BRINGING GREEN POWER TO Life

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 Report 2016


GCL

Contents

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	**2016 RMB'000**
Continuing operations					
Revenue	13,498,847	15,132,469	20,711,631	20,484,445	**22,024,537**
Profit (loss) before taxation	(3,020,409)	(756,937)	1,790,395	2,775,422	**2,844,124**
Income tax (expense) credit	17,271	20,633	(276,100)	(484,299)	**(537,172)**
Profit (loss) for the year from continuing operations	(3,003,138)	(736,304)	1,514,295	2,291,123	**2,306,952**
Discontinued operations					
Profit (loss) for the year from discontinued operations	248,192	380,330	193,018	435,601	**(112,208)**
Profit (loss) for the year	(2,754,946)	(355,974)	1,707,313	2,726,724	**2,194,744**
Profit (loss) for the year attributable to:					
Owners of the Company	(2,860,928)	(530,413)	1,548,668	2,425,220	**2,029,412**
Non-controlling interests	105,982	174,439	158,645	301,504	**165,332**
	(2,754,946)	(355,974)	1,707,313	2,726,724	**2,194,744**

	At 31 December				
	2012 RMB'000	2013 RMB'000	2014 RMB'000	2015 RMB'000	**2016 RMB'000**
Total assets	54,987,179	60,256,418	71,003,365	79,691,490	**87,019,313**
Total liabilities	40,578,891	46,100,820	54,158,416	62,132,006	**63,625,371**
	14,408,288	14,155,598	16,844,949	17,559,484	**23,393,942**
Equity attributable to owner of the Company	13,143,089	12,694,033	14,508,933	15,854,172	**20,820,816**
Non-controlling interests	1,265,199	1,461,565	2,336,016	1,705,312	**2,573,126**
	14,408,288	14,155,598	16,844,949	17,559,484	**23,393,942**

PERFORMANCE HIGHLIGHTS

	2016 RMB'000	2015 RMB'000 (Restated)	Change RMB'000	% of change
Revenue from continuing operations				
Sales of wafer	**17,889,741**	16,791,000	1,098,741	6.5%
Sales of electricity	**891,773**	473,507	418,266	88.3%
Tariff adjustment	**1,860,222**	744,152	1,116,070	150.0%
Sales of polysilicon	**985,645**	1,741,766	(756,121)	–43.4%
Others (comprising the sales of ingots, modules and processing fees)	**397,156**	734,020	(336,864)	–45.9%
	22,024,537	20,484,445	1,540,092	7.5%
Profit attributable to owners of the Company from continuing operations	**2,099,295**	2,138,966	(39,671)	–1.9%

	RMB Cents	RMB Cents	Change	% of change
Earnings per share from continuing operations				
– Basic	**11.41**	13.69	(2.28)	–16.7%
– Diluted	**11.41**	12.72	(1.31)	–10.3%

	RMB million	RMB million	Change	% of change
Adjusted EBITDA for continuing operations*	**9,222**	6,756	2,466	36.5%

* Calculation of adjusted EBITDA is disclosed in the "Management Discussion and Analysis" Section.

	31 December 2016 RMB'000	31 December 2015 RMB'000	Change RMB'000	% of change
Extracts of consolidated statement of financial position				
Equity attributable to owners of the Company	**20,820,816**	15,854,172	4,966,644	31.3%
Total assets	**87,019,313**	79,691,490	7,327,823	9.2%
Bank balances, cash, pledged bank and restricted bank deposits*	**13,189,590**	17,399,145	(4,209,555)	–24.2%
Indebtedness **	**43,191,990**	44,567,902	(1,375,912)	–3.1%
Key financial ratios				
Current ratio	**0.79**	0.81	(0.02)	–2.5%
Quick ratio	**0.76**	0.77	(0.01)	–1.3%
Net debt to equity attributable to owners of the Company	**144.1%**	171.4%	–27.3%	N/A

* Amount includes bank balances and cash classified as assets held for sale of RMB47,094,000 (2015: RMB80,884,000).

** Indebtedness includes bank and other borrowings, obligations under finance leases, notes payable, bonds payable and convertible bonds payables. Amount also includes bank and other borrowings, obligations under finance leases classified as liabilities directly associated with assets classified as held for sales of RMB264,653,000 (2015: Nil).

OTHER FINANCIAL ANALYSIS

Profit or Loss Analysis (De-consolidation of GNE Group)

For illustrative purpose, if deconsolidating GCL New Energy Holdings Limited ("GNE") and its subsidiaries ("GNE Group"), the financial results of the Group, GNE Group and the Group (De-consolidated GNE Group) would be as follows:

	The Group (A) RMB million	**GNE Group (B)** RMB million	**Deconsolidation adjustments (Note) (C)** RMB million	**The Group (De-consolidated GNE Group) (D)=(A)-(B)-(C)** RMB million
Continuing operations				
Revenue	22,025	2,247	—	19,778
Cost of sales	(14,980)	(676)	30	(14,334)
Gross profit	7,045	1,571	30	5,444
Other income	926	167	(103)	862
Distribution and selling expenses	(73)	—	—	(73)
Administrative expenses	(1,847)	(442)	(50)	(1,355)
Finance costs	(2,149)	(966)	52	(1,235)
Other expenses, gains and losses, net	(1,091)	(63)	—	(1,028)
Share of profits of joint ventures	33	1	—	32
Profit before tax	2,844	268	(71)	2,647
Income tax (expense) credit	(537)	42	—	(579)
Profit (loss) for the year from continuing operations	2,307	310	(71)	2,068
Discontinued operations				
Profit (loss) for the year from discontinued operations	(112)	(169)	57	—
Profit (loss) for the year	2,195	141	(14)	2,068
Profit (loss) for the year attributable to:				
Owners of the Company	2,029	135	(71)	1,965
Non-controlling interests	166	6	57	103
	2,195	141	(14)	2,068

Note: The deconsolidation adjustments mainly include allocation of corporate expenses of RMB66 million, elimination of inter-segment profit of RMB5 million, partially offsetting by the amortisation of fair value adjustments of RMB57 million (which was related to the assets and liabilities of GNE acquired in 2014).

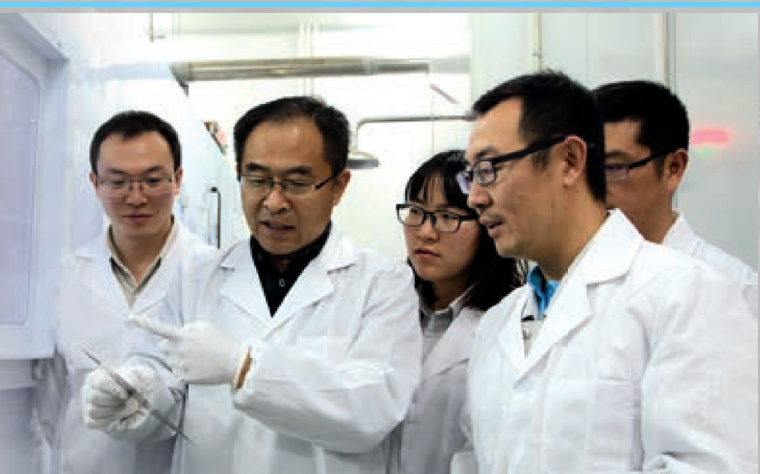
Financial Position of the Group (De-consolidated GNE Group)

For illustrative purpose, if deconsolidating GNE Group and recognising the costs of investments in GNE as non-current assets, the financial position of the Group, GNE Group and the Group (De-consolidated GNE Group) would be as follows:

	The Group A RMB million	**GNE Group B** RMB million	**Deconsolidation adjustments C** RMB million	Notes	**The Group (De-consolidated GNE Group D=A-B-C** RMB million
Non-current assets					
Property, Plant and equipment	52,462	26,755	(30)	1	25,737
Interests in joint ventures	659	42	(2)	1	619
Investment in perpetual notes of GNE Group	—	—	(1,800)	2	1,800
Investment in subsidiaries	—	—	(2,365)	3	2,365
Pledged and restricted bank deposits	953	227	—		726
Deposits, prepayments and other non-current assets	3,640	3,372	—		268
Other non-current assets	2,193	343	—		1,850
Total non-current assets	59,907	30,739	(4,197)		33,365
Current assets					
Inventories	966	—	—		966
Trade and other receivables	12,285	3,730	(153)	4	8,708
Pledged and restricted bank deposits	3,231	2,029	—		1,202
Bank balances and cash	8,958	3,826	—		5,132
Other current assets	1,672	1,154	(748)	4	1,266
Total current assets	27,112	10,739	(901)		17,274
Current liabilities					
Trade and other payables	17,860	11,394	(153)	4	6,619
Loan from group companies	—	676	(676)	4	—
Bank and other borrowings — due within one year	13,022	4,948	—		8,074
Obligation under finance leases — due within one year	858	—	—		858
Notes payable — due within one year	648	—	—		648
Other current liabilities	2,012	1,000	(72)		1,084
Total current liabilities	34,400	18,018	(901)		17,283
Non-current liabilities					
Bank and other borrowings — due after one year	20,257	16,153	—		4,104
Obligation under finance leases — due after one year	1,655	—	—		1,655
Convertible bonds payable	2,013	858	—		1,155
Notes payable — due after one year	4,473	—	—		4,473
Other non-current liabilities	827	30	—		797
Total non-current liabilities	29,225	17,041	—		12,184
Net current liabilities	(7,288)	(7,279)	—		(9)
Net assets	23,394	6,419	(4,197)		21,172

Notes:

1. Amount represent adjustment for disposal of subsidiaries and interest in joint venture to GNE Group, and inter-segment profit.
2. Amounts represent the GNE's Group perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group.
3. Amounts represent adjustment for investment costs in GNE Group.
4. Amounts represent the eliminations of intercompany balances.


Company Profile

GCL-Poly Energy Holdings Limited is the world's leading polysilicon producer and the largest wafer supplier globally. The Group has ramped up the polysilicon production capacity to 70,000 MT at the end of 2016. The Group's wafer production capacity achieved 18.5 GW at the end of 2016. Regarding the Group's new energy business, which is mainly operated through the subsidiary GCL New Energy, has over 4 GW solar projects in operation in the world.

MAJOR EVENTS 2016

Jan

On 1 January, Xuzhou Solar was honored as "Energy Measurement Model Entity in Jiangsu Province"; on 26 January, Xuzhou Solar was verified as "Grade AA Appraisal of Quality Credit of Industrial Enterprises in Jiangsu Province".

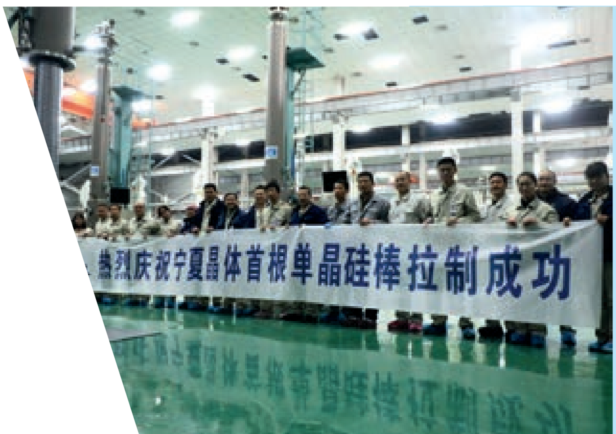
On 7 January, Suzhou Solar was acclaimed as Jiangsu Model Smart Workshop.

Feb

On 3 February, the solar wafer under the GCL brand of Yangzhou Solar was honored as "Jiangsu Famous-Brand Product".

On 14 February, Changzhou Solar was honored as "Municipal Industrial Five-Star Enterprise".

