value of approximately RMB24,303 million and nil respectively, were pledged as security for certain banking facilities and borrowings granted to the Group (31 December 2015: RMB15,610 million and RMB6 million respectively). Apart from these, bank deposits, bill receivables and available-for-sale investments of RMB2,978 million (31 December 2015: RMB2,506 million), RMB1,887 million (31 December 2015: RMB4,555 million) and nil (31 December 2015: RMB13 million), respectively, were pledged to the banks to secure borrowings and finance leases granted to the Group.

Capital Commitments

As at 31 December 2016, the Group's capital commitments in respect of purchase of property, plant and equipment, intangible assets, share capital commitment to a joint venture and share capital commitment to an available-for-sale investment contracted for but not provided amounted to RMB5,005 million, RMB936 million, nil and nil, respectively (31 December 2015: RMB5,861 million, nil, RMB36 million and RMB210 million, respectively).

Contingencies

Financial guarantees contracts

As at 31 December 2016 and 2015, certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB5,553 million and RMB4,163 million, respectively.

Contingent liability

On 9 September 2016, Solaria Corporation (“Solaria”) filed litigation in California state court in the United States against GCL Solar Energy, Inc. (“GCL Solar”). Solaria alleged that GCL Solar breached the terms of a non-disclosure agreement entered into between Solaria and GCL Solar on 18 September 2014, by misappropriating certain of Solaria’s trade secrets and using them to develop its own high-performance solar panels. Solaria also contended that such conduct constitutes unfair competition. On 26 September 2016, a court order was entered into approving joint stipulation of GLL Solar and Solaria that both parties will maintain evidence that may be useful for resolving the issues raised in Solaria’s complaint. Both sides further agreed to refrain from any use going forward of confidential information of the other party to allow time to resolve the dispute, if necessary through a hearing.

On 21 October 2016, Solaria filed an amended complaint that dropped the claim for unfair competition and added the Company as one of the additional defendants.

The Group believes Solaria’s accusation to be without merit and intends to take appropriate actions to aggressively defend. Accordingly, the Group did not recognize any provision for any possible losses in relation to this dispute as at 31 December 2016.

Events After the End of the Reporting Period

Other than disclosed elsewhere in the consolidated financial statements, the Group also has the following significant events after the end of the reporting period:

- (i) On 16 January 2017, a share award scheme (the “Scheme”) was adopted by the Company. Under the Scheme, the Company may award shares of the Company subject to any vesting conditions to directors, employees of the Company and its subsidiaries and qualifying grantees. The maximum number of shares that can be held by the trustee under the Scheme is limited to 2% of the issued share capital of the Company from time to time.

- (ii) On 3 March 2017, Suzhou GCL New Energy Development Company Limited* 蘇州協鑫新能源發展有限公司 (“Suzhou GCL New Energy”), an indirect non-wholly owned subsidiary of the Company, entered into a joint venture agreement (“JV Agreement”) with GCL System Integration (Suzhou) Limited* 協鑫集成科技(蘇州)有限公司 (“GCL System Suzhou”), a company in which Mr. Zhu Gongshan and his family have control, pursuant to which the parties agreed to establish a joint venture company (“JV Company”) in the PRC.

Pursuant to the JV Agreement, Suzhou GCL New Energy and GCL System Suzhou agreed to invest RMB102,000,000 and RMB98,000,000 respectively into the JV Company, and will each hold 51% and 49% of the equity interests in the JV Company respectively. The JV Company’s scope of business will cover the development, investment, construction and sale of photovoltaic power station projects; photovoltaic power technology consulting services; and procurement of photovoltaic materials and equipment.

- (iii) Pursuant to the asset purchase agreement (the “Agreement”) between the Company and SunEdison, Inc., SunEdison Products Singapore Pte. Ltd., MEMC Pasadena, Inc., and Solaicx, Inc. (collectively refer to as the “Sellers”) on 28 August 2016, the Company would acquire certain assets from the Sellers for a consideration of US\$150,000,000 on a cash-free and debt-free basis. All conditions precedent under the Agreement have been fulfilled or waived as of the date of approval of these consolidated financial statements for issuance and the closing of the acquisition shall take place within 10 business days after the last condition precedent is fulfilled or waived, which is expected to be on 31 March 2017 (U.S. time).