On 29 February, the Standard of "Testing of Chlorine in Silicon with Ion Chromatography (硅中氯元素的離子色譜法測試)" compiled mainly by GCL-Poly was released all over the world after passed by global voting. To date, there are 3 international standards that were mainly complied and finally released by GCL-Poly.



Mar

On 16 March, GCL Ningxia Crystalline successfully produced its first monocrystalline silicon ingot.

On 20 March, Taicang Solar was honored as Five-Star Digital Enterprise in Jiangsu Province 2015.

Apr

On 8 April, the solar wafer under the GCL brand of Suzhou GCL Photovoltaic was honored as "Jiangsu Famous-Brand Product".

On 28 April, Funing GCL Photovoltaic's diamond wire cutting project was successfully launched, signifying that GCL-Poly extensively promotes such new diamond wire cutting technique.

May

On 26 May, GCL-Poly won a number of awards in the 10th Anniversary of SNEC PV Power Expo in Shanghai. The Company won the "Technological Leading Company of PV Industry" award, Mr. Zhu Zhanjun, the CEO of the Company, won the "Industrial Leader of PV Industry" award, and Mr. Wan Yuepeng, the CTO of the Company, and Mr. You Darong, the vice president of Ingot Growing Segment, won the "Technological Leader of PV Industry" award. Meanwhile, GCL-Poly's "Sapphire Series" High Efficiency Module technique won the Terawatt Diamond Award, the highest level award of "Top 10 Highlights" of this Expo, after three day's selection among a huge number of candidate exhibits, leveraging on its outstanding technological advantages and market reputation.

Jun

On 23 June, Funing region suffered from severe weather in a century. The Company convened an emergency meeting and decided to donate RMB10.0 million to the affected areas of Funing for rescue and relief work and post-disaster reconstruction. Mr. Zhu Zhanjun, the CEO, visited the Funing disaster area that very night to offer condolences.

Jul

On 12 July, two subsidiaries of GCL-Poly were listed on the list of the "Top 100 Chinese Electronic Information Enterprises 2016 (the 30th)" published by China Information Technology Industry Federation.

On 13 July, Fortune magazine (Chinese version) published the annual list of China's top 500 companies, amongst which 8 photovoltaic enterprises including GCL-Poly were listed.

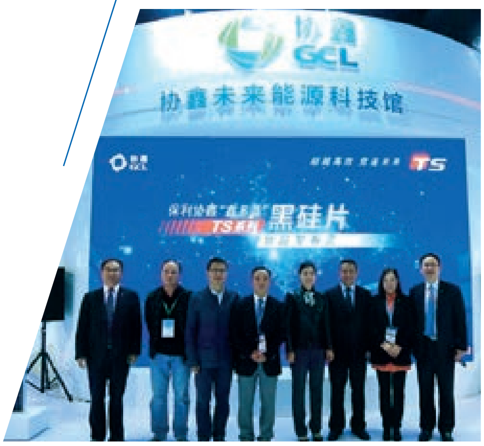
On 15 July, Capital Magazine under Hong Kong South China Media hosted the 11th "CAPITAL China's Outstanding Enterprise Awards", and GCL-Poly Energy Holdings Limited won the "CAPITAL China's Outstanding New Energy Company" award for the 5th consecutive year, becoming the only enterprise awarded in the new energy industry.

On 25 July, GCL-Poly financed environmental associations from colleges to go to Inner Mongolia for sands prevention and forest reservation project.

Sep

On 1 September, a semiconductor company under GCL-Poly was acclaimed as Xuzhou Engineering Technology Research Center in 2016, which is the first technology research center of high purity silicon used in integrated circuit in the PRC.

On 26 September, Zhongneng Polysilicon was honored as "Jiangsu Network Information Security Pilot Enterprise for Integration of Information Technology and Industrialization".




江苏省经济和信息化委员会文件

关于公布2016年江苏省两化融合网络信息安全试点企业名单的通知

2016年江苏省两化融合网络信息安全试点企业名单

Oct

On 8 October, the sixth workshop of Taicang GCL Photovoltaic was honored as Jiangsu Model Smart Workshop; on 10 October, Yangzhou GCL Photovoltaic was acclaimed as Jiangsu Model Smart Workshop.

On 18 October, Global Solar Council (GSC) held its first session of the second membership meeting in Beijing. Mr. Zhu Gongshan, the Chairman of Asia PV Industry Association and the Chairman of GCL Group, was selected the Chairman of the second session of GSC.

On 20 October, the black silicon technology research and development team under the wafer department solved the wet mass production technique of black silicon, and the black silicon battery can enhance efficiency of 0.3%-0.4% by applying texturing technique and pioneer in realizing mass production.

Nov

On 1 November, GCL Testing Technology Center of Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. was successfully passed the professionals' appraisal and obtained the "Certificate of Laboratory Accreditation from China National Accreditation Service for Conformity Assessment (CNAS)", becoming the first testing institution of GCL Group accredited by CNAS. This signified that GCL Testing Technology Center has made a solid progress in the aspect of deep reform and comprehensive laboratory management and its authoritativeness and credibility are recognized globally.

Nov

In the evening of 2 November, "Night of GCL" dinner party of Wuxi New Energy Exhibition and "Solar Energy Cup" CREC Annual Awards Ceremony 2016 was held ceremoniously. Mr. Zhu Gongshan, the Chairman of the Board of Directors of GCL-Poly, was honored as "Annual Solar Leader" and the Company won a total of 5 awards.

On 17 November, GCL-Poly won the "Best PV Material Supplier" award in the "OFweek China Solar PV Forum and Annual Award Ceremony of PV Industry 2016 (the 7th)" held in Shenzhen.

Nov

On 23 November, the 6th China Securities Golden Bauhinia Awards Ceremony was held grandly in Hong Kong, and GCL-Poly won the "Listed Company with Best Growth Potential" award.

Dec

On 13 December, the invention patent, GCL Polysilicon Production Method, won the 18th Chinese Outstanding Patented Invention award in 2016.

Dec

On 28 December, the Annual Ceremony for the "China's Good Solar" Brands 2016 was held by IN-EN.com in Beijing. GCL-Poly won its highest level award, the "China's Good Solar" Most Influential Solar Leader Enterprise Award 2016, being the only one Solar material enterprise winning such award.

On 29 December, Changzhou GCL Photovoltaic was honored as "Grade AA Enterprise of Quality Credit in Jiangsu Province".

On 31 December, subsidiaries of GCL-Poly applied for a total of 100 patents in 2016, out of which 37 invention patents are under application and 53 patents were granted; they have applied for 556 cumulative patents and were granted 374 patents, amongst which 104 invention patents were granted.

CHAIRMAN'S STATEMENT

Zhu Gongshan,
Chairman

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.

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

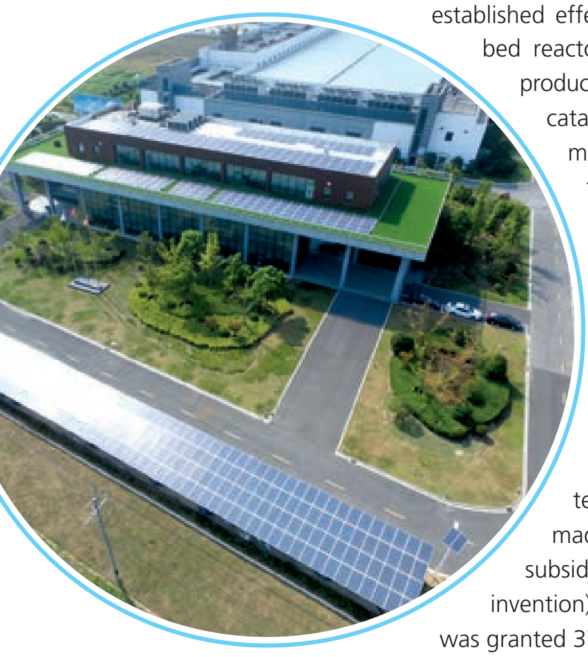
China's PV installation capacity was 34.5 GW in 2016, maintaining a strong demand and accounting for almost half of global installed capacity. With a cumulative installation capacity of 77.4 GW, China continued to lead the global PV market. Polysilicon and wafer showed completely different trends of 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 benefited 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.

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 RMB million	**GNE Group** RMB million	**De-consolidation adjustments** RMB million	**The effect of de-consolidated GNE Group** RMB million
Total assets	87,019	41,478	(5,098)[1,2,3]	50,639
Total liabilities	63,625	35,059	(901)[3]	29,467
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	2,013	858	—	1,155
Net debt	30,002	16,771	(676)	13,907

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 RMB million	**Segment profit (loss) RMB million**	**Adjusted EBITDA RMB million**	Revenue RMB million	Segment profit (loss) RMB million	Adjusted EBITDA RMB million
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	**2,247**	**244[2]**	**1,838**	688	59[2]	491
Total	**22,025**	**2,402**	**9,222**	20,484	1,629	6,756

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 Report.

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.

	As at 31 December				
	2016		2015		
	No. of solar farms	**MW**	No. of solar farms	MW	**% of Changes**
Development Type					
Joint development	**43**	**1,831**	28	1,170	56%
Acquisition	**16**	**570**	6	300	90%
In-house development	**31**	**1,115**	7	170	556%
Total	**90**	**3,516**	41	1,640	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 kWh)	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 **RMB million**	2015 RMB million
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
	3,940,256	3,209,326
Bills receivable (trade-related):		
Within 3 months	**3,424,004**	4,304,120
3 to 6 months	**2,662,711**	4,043,610
	6,086,715	8,347,730

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 Report.

Indebtedness

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

	2016 RMB million	2015 RMB million
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	**264.7**	—
	14,793.4	24,258.3
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	**2,013.0**	2,018.5
	28,398.6	20,309.6
Total indebtedness	**43,192.0**	44,567.9
Less: Pledged and restricted deposit and bank balances and cash	**(13,189.6)**	(17,399.1)
Net debts	**30,002.4**	27,168.8

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

	2016 RMB million	2015 RMB million
RMB	**38,032.3**	33,440.5
USD	**4,283.3**	10,368.7
HKD	**876.4**	758.7
	43,192.0	44,567.9

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

	2016 RMB million	2015 RMB million
Secured	**27,134.8**	21,803.9
Unsecured	**6,144.7**	12,631.8
	33,279.5	34,435.7
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	**7,529.2**	4,041.0
Group's total bank and other borrowings	**33,279.5**	34,435.7

Bank and other borrowings are denominated in the following currencies:

	2016 RMB million	2015 RMB million
RMB	**30,520.7**	25,507.6
USD	**2,758.8**	8,902.2
HKD	**—**	25.9
	33,279.5	34,435.7

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 (Note)	**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 RMB24,302 million and RMB6 million 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 RMB2,979 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.

MAJOR INVESTOR RELATIONS ACTIVITIES

The Board and management of the Company believe that effective investor relations is instrumental in enhancing investors' understanding to the Company, improving the quality of corporate governance and creating shareholders' value. Last year, we, together with various investor relations intermediaries and securities brokers, organized a series of investor relations activities to promote the Company in the capital markets.

In 2016, we launched various non-deal roadshows in Hong Kong, Singapore, Taiwan, the United States, Europe and the Mainland China (such as Beijing, Shanghai and Shenzhen). We always made proactive actions in contacting and communicating with the investors community, so that they get to keep abreast of the overall condition of solar industry and various active measures of the Company responding to market changes and effects of those on the industry as a whole to maintain confidence in the future growth of the Company.

Throughout last year, we participated in over 180 investor relations activities including non-deal and deal road-shows, investor seminars and one-on-one meetings. We met over 1,000 investors from more than 100 international institutions by participating in respective road-shows activities arranged by investment banks such as Deutsche Bank, Credit Suisse, CLSA, Goldman Sachs, and BOCI, and through domestic and overseas investment conferences organized by JP Morgan, BNP, BofA Merrill Lynch, HSBC, Macquarie, Barclays, Jefferies Asia, CICC, Daiwa, China Merchants, China Everbright, Sinolink Securities, Guotai Junan, SWS and etc.

We also organized site visits in our quarterly Corporate Open Day in 2016 as we hoped that global investors would learn more about our manufacturing competitiveness in the solar industry. Representatives from major media groups, research analysts of major investment banks, a number of fund managers and representatives of large investors all over the world were invited to visit our solar power plants and our polysilicon and wafer manufacturing facilities in the PRC. Through face-to-face meetings with our frontline staff members, media and investors were able to experience our operations and management in an objective manner.

Furthermore, we update the information on our website on a timely manner and participate in interactions among social networking platforms, and through various new methods, we communicate responsively with a number of investors on the latest business developments of the Company.

CORPORATE ENVIRONMENTAL POLICIES AND PERFORMANCE

While striving to achieve a win-win situation for the Company, shareholders and business partners, the Company also actively assumes the responsibility to protect the environment. The Company has been adhering to the philosophy of "Bringing Green Power to Life" with its mission to provide effective clean energy and continuously improve our living environment. By continuous reinforcing the environmental protection concept, the improvement of production efficiency and the development of energy-and-water-saving solutions, the Company is committed to achieving the aim of reducing resource consumption and waste generation.

The Company has devoted considerable resources into the upgrading and reforming of environmental protection, disposal of urban solid and hazardous wastes, environment surveillance and management so as to enhance its environmental performance, including constantly improving the environmental management systems, formulating and updating the environmental policies, actively integrating the environmental objectives into life cycle and every parts of the production and operation of products, taking advantage of the technology to recover the emission and by-products generated during production in an effective manner, encouraging our staff to take joint action and strengthening supply chain management. In addition, some of our subsidiaries would take a company's environmental performance history into consideration while selecting new suppliers, at the same time to enhance the level of environmental management of the industrial chain as a whole.

The Company has always been in stringent compliance with national and local laws and regulations, and will continue its efforts to actively response to and perfect the deficiencies in our projects and footprints, so as to enhance the level and performance of environmental management of our Company. Furthermore, the Company will also abide by relevant laws and regulations in relation to the Group's operations, including the labour laws, occupation disease prevention laws, company laws and pollution prevention laws, etc. The Company has human resource department and safety departments in place to establish various management, welfare and safety policies. In respect of the prevention of pollution, the Company has installed a lot of surveillance devices and enhanced its production techniques to achieve real time monitoring and minimal pollution at the sources. Our average emission is always lower than the standard emission rate.

The Company actively takes participation in various charity events, such as "Sunshine Care Action"(陽光關愛行動) and "Higher Education Subsidiaries"(高等教育獎助學基金) organised by "GCL-Poly Sunshine Charity Fund". For years, the Company has initiated and participated in over 100 charitable events. On the afternoon of 23 June 2016, areas in Funing, Yancheng City of Jiangsu Province suffered ferocious tornado and hail attack. Thereafter, the Company participated in the rescue and relief works and post-disaster reconstruction. In August 2016, the social practice activities to prevent forest degradation in Inner Mongolia, financed by the Company, accomplished success at the assistance of the New Century No Plastic Bags Alliance and Environmental Association (新世紀限塑同盟環保社團), a volunteer organization for environmental protection founded by Jiangsu Normal University (江蘇師範大學). During the activities, the volunteers donated seedlings to prevent forest degradation and investigated the ecological environment of Yellow River, paid visits to rural families and homes for the aged to convey greetings to the elderly along with local government workers. Further, they held informal discussion with local peasants, herdsmen and environmental protection volunteers to promote the philosophy to apply solar new energy and raise the environmental awareness of local residents.

The Company believes that, a bilateral, transparent and regular communication is conducive to maintaining harmonious relationship among parties, enhancing mutual trust and respect and laying a solid foundation for the Company's sustainable development. Therefore, the Company has committed to communicating with stakeholders in multi channels and attaching great importance to their views. Regular communications with various stakeholders, including the staff, shareholders/investors, government authorities, customers, partners, community personnel/organizations and media etc., were also held in an active manner to understand their concerns and regularly reviews the effectiveness of such efforts, so as to optimize the ways of communication and give a comprehensive reflection of the opinions from stakeholders.

Furthermore, talents are the most precious resources of the Company. By adhering to the principle of people-oriented management, the Company strives to create a healthy and safe working environment, constantly improve the employment mechanism and build a pleasant employment environment through the adoption of intensive humanistic management. What's more, successive introduction of talents and continuous improvement in employees' skills can also contribute to promoting corporate values.

Environmental, Social and Governance Report

Please refer to the ESG Report to be published by the Company in separate for the Company's performance in environmental protection, staff relations, community investment and other aspects, and its strategic objectives to assume corporate social responsibility. The report will be uploaded to the Company's website in or about July 2017.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

ZHU Gongshan (Chairman), aged 59, is the founder of the Company. He has been an Executive Director and the Chairman of the Company since July 2006. Mr. Zhu is a member of the Strategy and Investment Committee of the Company. Mr. Zhu and his family (including his son, Mr. Zhu Yufeng, who is also a Director of the Company) are the beneficiaries of a discretionary trust which was interested in about 34.27% issued share capital of the Company at 29 March 2017, the date of this report.

Mr. Zhu is currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference, the co-chairman of Global Solar Council, the chairman of Asian Photovoltaic Industry Association, the vice chairman of China Fortune Foundation Limited, the vice chairman of the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering (中國電機工程學會熱電專業委員會), the vice chairman of China Overseas Chinese Entrepreneurs Association, the vice chairman of China Industrial Overseas Development & Planning Association, the honorary chairman of the 4th board of directors of Nanjing University, the honorary president of Hong Kong Baptist University Foundation, the vice chairman of Jiangsu Chinese Overseas Friendship Association, the vice director-general of Jiangsu Foundation for the Well-being of the Youth, the honorary chairman of Jiangsu Residents Association in Hong Kong, the honorary chairman of Jiangsu Yancheng Residents Association in Hong Kong, the chairman of Hong Kong Yancheng Chamber of Commerce Limited, the honorary chairman of Jiangsu Chamber of Commerce in Guangdong, the honorary chairman of Xuzhou Chamber of Commerce in Shenzhen (深圳市徐州商會), the vice president of Chinese Renewable Energy Industries Association, the vice director (China) of The Prince's Charities Foundation, a member of American Council on Renewable Energy, and the honorary chairman of Africa Food Fund (非洲糧食基金).

Mr. Zhu has been awarded the "China's Top Ten Economic Person of the Year 2015" in 2016, the "New Global Energy Outstanding Contributor" award in 2015, and the "Green China — Outstanding Leader of Environmental Protection" award in 2014 and was praised as one of the "Top Ten Chinese to Change the Future" by the Sunday Times of the United Kingdom in 2009. Mr. Zhu graduated from Nanjing Electric Power College (南京電力專科學校) in July 1981 and obtained a diploma in electrical automation.

Mr. Zhu is also the chairman of GCL System Integration Technology Co., Ltd., a company with its shares listed on the Shenzhen Stock Exchange (Stock Code: 002506)

ZHU Zhanjun (CEO), aged 47, has been an Executive Director and Executive President of the Company since January 2015. He has been appointed as the Chief Executive Officer of the Company since April 2016. Mr. Zhu is also a member of the Strategy and Investment Committee of the Company. He has vast experience in the polysilicon and wafer business. He joined the Company in 2004 as a plant manager of one of our power plants and became a general manager in 2006. He was transferred to Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業發展有限公司) ("Jiangsu Zhongneng"), a subsidiary of the Company which manufactures polysilicon, as Deputy Director- Infrastructure in 2008. Mr. Zhu was promoted as the General Manager of Jiangsu GCL Silicon Material Technology Development Co., Ltd. (江蘇協鑫硅材料科技發展有限公司) ("Jiangsu GCL"), a subsidiary of the Company in 2009 and was appointed as a vice president of the Company in 2013, overseeing the Company's ingot business and Jiangsu GCL's wafer business. Mr. Zhu is an engineer and obtained a Master's degree in Business Administration from China Europe International Business School (中歐國際工商學院) in 2013. Mr. Zhu is currently responsible for the overall operation and management of the Group.

JI Jun, aged 69, has been an Executive Director of the Company since November 2006. He is also a member of the Strategy and Investment Committee of the Company. Mr. Ji focuses on strategic planning and business development of the Group. He has extensive experience in the power industry and has experience in handling corporate finance projects.

ZHU Yufeng, aged 35, has been an Executive Director of the Company since September 2009 and is also a member of the Remuneration Committee of the Company. He graduated from George Brown College (Business Administration Faculty) in 2005. Mr. Zhu and his family (including his father, Mr. Zhu Gongshan, who is also a Director of the Company) are the beneficiaries of a discretionary trust which owns about 34.27% issued share capital of the Company at 29 March 2017. Mr. Zhu joined a subsidiary of the Company in 2006. He is responsible for human resources, administration and project tender of the Company. Mr. Zhu is also the chairman and an executive director of GCL New Energy Holdings Limited ("GNE"), a subsidiary of the Company with its shares listed on the Hong Kong Stock Exchange Main Board (Stock Code :451).

SUN Wei, aged 45, has been an Executive Director of the Company since September 2016. Prior to the appointment, Ms. Sun was an Executive Director of the Company for the periods from November 2006 to July 2007 and from October 2007 until January 2015. She has served the Company as the Honorary Chairman of Finance and Strategy Function since January 2015. Ms. Sun currently is responsible for the corporate finance, financial strategy and management of the Group. Ms. Sun is the non-executive director of GNE. She is also the vice chairman of Golden Concord Holdings Limited, a company controlled by Mr. Zhu Gongshan. Ms Sun has over 20 years' experience in corporate finance, financial strategy and management experience. Ms. Sun was awarded a Doctorate degree in Business Administration in 2005.

YEUNG Man Chung, Charles (CFO and Company Secretary), aged 49, has been an Executive Director of the Company since September 2014. He is also a member of the Nomination Committee, Corporate Governance Committee and Strategy and Investment Committee of the Company. Mr. Yeung was appointed as the Chief Financial Officer of the Company on 30 April 2014 and Company Secretary of the Company on 20 March 2017. Prior to joining the Company in April 2014, he served as partner of Deloitte Touche Tohmatsu and was a part-time member of the Central Policy Unit of the Government of Hong Kong Special Administrative Region. When he left Deloitte Touche Tohmatsu in March 2014, he was the Head of Corporate Finance Advisory Services, Southern China. Mr. Yeung has a Bachelor of Business degree with a major in accounting and he is also a member of The Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants. Mr. Yeung has over 25 years of experience in accounting, auditing and financial management. Mr. Yeung is responsible for the financial control and reporting, corporate finance, tax and risk management of the Company and its subsidiaries. Mr. Yeung is also a non-Executive Director of GNE.

JIANG Wenwu, aged 53, has been an Executive Director of the Company since April 2016. He was the deputy general manager of Jiangsu Zhongneng in 2007 and was promoted as the general manager in 2010. In 2015, Mr. Jiang was further promoted as senior vice president (solar business) of the Company. Mr. Jiang is a senior engineer. He obtained an executive master's degree in business administration in 2014 from Cheung Kong Graduate School of Business and a master's degree in engineering in 2003 from Liaoning Shihua University (遼寧石油化工大學), the PRC. Mr. Jiang is responsible for the daily operation and management of Jiangsu Zhongneng, the principal business of which is production and sale of polysilicon.