Employees

We consider our employees to be our most important resource. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits include discretionary bonuses, with share options granted to eligible employees.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: nil final dividend, a special dividend of HK8.62 cents per share was paid on 31 December 2015)

CORPORATE GOVERNANCE

The Company has complied with all the code provisions as set out in the Corporate Governance Code (“CG Code”) under Appendix 14 of the Listing Rules for the year ended 31 December 2016 save for the deviation from the following code provisions of the CG Code:

(i) Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhu Gongshan, the Chairman and a Director of the Company, had acted as the Chairman of the Board and since September 2009 also acted as the Chief Executive Officer of the Company. It has always been an agenda item of the Nomination Committee to review the dual role situation. In March 2016, the Nomination Committee considered and recommended, and the Board approved that Mr. Zhu Zhanjun to succeed Mr. Zhu Gongshan as the new Chief Executive Officer of the Company with effect from 1 April 2016. Since then, the provision A.2.1 of the Code has been complied with.

(ii) Code provision A.6.7

Code provision A.6.7 stipulates that independent non-executive directors (the “INEDs”) and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Shu Hua, our then Non-Executive Director, who was not in Hong Kong when the annual general meeting of the Company held on 25 May 2016, unable to attend such meeting.

(iii) Code provision E.1.2

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Zhu Gongshan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 25 May 2016 as he had to attend certain business abroad. Mr. Zhu had invited Mr. Yeung Man Chung, Charles, an Executive Director and Chief Financial Officer of the Company to attend and act as chairman of such meeting.

ANNUAL GENERAL MEETING

It is proposed that the Annual General Meeting (“AGM”) of the Company will be held on 24 May 2017. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about 20 April 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 18 May 2017 to Wednesday, 24 May 2017, both days inclusive, for the purpose of determining shareholders who are entitled to attend and vote at the AGM. In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company’s branch

share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 17 May 2017.

PURCHASES, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company and its subsidiaries did not purchase, sell or redeem any listed securities of the Company.

MODEL CODE SET OUT IN APPENDIX 10 OF THE LISTING RULES

The Company has established its model code (the "Code") in terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Listing Rules. Having made specific inquiries of all Directors, the Company has received from all Directors confirmations of compliance with the required standard as set out in the Code throughout the year ended 31 December 2016.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE WEBSITE

This announcement is published on the websites of the Company (www.gcl-poly.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2016 will be dispatched to shareholders of the Company and available on the above websites on or about 19 April 2017.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Company has reviewed the audited financial statements of the Group for the year ended 31 December 2016.

GLOSSARY OF TERMS

"Board" or "Board of Directors"	our board of Directors
"China" or "PRC"	the People's Republic of China, but for the purposes of this announcement, excludes Hong Kong and Macau Special Administrative Region of the PRC
"Company, GCL-Poly"	GCL-Poly Energy Holdings Limited
"Director(s)"	director(s) of the Company or any one of them
"GNE"	GCL New Energy Holdings Limited, a limited liability company incorporated in Bermuda with its shares listed in the Stock Exchange Hong Kong Limited (Stock Code: 451)

“GNE Group”	GCL New Energy Holdings Limited and its subsidiaries
“Group”	the Company and its subsidiaries
“GW”	gigawatts
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MT”	metric tonnes
“MW”	megawatts
“MWh”	megawatt hour
“PV”	photovoltaic
“W”	watts

By order of the Board
GCL-Poly Energy Holdings Limited
Zhu Gongshan
Chairman

Hong Kong, 29 March 2017

As at the date of this announcement, the Board comprises Mr. Zhu Gongshan (Chairman), Mr. Zhu Zhanjun, Mr. Ji Jun, Mr. Zhu Yufeng, Ms. Sun Wei, Mr. Yeung Man Chung, Charles, Mr. Jiang Wenwu and Mr. Zheng Xiongjiu as executive directors; Ir. Dr. Raymond Ho Chung Tai, Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis as independent non-executive directors.

* *for identification only*