ZHENG Xiongjiu, aged 48, has been an Executive Director of the Company since April 2016. He was the general manager of the Company's two wafer plants in 2010. Since 2013, Mr. Zheng has managed the wafer business of five wafer plants including the two original wafer plants. In 2015, Mr. Zheng was promoted as senior vice president (solar business) of the Company. He graduated from Xian Jiaotong University in 1991, major in mechanical engineering. Mr. Zheng obtained a Master's degree in Business Administration from China Europe International Business School (中歐國際工商學院) in 2016. Mr. Zheng is currently responsible for the daily operation and management of the five wafer plants of the Company, the principal business of which is production and sale of wafer.

Independent Non-Executive Directors

HO Chung Tai, Raymond SBS, MBE, S.B.St.J., JP, aged 78, has been an Independent Non-Executive Director of the Company since September 2007. He is the Chairman of the Remuneration Committee, the Strategy and Investment Committee and the Corporate Governance Committee of the Company, and also a member of the Audit Committee and the Nomination Committee of the Company.

Dr. Ho has 50 years of experience in the fields of civil, structural, environmental and geotechnical engineering and direct project management of mega size engineering projects including 40 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in the HK$3.0 billion project of Electrification and Modernisation of Kowloon- Canton Railway from the mid-70's till early 80's, all the government-funded infrastructure works for Shatin New Town and Tseung Kwan O New Town from early 80's till the end of 1993, major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial and residential buildings, geotechnical work, environmental studies and projects. Dr. Ho holds a Doctorate degree in Civil Engineering from the City University of London, United Kingdom, an Honorary Doctorate of Business Administration from the City University of Hong Kong, an Honorary Doctorate of Laws from the University of Manchester, United Kingdom, a Postgraduate Diploma in Geotechnical Engineering from the University of Manchester, United Kingdom and a Bachelor's degree in Civil Engineering from the University of Hong Kong. Dr. Ho is an independent non-executive director of Deson Development International Holdings Limited, China State Construction International Holdings Limited, Chinlink International Holdings Limited and AP Rentals Holdings Limited.

YIP Tai Him, aged 46, has been an Independent Non-Executive Director of the Company since March 2009. He is the Chairman of the Audit Committee and the Nomination Committee and is also a member of the Remuneration Committee, the Strategy and Investment Committee and the Corporate Governance Committee of the Company. Mr. Yip is a practising accountant in Hong Kong. He is also a member of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants in the United Kingdom. He has over 20 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following listed companies in Hong Kong, namely, Shentong Robot Education Group Company Limited, Redco Properties Group Limited, Bisu Technology Group International Limited, Sino Golf Holdings Limited and Epicurean and Company, Limited.

SHEN Wenzhong, aged 48, has been an Independent Non-Executive Director of the Company since July 2015. He is a member of the Audit Committee and the Strategy and Investment Committee of the Company. Dr. Shen has been a Professor and PhD Supervisor in the Department of Physics and Astronomy, Shanghai Jiao Tong University since 1999 as well as a Changjiang Chair Professor of Shanghai Jiao Tong University since 2000. He became the Director of the Solar Power Research Institute of Shanghai Jiao Tong University since 2007. Dr. Shen has participated in various science and technology research programmes in the PRC, published scientific papers in international journals and books on photovoltaic subjects. He graduated from the Shanghai Institute of Technical Physics, Chinese Academy of Sciences with a doctorate degree in 1995. During the period from 1996-1999, he joined Georgia State University in the U.S. as a postdoctoral fellow. Dr. Shen is currently an executive council member of China Renewable Energy Society, the chairman of the Committee of Shanghai Solar Energy Society, an advisory committee member of the International Photovoltaic Science and Engineering Conference and the chief editor of an academic journal "Solar PV of China". He has been an independent non-executive director of Shanghai Aerospace Automobile Electromechanical Co., Ltd. (上海航天汽車機電股份有限公司), a company with its shares listed on The Shanghai Stock Exchange, since July 2014.

WONG Man Chung, Francis, aged 52, has been an Independent Non-Executive Director of the Company since April 2016. He is also a member of the Strategy and Investment Committee of the Company. He is a Certified Public Accountant (Practising). Mr. Wong is a fellow member in respect of The Chartered Association of Certified Accountants, The Institute of Chartered Accountants in England and Wales, The Society of Chinese Accountants & Auditors and The Hong Kong Institute of Certified Public Accountants and a certified tax adviser of the Taxation Institute of Hong Kong. Previously, Mr. Wong has worked for KPMG, an international accounting firm for 6 years and the Compliance Department of Hong Kong Securities Clearing Company Limited for about 2 years. He has over 27 years of experience in auditing, taxation, corporate internal control & governance, acquisition & financial advisory, corporate restructuring & liquidation, family trust & wealth management. Mr. Wong is currently an independent non-executive director of China Oriental Group Company Limited, Digital China Holdings Limited, Wai Kee Holdings Limited,Integrated Waste Solutions Group Holdings Limited and Greenheart Group Limited, the shares of all these companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Wong holds a master's degree in management from Guangzhou Jinan University (廣州暨南大學), the PRC.

Senior Management

SHA Hongqiu, aged 58, has been an Executive President of the Company since November 2006. Mr. Sha also served as an Executive Director of the Company during the period from November 2006 to November 2012. He is currently responsible for the overall operation and management of the Group's solar power business. Mr. Sha had been awarded various titles, including the Outstanding Entrepreneur of Xuzhou (徐州市優秀企業家) in 2000 and the Outstanding Enterprise Manager of Taicang (太倉市優秀企業管理人才) in 2005. He graduated from the China University of Mining and Technology in 1986, majoring in enterprise management. Mr. Sha is a Senior Economist. He has over 20 years of experience in the operation and management of power plants, including solar farms. Mr. Sha is also a non-executive director of GNE.

CORPORATE GOVERNANCE REPORT

The Company is dedicated to achieve and maintain a high standard of corporate governance to maximize the Company's and the stakeholders' value, with continuous review and evaluation of the various systems and procedures to ensure their effectiveness. During 2016, the Company had focused on the review of certain internal systems, risk identification and assessment. We also successfully invited three executive directors and an independent non-executive director to join the board and to share their expertise and experience for the benefit of the Company. With the appointment of Mr. Zhu Zhanjun as the Chief Executive Officer in September 2016, the roles of chairman of the board and chief executive are separate and assumed by different persons, which is considered an improvement on corporate governance. The Strategic Planning Committee has extended its responsibility to cover evaluation of significant investment and disposal proposals. At the same time, the number of committee members are increased and the name of committee was changed to Strategy and Investment Committee to reflect its additional responsibility. Other work done in relation to corporate governance during 2016 is delineated in this report.

The Company has complied with all the code provisions as stipulated in the Corporate Governance Code (the "Code") under Appendix 14 in the Listing Rules for the year ended 31 December 2016 save for the deviation from the following code provisions of the 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 since September 2009 and 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 aboard. 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.

The Board

Board Composition

The Board is currently comprised twelve Directors with professional background and/or extensive expertise and experience in the Group's business related industries. The Board consists of eight Executive Directors and four INEDs. The Directors who served the Board during the year ended 31 December 2016 and up to the date of this report are as follows:

Executive Directors

Zhu Gongshan *(Chairman)*	
Zhu Zhanjun *(CEO)*	
Ji Jun	
Zhu Yufeng	
Sun Wei	*(appointed on 9 September 2016)*
Yeung Man Chung, Charles *(CFO and Company Secretary)*	
Jiang Wenwu	*(appointed on 1 April 2016)*
Zheng Xiongjiu	*(appointed on 1 April 2016)*

Non-executive Director

Shu Hua	*(resigned on 9 September 2016)*

Independent Non-executive Directors

Ho Chung Tai, Raymond	
Yip Tai Him	
Shen Wenzhong	
Wong Man Chung, Francis	*(appointed on 1 April 2016)*

Biographical details of the Directors are set out under the section headed "Biographical details of Directors and Senior Management" of this annual report on pages 40 to 43.

Mr. Zhu Yufeng is the son of Mr. Zhu Gongshan. Ms. Sun Wei was a non-executive director of 協鑫集成科技股份有限公司 GCL System Integration Technology Co., Ltd. ("GCL System Integration"), a company with its shares listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange (stock code: 002506) with its majority issued shares owned by Mr. Zhu Yufeng and a discretionary trust (the "Zhu Family Trust"), which was interested in approximately 34.27% issued shares of the Company as at the date of this report with Mr. Zhu Gongshan, Mr. Zhu Yufeng and their family being its beneficiaries. Ms. Sun ceased to act as a non-independent director of GCL System Integration with effect from 2 December 2016. Ms. Sun is also a vice chairman of Golden Concord Holdings Limited, a company controlled by Mr. Zhu Gongshan. Mr. Shu Hua was also a director and chairman of GCL System Integration when he resigned as a Non-executive Director of the Company with effect from 9 September 2016.

Save for the above and to the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board and the substantial shareholders of the Company.

Each of the four INEDs has made a written confirmation to the Company of his independence with reference to the criteria and guidelines as set out in Rule 3.13 of the Listing Rules. Each Director has declared to the Company of his/her interests in any material contracts or other interest in the business of the Group or in any competing business with the Group. During the year ended 31 December 2016, the Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules which require the minimum number of INEDs and at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Appropriate insurance to cover against liability of the Directors and officers of the Company has been arranged and will be renewed annually.

Board Process and Effectiveness

The Board is responsible for leading the Group's activities by determining strategic directions and business plan, exercising a number of reserved powers to oversee the operations and monitor the financial performance of the Group by determination of the annual budget, approving significant capital investment, ensuring the integrity of the Group's accounting and financial reporting system and to oversee management in the design, implementation and monitoring of the risk management and internal control systems of the Group.

The management is responsible to implement the Board's decision within the delegated authority, to make investment proposal, report their performance regularly to the Board and ensure by continuous monitoring that the Group's risk management and internal control systems are effective. Key features of Board process:

- at least four regular Board meetings will be held each year, with additional meetings to be held as and when required. All Directors will be informed of the tentative dates of the regular board meetings to be held at the beginning of each year. In 2016, there were four regular meetings and thirteen non-regular meetings held by the Board;

- in respect of regular meetings, at least 14 days' notice is given to all Directors to give them an opportunity to attend. For all other meetings, reasonable notice is given;

- proposed agenda will be given to all Directors at least 14 days prior to the regular meetings to give them an opportunity to include matters in the agenda and the board papers were sent to all Directors at least 3 days before the meetings;

- all Directors are able to access to the advice and services of the company secretary, management and external professionals with a view to ensuring that board procedures, all applicable rules and regulations, are followed;

- minutes of all board meetings and committee meetings have been sent to all directors for their comments and records respectively, within a reasonable time after the meetings are held;

- a procedure has been adopted by the Company to enable Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

Appointment and Re-election of Directors

The INEDs and Non-executive Directors are appointed for a specific term of office for three years. The Board had renewed the term of service of Ir. Dr. Ho Chung Tai, Raymond, an INED, for a term of three years commencing from 13 November 2016, while the term of office of Mr. Yip Tai Him had been renewed for three years, commencing from 31 March 2015 and Dr. Shen Wenzhong's term of office commencing from 15 July 2015 for a term of three years. Mr. Wong Man Chung, Francis was appointed as an INED with effect from 1 April 2016 for a term of three years. All Directors, including the INEDs, are subject to retirement by rotation and re-election at annual general meetings in accordance with the Company's Articles of Association, provided that every Director shall be retired at least once every three years. At the annual general meeting held on 25 May 2016, the newly appointed Directors in April 2016, namely Mr. Jiang Wenwu, Mr. Zheng Xiongjiu and Mr. Wong Man Chung, Francis had been retired and elected as Directors. Mr. Zhu Gongshan, Mr. Ji Jun and Ir. Dr. Ho Chung Tai, Raymond, had been retired and re-elected as Directors at such meeting.

Nomination of Director

Where vacancies arise at the Board or whenever any qualified professionals or individuals with relevant expertise and experience is likely to be invited to join the Board, the qualifications, experience and awards (if any) of the proposed candidate(s) will be put forward to the Nomination Committee for its consideration and decision whether to make recommendation to the Board. In 2016, the Nomination Committee had reviewed and make appointment recommendation to the Board in relation to the appointment of three Executive Directors and one INED, namely Mr. Jiang Wenwu, Mr. Zheng Xiongjiu, Ms. Sun Wei and Mr. Wong Man Chung, Francis. The Committee also recommended the appointment of Mr. Zhu Zhanjun as the new Chief Executive Officer.

Responsibilities of Directors

During the year, Directors, including Non-executive Directors have performed their responsibilities by attending and participating in various committees meetings, board meetings and general meetings. In order to encourage the Director's active participation in the meetings, meeting materials will be and have been dispatched to the Directors in advance of the meetings (for all regular meetings, at least three days in advance) to allow them to have the chance to read and understand the issues to be discussed at the meetings. The Company will also circulate a monthly report to Directors to keep them up-to-date of the status and position of the Group.

At the beginning of each year, the Directors are provided with the tentative schedule of meetings so that they can mark their calendar as early as possible to avoid conflict of meetings. There were seventeen Board meetings held during the year and the average attendance rate is 78.9%. An annual general meeting was held during the year 2016. The attendance of such meetings was shown in the table below:

Members of the Board	Number of Board meetings attended/held	Number of general meetings attended/held
Executive Directors		
Zhu Gongshan *(Chairman)*	12/17	0/1
Zhu Zhanjun	14/17	1/1
Ji Jun	17/17	0/1
Zhu Yufeng	10/17	0/1
Sun Wei[1]	5/6	n.a.
Yeung Man Chung, Charles	17/17	1/1
Jiang Wenwu[2]	12/15	0/1
Zheng Xiongjiu[2]	11/15	0/1
Non-Executive Director		
Shu Hua[3]	5/11	0/1
Independent Non-executive Directors		
Ho Chung Tai, Raymond	15/17	1/1
Yip Tai Him	16/17	1/1
Shen Wenzhong	14/17	1/1
Wong Man Chung, Francis[2]	14/15	1/1

Notes:

1 Ms. Sun Wei was appointed as an Executive Director with effect from 9 September 2016

2 Messrs. Jiang Wenwu and Zheng Xiongjiu were appointed as an Executive Directors and Wong Man Chung, Francis was appointed as INED, with effect from 1 April 2016

3 Mr. Shu Hua resigned as a Non-executive Director with effect from 9 September 2016

Directors' Induction and Continuous Professional Development

Upon the appointment of Directors, a comprehensive directors' handbook, which sets out the Company's business and a summary of the applicable laws, rules and regulations and key governance issues, will be and had been provided to each newly appointed Directors. A training regarding the rules and regulations applicable to directors of listed companies to observe during their services on Board will also be provided to each of the newly appointed Directors. The Directors' handbook will be updated from time to time. Messrs. Jiang Wenwu, Zheng Xiongjiu and Wong Man Chung, Francis and Ms. Sun Wei received the directors' handbook and a director's training by external lawyer at the time when they were appointed as Directors of the Company during the year. Mr. Wong Man Chung, Francis and other INEDs, accompanied with the Company Secretary, visited the production plants and solar farms in Xuzhou and Suzhou in December 2016.

Ongoing updating the Directors and senior management on further developments and requirements of any applicable rules, regulations and laws or refreshing their knowledge and skills by providing briefings or arrangement of seminars have been adopted by the Company during the years. In addition, understanding the business and operations of the Group is also important for the Directors to discharge their responsibility. During the year, the Company had organized a site visit for the INEDs to Xuzhou and Suzhou, where they had visited the manufacturing plants of polysilicon, wafer products, and solar farms. Through direct communication with our front line staff and discussion with our technical experts, the INEDs are able to get hold of a thorough understanding of the Group's principal business.

The Directors acknowledged the importance of updating their professional development and refreshing their knowledge and skills. The Company encouraged the Directors to participate in any seminar or forum organized by professional bodies, independent auditors, solicitors, chambers and business organizations as well as reading relevant articles. Below is a table in accordance with the records maintained by the Company indicating the Directors had received the following training in compliance with Rule A.6.5 of the Listing Rules during the year:

	Corporate Governance/Updates on Laws, Rules & Regulations		Accounting/Financial/Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Zhu Gongshan *(Chairman)*	✓	✓	✓	✓
Zhu Zhanjun	✓	—	✓	✓
Ji Jun	✓	—	✓	—
Zhu Yufeng	✓	—	✓	✓
Sun Wei	✓	✓	✓	✓
Yeung Man Chung, Charles	✓	✓	✓	—
Jiang Wenwu	✓	✓	✓	✓
Zheng Xiongjiu	✓	✓	✓	✓
Independent Non-executive Directors				
Ho Chung Tai, Raymond	✓	✓	✓	✓
Yip Tai Him	✓	✓	✓	✓
Shen Wenzhong	✓	✓	✓	✓
Wong Man Chung, Francis	✓	✓	✓	✓

Chairman and Chief Executive Officer

Mr. Zhu Gongshan had assumed the dual roles of chairman of the Board and the Chief Executive Officer of the Company since September 2009. Mr. Zhu Zhanjun , who was appointed as the new CEO to succeed Mr. Zhu Gongshan, effective 1 April 2016. Mr. Zhu Zhanjun has a long working relationship with the Group since 2004 and has make excellent contribution to the Group. The Board was of the view that Mr. Zhu Zhanjun is the appropriate person as the new CEO to lead the Company through the dynamic environment to the next level. The primary responsibilities of the Chairman are to provide leadership to the Board in setting corporate goals of the Company, overseeing the performance and effectiveness of the Board, ensuring the compliance of rules and regulations and taking a lead to ensure that the Board acts in the best interest of the Company and shareholders as a whole. In particular, the Chairman should ensure that Board meetings are effectively conducted, including all directors to receive timely, adequate, accurate, complete and reliable information. The Chairman also takes the primary responsibility for ensuring that good corporate governance practices and procedures are established.

The primary responsibilities of the Chief Executive Officer of the Company are to provide leadership for the management of the Company, taking a lead to implement the Company's business strategies and oversee the performance of the management in achieving corporate goals.

The Chairman will meet with the non-executive Directors to discuss openly with them of any issues concerning the Company, without the presence of executive Directors. During the year, a meeting has been held among the Chairman and the INEDs.

Delegation by the Board

The Board delegates certain responsibilities to various committees which are discussed below. Each of these committees has its respective terms of reference, all of them are posted on the Stock Exchange's and the Company's websites.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the profits and cash flows of the Group in accordance with the International Financial Reporting Standards, disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2016, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates which are reasonable and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The Independent Auditor's Report relating to their reporting responsibilities on the financial statements of the Company is set out on pages 92 and 98 of this annual report.

Audit Committee

The Audit Committee comprises three INEDs, namely Mr. Yip Tai Him, Ir. Dr. Ho Chung Tai, Raymond and Dr. Shen Wenzhong. Mr. Yip Tai Him, who is a practicing accountant in Hong Kong and a member of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants in the United Kingdom, possesses extensive accounting experience and serves as the chairman of the committee.

The terms of reference of the Audit Committee, which has been updated on 4 January 2016, setting out the operation, authorities and responsibilities of the committee is available on the websites of the Company and the Stock Exchange. The major responsibilities of the Audit Committee includes:

- monitoring integrity of the financial statements, annual report and interim report;
- monitoring and assessing the risk management and internal control systems (including the adequacy of resources, qualifications and experience of accounting and financial reporting staff);
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;
- considering any major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- monitoring the independence of an external auditor;
- monitoring and assessing the performance of external auditor, proposing to the board the appointment or removal of external auditor, and facilitating the communication between external auditor and internal audit function;
- reviewing any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control, management's response and the board's timely response; and
- acting as key representative body for overseeing the Company's relations with the external auditor.

Three Audit Committee meetings were held in 2016 and the attendance is set out in the following table:

Members of Audit Committee	**Number of meetings attended/held**
Mr. Yip Tai Him *(Chairman)*	3/3
Ir. Dr. Ho Chung Tai, Raymond	3/3
Dr. Shen Wenzhong	3/3

In addition to the aforesaid three meetings, the Audit Committee also held two meetings in March 2017. The following work was performed by the Audit Committee during and subsequent to the year ended 31 December 2016:

i. reviewed and approved the audit fees;

ii. assessed the independence of the external auditors;

iii. approved the scope of audit for the year ended 31 December 2016;

iv. reviewed the reports from Deloitte Touche Tohmatsu for the interim and year end of 2016;

v. reviewed the 2016 audited financial statements and the results announcement (including the unaudited financial statements and the results announcement for 1st half of 2016);

vi. reviewed the report on the continuing connected transactions for the financial year ended 31 December 2016;

vii. reviewed the interim and year end internal audit reports and concluded that the Group has an effective internal control system and the qualifications and experience of the Company's accounting staff and resource for financial reporting function are adequate;

viii. reviewed the corporate governance review report (including the compliance status of provisions in relation to risk management and internal audit under Appendix 14 of the Listing Rules) prepared by Protiviti Shanghai Co., Limited and reported to the Board of its conclusion and recommendation;

ix. recommended the election of the proposed external auditors at the forthcoming annual general meeting; and

x. reviewed and approved certain non-audit services provided by Deloitte Touche Tohmatsu;

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditors and ensures that their engagement in other non-audit services will not impair their audit independence.

For the year ended 31 December 2016, the total remuneration in respect of services provided by Deloitte Touche Tohmatsu is analysed as follows:

Nature of Service	**Fees** (RMB'000)
Audit services	
— 2016 Annual audit	12,544
Non-audit services	
— 2016 Interim review	2,867
— Others	8,141

Risk Management and Internal Controls

Assisted by the Corporate Governance Committee and the Audit Committee, the Board monitors the risk management and internal control system of the Company and its subsidiaries on an ongoing basis. The risk management and internal control system (the "System") implemented by the Board, management and relevant parties aims to manage rather than eliminate risks of failure in achievement in the following objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

- Operational efficiency and effectiveness
- Reliability on financial reporting
- Compliance with applicable laws and regulations
- Effectiveness of risk management

The Company has a risk control department in place to be responsible for the implementation of risk management and internal control policies. In performing its responsibilities, the Risk Control Department must organise and coordinate management to identify and assess the risks exposed to the Company for the Board's consideration and motivate the Board to design, implement and manage a suitable internal control and risk management system to facilitate policies adopted by the Board. In addition to the Risk Control Department, all employees are accountable for the risk management and internal control under each of their scope of responsibility.

System Overview

Each business units of the Company adopts the risk management and internal control structure of the Company during the ordinary course of business. The risk management portion within the structure provides simple and effective management procedures for each business units to identify and review risks and set risk priorities for the purpose of resource allocation and corresponding risk management. The management can also have a clear understanding of the significant risks exposed to the Company through such system and make and implement decisions accordingly, enabling its business to achieve a better performance. Further, the internal control portion within the structure offers a clear guideline to each business units by clarifying the internal control objective of each key line of business and conducting regular review of the effectiveness of control activities adopted for the purpose of control.

The Company's risk management and internal control system in place comprises the following 8 items:

- General Risk Management Guideline
- Risk Alert Management Measures
- Management Standards for Risk Control Manager
- Principles and System of Internal Control Management
- Management Standards for the Employment of Internal Control Officer
- Guideline for the Assessment of Effectiveness of Internal Control

- Standards for Delegation and Procedures Management
- Guideline for Internal Control Management in Small Enterprises

all of which have been revised during the year for the purpose of alignment of all internal control standards within each business units.

System Structure and Communication Mechanism

The Board of the Company has established the Audit Committee, which is currently comprised of three independent non-executive directors. Members of the Audit Committee have extensive experiences in the industry and ensure their full independence. The Company has established and published the terms of reference for the Audit Committee, expressly specifying the rights and obligations of the Audit Committee. The Company reviewed and revised the terms of reference for the Audit Committee during the year and disclosed the revised terms of reference for the Audit Committee in January 2016.

The Board of the Company has established the Corporate Governance Committee, which is currently comprised of the Chief Financial Officer and two independent non-executive directors of the Company, with one of the independent non-executive director acting as the Chairman of the Corporate Governance Committee. The Company has established and published the terms of reference for the Corporate Governance Committee in 2015, expressly specifying the constitution and rights and obligations of members of the committee. The Corporate Governance Committee meets regularly to review the governance policies and practices, compliance of laws and regulations and implementation of regulatory and monitoring system of the Company.

Business units established under the headquarter of the Company include polysilicon unit, ingot unit and wafer unit. The Risk Control Department is responsible for the overall management of internal control and risk management works within both of the headquarter and each business units thereunder. Each business units (including direct subsidiaries) has established its own legal and internal control department for the conducting of specific internal control and risk management works.

For the purpose of continuous monitoring of risk management and internal controls by the Board and management, the Company has established various communication channels, ensuring information are communicated and implemented in a timely and accurate manner, and providing the Board with relevant confirmation from management:

- The legal and internal control department of each business unit has adopted a dual-reporting mechanism, i.e. matters in relation to risks and internal controls are required to report simultaneously to the relevant head in each business department and the Risk Control Department;
- Each business units shall complete a form regarding progress made in risk controls on a monthly basis and submit it to the Risk Control Department for preparation of monthly risk report, and remind management of such matters like significant risk warning;
- Since the second half of the year, the Risk Control Department has reported risk management and internal controls regularly to management, the Audit Committee and the Board in a form of quarterly report, ensuring the Board having known sufficient information for the fulfillment of continuous supervision responsibility.

Review Procedure for System Effectiveness

The Audit Committee of the Company, on behalf of the Board, makes a comprehensive assessment of the effectiveness of risk management and internal control at least semi-annually. The Audit Committee has strictly implemented the supervision function of risk management and internal control during the year in the following specific procedures:

- to discuss the risk management and internal control system with management to ensure that management has performed its duty to have effective internal control and risk management systems; discussion shall include whether the resources of the Company in accounting and financial reporting functions, qualification and experience of employees, employee training and relevant budget is sufficient or not;

- to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management's response to these findings;

- to ensure coordination between the internal and external auditors, and also ensure the internal audit function entitles sufficient resource and proper place inside the Company, and review and supervise its effectiveness;

- to report to the Board in relation to matters regarding code provision C.2.3 of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules.

Three meetings were held by the Audit Committee during the year, mainly discussing risk controls, follow-up of corporate governance and external audit, as well as reviewing the internal control report in relation to corporate governance and risk management scope.

It is the responsibility of management of the Company to implement risk management and internal control system on an on-going basis and report the implementation position at least semi-annually to the Audit Committee and the Board. Management has primarily conducted the following works in relation to risk management and internal control during the year:

- annual risk assessment: conducting "Test on the Level of Risk Management" (風險管理成熟度測評") and "Test on the Applicability of Risk Framework" (風險框架適用性測評);

- Significant risk response: employing external independent consultancy institution to make analysis, assessment and report on the response measures in relation to the key risks focused on by the Board and management;

- Internal evaluation on risk management and internal control: conducting internal risk examination by each of key business department, including finance, human resource, sales, information security, safety, environment and firefighting, and storage and logistics on a monthly basis, and conducting internal evaluation on the effectiveness of internal controls in light of each business cycle.

Significant Risks and Management Procedure

At the end of the year, the Company has identified risk updates, performed overall risk assessment, reviewed risk changes and selected significant risks which needs constant attention. During the year, the Company has adopted the following measures in relation to significant risks:

- Risk related to macro-environment change. As a manufacturing supplier of silicon material products, the Company lies in the upstream of photovoltaic industry, the development of which is closely associated with macro-environment changes. During the year, various external movements including declining subsidies from the PRC government and rising trading protectionism in global market. The Company has a strategy department in place responsible for the collection and consolidation of policy changes and relevant information and establishes the GCL-Poly's Strategic Planning Guideline (保利協鑫戰略規劃指引) to establish strategic management procedures and deal with macro-environment changes in a rapid and accurate manner.

- Technology innovation risk. Technology innovation strength is an important driving force for the development of the Company. Technology updates and replacement is usual in wafer manufacturing industry. For example, this year has witnessed a rising development of monosilicon. To ensure its leading position in technology standard in the industry, the Company adopts a research and development system of "study through production" (產學結合), and a dual technology reformation system of "up to bottom and bottom to up", along with management systems like "Standards for Research and Development Management" (研發項目管理標準), "Standards for Technology Reformation Management" (技術改造項目管理標準) and "Incentive Measures for Scientific Achievement" (科學成果獎勵辦法), to make continuous investment in technology research and development. During the year, the Company has launched diamond wire sawing technology and black wafer products, which are expected to reduce costs effectively.

- Liquidity risk. For the improvement of fund liquidity and balance sheet, the Company has applied account receivables management (including closely monitoring credit facilities, automatic termination of product delivery and making timely call of overdue receivables), and increased direct financing proportion and performed centralized management of bank drafts during the year. Up to the year end, the Company has seen obvious improvement in its balance sheet.

- Production safety risk. Owing to the nature of the Company as a silicon material manufacturing enterprise, its raw materials include hazardous chemicals and there are high temperature and aloft mechanical operations involved in relevant production process. Therefore, the Company always takes production safety as the core for sustainable development. For effective avoidance of production safety problems, the Company has established three lines of precautions, namely production function for daily safety check in workshop, safety and environment function for overall management and supervision and external regulatory function for regular inspection according to national laws and regulations, preventing the occurrence of production safety risk. No production safety incident at medium-high or higher level occurred in the year.

Inside Information Internal Control

An inside information committee has been set up since November 2012, which is currently comprises four executive directors. The committee's principal function is to determine whether any confidential information arises from time to time is inside information or not. If the committee recognizes that the information constitutes inside information, it will report to the board of directors and recommend timely disclosure of such information pursuant to the relevant provisions under the Securities and Futures Ordinance and the Listing Rules. A monthly report of potential inside information, which if further develops, may become inside information will be provided to the committee for continuous monitoring. A policy of inside information has been provided to the senior managers of the Group. They are encouraged to report any incidence or information they believe as inside information when performing their duties to their senior managers or the committee directly.

Based on the efforts devoted by the Group, external reviews carried out by external advisor, the auditor's report from Deloitte Touche Tohmatsu, the Audit Committee and the management had concluded that there is neither material irregularities nor areas of material concerns that would have the significant adverse impact on the Company's financial position or results of operations, and that the risk management and internal control systems are adequate and effective and the Company's staff and resources for the accounting, internal audit and financial reporting functions are adequate. The above conclusion has been reported and confirmed to the Board, and the Board is of the view that the risk management and internal control systems of the Group are effective.

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee comprises two INEDs and one Executive Director, namely Ir. Dr. Ho Chung Tai, Raymond, Mr. Yip Tai Him and Mr. Zhu Yufeng. The Board resolved to adopt that the Remuneration Committee has the duty to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management. A copy of the terms of reference setting out the operation, authorities and responsibilities of the Remuneration Committee is available at the Company's and the Stock Exchange's websites.

The primary responsibilities of the Remuneration Committee include:

- determining, with delegated responsibility, the remuneration packages of individual executive directors and senior management;
- making remuneration recommendations of non-executive Directors to the Board;
- recommending the remuneration policy and structure for all Directors and senior management to the board for approval; and
- reviewing and approving the compensation arrangement to executive Directors and senior management for any loss or termination of officer appointment to ensure that it is consistent with contractual terms and is fair and not excessive.

Four meetings were held by the Remuneration Committee during the year 2016 and the attendance is set out in the following table:

Members of Remuneration Committee	Number of meetings attended/held
Ir. Dr. Ho Chung Tai, Raymond *(Chairman)*	4/4
Mr. Yip Tai Him	4/4
Mr. Zhu Yufeng	2/4

Subsequent to the year ended 31 December 2016, the Committee had convened two meetings in January and March 2017, respectively.

The Remuneration Committee had performed the following work during and subsequent to the year ended 31 December 2016:

i. reviewed and recommended the Board on the remuneration policy of the executive Directors and senior management of the Company;

ii. reviewed, considered and approved the remuneration package and incentive scheme of the existing executive Directors, newly appointed executive and non-executive Director;

iii. approved the adjustment of remuneration of the newly appointed Chief Executive Officer;

iv. approved the amount of incentives and payment in lieu of annual leave paid to the executive Directors;

v. reviewed and approved the service agreement and letter of appointment for newly appointed executive and non-executive Directors; and

vi. reviewed and recommended the Board to adopt a share award scheme.

Other Committee

Strategy and Investment Committee

The Strategic Planning Committee appointed two additional members in 2016 to eight members, comprising four INEDs and four Executive Directors. The INEDs are Ir. Dr. Ho Chung Tai, Raymond (who is also the chairman of the committee), Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis. The Executive Directors who are also the committee members are Mr. Zhu Gongshan, Mr. Zhu Zhanjun, Mr. Ji Jun and Mr. Yeung Man Chung, Charles. Mr. Zhu Zhanjun and Mr. Wong Man Chung, Francis were newly appointed as members with effect from 14 June 2016. On the same day, the terms of reference of the Committee was revised and adopted by adding the review and evaluation of significant investment and disposal proposal of the Group. The change enables more directors (including non-executive directors) to involve in the early discussion stage of significant proposed transactions before it is passed to the board decision level, which is considered to be a better decision making process. The Strategic Planning Committee was renamed as the Strategy and Investment Committee to reflect its additional responsibility. A copy of the terms of reference setting out the operation, authorities and responsibilities of such committee is available at the Company's and the Stock Exchange's websites.

The primary responsibilities of the Strategy and Investment Committee include:

- reviewing long-term strategic development plans;
- reviewing the annual performance of the Company and assessing implementation and progress of the long term strategic development plans;
- reviewing and recommending to the Board for opportunities of upgrading the facilities, expansion, mergers and acquisitions;
- reviewing and recommending to the Board with regard to the political, social and economic development in the PRC affecting or potentially affecting the business activities of the Group; and
- reviewing and monitoring the relationship of the Company with its key strategic joint-venture partners or the relationship building with these partners
- reviewing, evaluation and recommendation to the Board of any significant investment and disposal proposals.

Six meetings were held by the Strategy and Investment Committee during the year 2016 and the attendance is set out in the following table:

Members of Strategy and Investment Committee	Number of meetings attended/held
Ho Chung Tai, Raymond	5/6
Zhu Gongshan	6/6
Zhu Zhanjun[1]	5/5
Ji Jun	6/6
Yeung Man Chung, Charles	6/6
Yip Tai Him	6/6
Shen Wenzhong	6/6
Wong Man Chung, Francis[1]	4/5

Note:

1 Both Mr. Zhu Zhanjun and Mr. Wong Man Chung, Francis was appointed as additional members of the Committee with effect from 18 June 2016.

The Strategy and Investment Committee had carried out the following work during the year:

- Reviewed the long-term strategic development plan of the Group; and
- Reviewed certain investment proposals and reported to the Board of its conclusion

Nomination Committee

The Nomination Committee comprises two INEDs, namely Mr. Yip Tai Him (Chairman of the Committee) and Ir. Dr. Ho Chung Tai, Raymond, and an Executive Director, namely Mr. Yeung Man Chung, Charles. A copy of the terms of reference setting out the operation, authorities and responsibilities of the Nomination Committee is available at the Company's and the Stock Exchange's websites.

The duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board, identifying and making recommendations to the Board on the selection of individual nominated for directorships, assessing the independence of INEDs, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Three meetings were held by the Nomination Committee during the year 2016 and the attendance is set out in the following table:

Members of Nomination Committee	**Number of meetings attended/held**
Yip Tai Him	3/3
Ho Chung Tai, Raymond	3/3
Yeung Man Chung, Charles	3/3

During these meetings, the committee had reviewed, assessed or made recommendations to the Board (where suitable) on (i) the independence of the INEDs against the criteria and guidelines as set out in Rule 3.13 of the Listing Rules and concluded that all INEDs were complied with the criteria; (ii) the composition of the existing Board members with reference to their age, sex, experience, qualification and expertise against the business scope of the Company; (iii) succession plan; and (iv) assess, select and make recommendations to the Board on individuals nominated for directorship and chief executive.

A summary of the board diversity policy is set out as follows:

The Company continuously seeks to enhance the effective performance of its Board and also recognizes the benefits of diversity in the boardroom.

When identifying suitable candidates and making nominations of the Board members, the Nomination Committee will consider their skills, knowledge, experience and an appropriate mix of diversity, the perspectives of involve a number of factors, including but not limited to gender, age, culture and other qualities.

The Nomination Committee will take into account the Company's own business model and specific needs to ensure the diversity perspectives appropriate to the Company. Upon the appointment of Ms. Sun Wei as Executive Director of the Company in September 2016, the Board comprised the first female member.

Equality of opportunity in all aspects of the Company's business is much emphasized by the Company. Board candidates will be considered against objective criteria and Board appointments will continue to be made on a merit basis.

The Nomination Committee will regularly review the diversity policy to ensure its continued effectiveness and report to the Board of any revisions of or recommendation on this policy.

Corporate Governance Committee

The Corporate Governance Committee comprises two INEDs, namely Ir. Dr. Ho Chung Tai, Raymond (Chairman of the committee), Mr. Yip Tai Him and an Executive Director, namely Mr. Yeung Man Chung, Charles. A copy of the terms of reference setting out the operation, authorities and responsibilities of the Corporate Governance Committee is available at the Company's website.

The duties of the Corporate Governance Committee includes:

i. developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

ii. reviewing and monitoring the training and continuous professional development of directors and senior management;

iii. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

iv. developing, reviewing and monitoring the code of conduct applicable to employees and directors; and

v. reviewing the Company's compliance with the code and disclosure in the Corporate Governance Report.

A meeting has been convened by the Committee during the year 2016 and all members had attended the meeting. During the meeting, the committee had reviewed and evaluated the effectiveness of (i) the performance of certain policies and practices adopted by the Company, including the whistle-blowing policy, the inside information policy and discloseable transaction policy and connected transaction policy; and (ii) the board committees, including the audit committee, remuneration committee, nomination committee and strategy and investment committee; (iii) the policy in relation to the training and continuous professional development of directors and senior management; (iv) the constitution, authority and responsibilities of the strategy and investment committee which mainly deals with the investment proposals and make recommendations to the Board; and (v) the report on whistle-blowing policy. The committee concluded the adopted policies are effective.

Compliance with Model Code

The Board has adopted the model code with terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules as its own model code of conduct regarding Directors' securities transactions (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2016.

Investor Relations and Communication with Shareholders

The Board recognizes the importance of communication with shareholders and has adhered to its established communication policy. The general communication policy includes timely dispatch full and accurate information to shareholders and investment public by announcement, financial reports and circulars through the website of the Stock Exchange and the Company's website; maintain dialogue with shareholders by disclosing the way of communication to the Board and in relation to share registration matters, the contact of the share registrar in Hong Kong; and by convening the general meetings (if any) and annual general meeting. On 25 May 2016, the Company convened an annual general meeting. At the meeting, the directors, members and/or chairman of the board committees had attended and answer questions raised by the shareholders.

Directors and our Investor Relations team also communicated from time to time with analysts, fund managers, institutional shareholders and media while keeping the stringent standard of not disclosing inside information to any selective group. The Directors, executives together with our Investor Relations team held/participated in meetings, presentations and conference with them. Details of investor relations activities were further described under the section headed "Major Investor Relations Activities" of this report.

There is no change in the Company's Memorandum and Articles of Association during the year. A copy of the Memorandum and Articles of Association was available at the websites of the Stock Exchange and the Company.

Shareholders' Rights

Procedures for members to convene extraordinary general meeting ("EGM")

The following procedures are subject to the Company's Articles of Association and applicable legislation and regulation.

1. Pursuant to Article 58 of the Articles of Association of the Company, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. The requisitionist(s) shall deposit his/their requisition together with the proposals to be considered at such meeting at the principal place of business of the Company at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary.

3. If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered members. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome and accordingly, an EMG will not be convened as requested.

4. The notice period to be given to all the registered members for consideration of the proposal raised by the member(s) concerned at an EGM varies according to the nature of the proposal, as follows:

   — at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

   — at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

Members who have enquiries about the above procedures may write to the Company Secretary at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time.

Procedures for a member to propose a person for election as a director

The following procedures are subject to the Company's Articles of Association and applicable legislation and regulation.

1. If a member, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director at that meeting, he/she can deposit a written notice at the Company's principal office at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, or at any address notified by the Company from time to time for the attention of the Company Secretary of the Company.

2. In order for the Company to inform all members of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by rule 13.51(2) of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited, and be signed by the member concerned and that person indicating his/her willingness to be elected.

3. The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the general meeting and end no later than seven (7) clear days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to that general meeting (twenty (20) business days in case of annual general meeting), the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the members at least fourteen (14) clear days and not less than ten (10) business days prior to the general meeting (twenty (20) business days in case of annual general meeting).

Members who have enquiries about the above procedures may write to the Company Secretary at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time.

Enquiries to the Board

No procedure set in the Articles of Association of the Company is available for any member to put forward an enquiry to the Board. A member may, of course, at any time write to the board of directors of the Company at the Company's principal office at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time. In relation to share registration matters in Hong Kong, a member shall contact the branch share registrar in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors" or the "Board") submit their report together with the audited consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

Principal Activities

The principal activities of the Group during the year 2016 are principally engaged in the manufacturing and sale of polysilicon and wafers products, and developing, owning and operating downstream solar farms.

The particulars of the Company's principal subsidiaries and interests in joint ventures are set out in notes 55 and 21 of the consolidated financial statements, respectively.

Business Review

The Group's revenue is derived principally from the sales of polysilicon, wafer and electricity, which is primarily conducted in the PRC. An analysis of the Group's performance for the year by operating segment is set out in note 6 to the Consolidated Financial Statements.

A fair review of the Group's business, including the important events affecting the Group that have occurred since the end of 2016 and the likely future developments of the Group's business, is set out in the Chairman's Statement, CEO's Review of Operations and Outlook, and the Management Discussion and Analysis sections on page 19 to page 36 of this report. Principal risks and uncertainties facing the Company were reviewed and assessed by the Board, which was set out in the Corporate Governance Report under the Risk Management and Internal Controls section on page 53 to page 57. Details about the Group's financial risk management are set out in note 44 to the Consolidated Financial Statements.

Throughout 2016, there was no incidence of non-compliance with the relevant laws and regulations in relation to the operations that have a significant impact on the Group's business.

A description of the Group's environmental policies and performance, compliance with relevant laws and regulations and relationships with major stakeholders are set out on page 38 to page 39 of this report, details of which will be included in the environmental, social and governance report to be published by the Company.

Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss and other comprehensive income from page 99 to 100. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2016 (2015: Nil final dividend, a special dividend in relation to the disposal of non-solar power plants in the total amount of approximately RMB1.12 billion (equivalent to HK8.62 cents per share) was paid to the shareholders of the Company on 31 December 2015.).

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 3.

Property, Plant and Equipment

Movements in the property, plant and equipment of the Group during the year are set out in note 17A to the consolidated financial statements.

Share Capital

Details of movements in the issued share capital of the Company during the year are set out in note 40 to the consolidated financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2016 amounted to RMB23,594.9 million.

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Bank Borrowings

Particulars of the Group's bank and other borrowings are set out in note 35 to the consolidated financial statements.

Donations

Donations by the Group for charitable and other purposes as at 31 December 2016 amounted to RMB10.0 million.

Equity-linked Agreements

Save for the share option schemes described below and the convertible bonds with details of movements set out in note 39 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year ended 31 December 2016, or subsisted at the end of the year 2016.

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, during which period no transfer of shares of the Company will be effected and for the purpose of determining the identity of members who are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 24 May 2017 at 11:30 a.m. In order to be eligible to attend and vote at the annual general meeting, all completed share transfer forms 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.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Zhu Gongshan *(Chairman)*
Mr. Zhu Zhanjun *(Chief Executive Officer)*
Mr. Ji Jun
Mr. Zhu Yufeng
Ms. Sun Wei *(appointed with effect from 9 September 2016)*
Mr. Yeung Man Chung, Charles *(Chief Financial Officer and Company Secretary)*
Mr. Jiang Wenwu *(appointed with effect from 1 April 2016)*
Mr. Zheng Xiongjiu *(appointed with effect from 1 April 2016)*

Non-Executive Director

Mr. Shu Hua *(resigned on 9 September 2016)*

Independent Non-executive Directors

Ir. Dr. Ho Chung Tai, Raymond
Mr. Yip Tai Him
Dr. Shen Wenzhong
Mr. Wong Man Chung, Francis *(appointed with effect from 1 April 2016)*

In accordance with Articles 86(3) of the Articles of Association of the Company, Ms. Sun Wei, being appointed by the Board as additional director with effect from 9 September 2016, will retire at the forthcoming annual general meeting and being eligible, offer herself for election.

In accordance with Articles 87(1) and (2) of the Articles of Association of the Company, Mr. Zhu Zhanjun, Mr. Zhu Yufeng, Mr. Yip Tai Him and Mr. Yeung Man Chung, Charles will retire at the forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received from each of its Independent Non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (the "Listing Rules"). The Company has assessed their independence and considers that all the Independent Non-executive Directors are independent in accordance with guidelines set out in the Listing Rules.

Directors' Services Contracts

Each of the Non-executive Directors has entered into a service contract with the Company for a fixed term of three years and will be terminated by not less than three months' notice in writing served by either party on the other. Upon the expiry of the notice period, the appointment will be terminated. During the year and up to the date of this report, Ir. Dr. Ho Chung Tai, Raymond had renewed his service for a term of three years commencing from 13 November 2016 and Mr. Wong Man Chung, Francis was appointed as an INED with a term of three years commencing from 1 April 2016.

No Director proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Interest in Contracts

Save as disclosed under the section headed "Connected Transactions and Continuing Connected Transactions" in this report of the Directors, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party, and which subsisted at the end of the year or at any time during the year.

Permitted Indemnity Provision

Subject to the applicable laws, every Directors, Secretary and other officers of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs charges, losses, damages and expenses incurred by him or her in the execution of his or her duties or in relation thereto pursuant to the Company's Articles of Associations, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Such provisions were in force during the course of the financial year ended 31 December 2016 and remained in force as of the date of this report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Company

As at 31 December 2016, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

(A) Long position in the shares and underlying shares of the Company:

	Number of Shares held					
Name of Director/ chief executive	**Beneficiary of a trust**	**Corporate interests**	**Personal/ Family interests**	**Number of underlying Shares held**	**Total**	**Approximate percentage of issued share capital**
Zhu Gongshan	6,127,721,489 (note 1)	—	—	242,666,667 (note 1)	6,370,388,156	34.27%
Zhu Zhanjun	—	—	3,400,000	2,719,359 (note 2)	6,119,359	0.03%
Ji Jun	—	—	—	3,726,529 (note 2)	3,726,529	0.02%
Zhu Yufeng	6,127,721,489 (note 1)	—	—	245,184,592 (note 3)	6,372,906,081	34.29%
Sun Wei	—	—	5,723,000	4,733,699 (note 2)	10,456,699	0.06%
Yeung Man Chung, Charles	—	—	—	1,700,000 (note 2)	1,700,000	0.01%
Jiang Wenwu	—	—	9,600,000	1,712,189 (note 2)	11,312,189	0.06%
Zheng Xiongjiu	—	—	250,000	2,719,358 (note 2)	2,969,358	0.02%
Ho Chung Tai, Raymond	—	—	—	1,007,170 (note 2)	1,007,170	0.01%
Yip Tai Him	—	—	—	1,007,170 (note 2)	1,007,170	0.01%

Notes:

(1) An aggregate of 6,127,721,489 Shares are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee for Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries. Happy Genius Holdings Limited had lent 312,000,000 shares of the Company to the convertible bond investor's associate under the shares lending agreement dated 27 November 2013 (as amended by an agreement dated 15 July 2015 and further amended by an agreement dated 25 January 2016), out of which 69,333,333 shares were returned on 29 April 2016. Happy Genius Holdings Limited was thus also interested in a long position of 242,666,667 Shares.

(2) These are share options granted by the Company to the Directors, pursuant to the pre-IPO share option scheme and the share option scheme, both adopted by the shareholders of the Company on 22 October 2007. Such granted share options can be exercised by the Directors at various intervals during the period from 1 April 2009 to 28 March 2026 at an exercise price of HK$4.071, HK$1.324, HK$1.160 or HK$0.586.

(3) The 245,184,592 underlying shares comprise the long position of 242,666,667 Shares held by Happy Genius Holdings Limited under Note (1) and 2,517,925 share options mentioned under Note (2) above.

(B) Long position in the shares of the Company's associated corporation, namely GCL New Energy Holdings Limited ("GNE"), in which the Company indirectly holds approximately 62.28% issued shares:

Name of Director/ chief executive	Number of shares of GNE held: Beneficiary of a trust	Corporate interests	Personal interests	Number of underlying shares held	Total	Approximate percentage of issued share capital of GNE
Zhu Yufeng	—	—	—	3,523,100	3,523,100	0.02%
Sun Wei	—	—	—	27,178,200	27,178,200	0.14%
Yeung Man Chung, Charles	—	—	—	15,099,000	15,099,000	0.08%
Zheng Xiongjiu	—	—	2,450,000	—	2,450,000	0.01%

Note: The underlying shares are share options granted by the Company's subsidiary, namely GCL New Energy Holdings Limited. Such granted share options can be exercised by Mr. Zhu Yufeng at the interval between 24 July 2015 and 23 July 2025 at an exercise price at HK$0.606 per share, and by Ms. Sun Wei and Mr. Yeung Man Chung, Charles at the interval between 24 November 2014 and 23 July 2025 at an exercise price of HK$1.1798 or HK$0.606 per share.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register that was required to be kept under Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Option Schemes

(A) Pre-IPO share option scheme

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007. No further options under the Pre-IPO Share Option Scheme can be granted after 13 November 2007, the date of listing of the shares of the Company on the Stock Exchange ("Date of Listing"). The provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect for a period of 10 years from the effective date.

Details of the outstanding and movements of the pre-IPO share options of the Company during the year are as follows:

				Number of options						
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise price per share HK$**	**Adjusted exercise price due to rights issue HK$** (Note 1)	**Outstanding as at 01.01.2016**	**Addition due to adjustment by rights issue** (Note 1)	**Granted during the year**	**Lapsed or forfeited during the year**	**Exercised during the year**	**Outstanding as at 31.12.2016**
Directors/chief executive and their associates										
Ji Jun	13.11.2007	13.11.2010 to 12.11.2017	4.10	4.071	1,500,000	10,755	—	—	—	1,510,755
Zheng Xiongjiu	13.11.2007	13.11.2010 to 12.11.2017	4.10	4.071	200,000	1,434	—	—	—	201,434
Sun Wei	13.11.2007	13.11.2010 to 12.11.2017	4.10	4.071	1,500,000	10,755	—	—	—	1,510,755
Non-director employees (in aggregate)	13.11.2007	13.11.2010 to 12.11.2017	4.10	4.071	20,540,000[3]	147,272	—	—	—	20,687,272
					23,740,000	170,216	—	—	—	23,910,216

Notes:

(1) Pursuant to the Pre-IPO Share Option Scheme, the exercise price per share and the number of option shares were required to adjust due to the issue of 3,097,927,453 rights shares of the Company on 26 January 2016. Details of the adjustment was set out in the announcement of the Company dated 26 January 2016. The auditors of the Company had certified in writing to the Board that such adjustments were in their opinion fair and reasonable.

(2) the consideration for the pre-IPO share options granted to each participant is HK$1.00.

(3) Mr. Zheng Xiongjiu, who was entitled to 200,000 share options (before adjustment), was appointed as an Executive Director on 1 April 2016. His entitlement was re-classified from the category "Non-director employees" to "Directors/chief executive" under the column of "Outstanding as at 1 January 2016"

Ms. Sun Wei, who was entitled to 1,500,000 share options (before adjustment), was appointed as an Executive Director on 9 September 2016. Her entitlement was re-classified from the category "Non-director employees" to "Directors/chief executive" under the column of "Outstanding as at 1 January 2016".

Mr. Shu Hua resigned as a non-executive Director with effect from 9 September 2016. The 1,500,000 outstanding option shares (before adjustment) granted to him on 13 November 2007 was re-classified from the category of "Directors/chief executive" to the category of "Non-director employees".

The vesting scale of the granted share options is 20%, 30% and 50% vested on the third, fourth and fifth anniversaries of the Date of Listing, respectively. The share options granted are fully vested on the fifth anniversary of the Date of Listing, ie. 12 November 2012.

During the year, no share option was exercised, cancelled nor lapsed and there were 23,910,216 share options outstanding as at 31 December 2016, which represents 0.13% of the issued shares of the Company.

(B) Share option scheme of the Company

The Company adopted a share option scheme (the "Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007. The purpose of the Share Option Scheme is to motivate personnel to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives of the Company, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The eligible person who may be invited by the Board to take up options are: (a) any director or mid-level to senior management of the Company; or (b) any director or mid-level to senior management of any members of the Group.

The Share Option Scheme shall be valid and effective for a period of 10 years from 22 October 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue from time to time. Any offer of grant of options shall remain open for acceptance together with an acceptance remittance of HK$1.00 to be received by the Company shall not be more than 30 days from the date of offer. The exercise price of any options granted shall not be less than whichever is the highest of :

(a) The nominal value of the a share of the Company;

(b) The closing price of a share of the Company as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(c) The average closing price of a share of the Company as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer.

At an extraordinary general meeting of the Company held on 26 November 2015, the shareholders of the Company approved the refreshment of the existing limit to an aggregate number of shares of the Company which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme and any other share option scheme of the Company not exceeding 200,000,000 shares of the Company. During the year, a total of 6,414,991 share options were lapsed and 110,877,229 share options were granted, the scheme limit balance is thus 95,537,762 shares of the Company as at 31 December 2016.

During the year, 109,177,229 share options were cancelled and no share options was exercised. Due to the issue of 3,097,927,453 rights shares of the Company on 26 January 2016, the number of outstanding share options was adjusted by adding an additional 1,366,946 share options. The auditors of the Company had certified in writing to the Board that such adjustments were in their opinion fair and reasonable. Details of the adjustment of exercise price per share and the number of outstanding share options were set out in the announcement of the Company dated 26 January 2016. As at 31 December 2016, the outstanding share options was 188,799,955, representing 1.02% of the issued shares of the Company.

Details of the share options outstanding and movements under the Share Option Scheme of the Company during the year are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Adjusted exercise price per share due to rights issue HK$ (Note a)	Outstanding as at 01.01.2016	Addition due to adjustment by rights issue (Note a)	Granted during the year	Lapsed or forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31.12.2016
Directors/chief executive and their associates											
Ji Jun	16.02.2009	01.04.2009 to 15.02.2019	0.59	0.586	1,500,000	10,755	—	—	—	—	1,510,755
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	700,000	5,019	—	—	(705,019)	—	—
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—		705,019	—	—	—	705,019
Zhu Yufeng	16.02.2009	01.04.2009 to 15.02.2019	0.59	0.586	1,000,000	7,170	—	—	—	—	1,007,170
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	1,500,000	10,755	—	—	(1,510,755)	—	—
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—	—	1,510,755	—	—	—	1,510,755
Zhu Zhanjun	12.01.2011	01.03.2011 to 11.01.2021	3.32	3.296	1,000,000[d]	7,170	—	—	(1,007,170)	—	—
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	1,700,000[d]	12,189	—	—	(1,712,189)	—	—
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—	—	2,719,359	—	—	—	2,719,359
Sun Wei	16.02.2009	01.04.2009 to 15.02.2019	0.59	0.586	1,500,000[f]	10,755	—	—	—	—	1,510,755
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	1,700,000[f]	12,189	—	—	(1,712,189)	—	—
	19.02.2016	15.03.2016 to 18.02.2026	1.16	n.a.	—	—	1,712,189	—	—	—	1,712,189
Yeung Man Chung, Charles	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—	—	1,700,000	—	—	—	1,700,000
Jiang Wenwu	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	1,700,000[e]	12,189	—	—	(1,712,189)	—	—
	19.02.2016	15.03.2016 to 18.02.2026	1.16	n.a.	—	—	1,712,189	—	—	—	1,712,189
Zheng Xiongjiu	15.07.2011	01.09.2011 to 14.07.2021	4.10	4.071	800,000[d]	5,735	—	—	(805,735)	—	—
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	1,700,000[e]	12,189	—	—	(1,712,189)	—	—
	19.02.2016	15.03.2016 to 18.02.2026	1.16	n.a.	—	—	2,517,924	—	—	—	2,517,924

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Adjusted exercise price per share due to rights issue HK$ (Note a)	Outstanding as at 01.01.2016	Addition due to adjustment by rights issue (Note a)	Granted during the year	Lapsed or forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31.12.2016
Yip Tai Him	15.07.2011	01.09.2011 to 14.07.2021	4.10	4.071	500,000	3,585	—	—	(503,585)	—	—
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	500,000	3,585	—	—	(503,585)	—	—
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—		1,007,170	—	—	—	1,007,170
Ho Chung Tai, Raymond	15.07.2011	01.09.2011 to 14.07.2021	4.10	4.071	500,000	3,585	—	—	(503,585)	—	—
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	500,000	3,585	—	—	(503,585)	—	—
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—	—	1,007,170	—	—	—	1,007,170
Zhu Qingsong (associate of Mr. Zhu Gongshan and an employee)	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	1,000,000	7,170	—	—	(1,007,170)	—	—
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—	—	1,007,170	—	—	—	1,007,170
Non-director employees (in aggregate)	16.02.2009	01.04.2009 to 15.02.2019	0.59	0.586	8,931,000[f,g]	64,035	—	—			8,995,035
	24.04.2009	01.05.2009 to 23.04.2019	1.054	1.046	842,000	6,037	—	(40,287)	—	—	807,750
	12.01.2011	01.03.2011 to 11.01.2021	3.32	3.296	9,500,000	68,115	—	—	(4,532,265)	—	5,035,850
	15.07.2011	01.09.2011 to 14.07.2021	4.10	4.071	57,150,000[d]	409,767	—	(906,453)	(50,559,936)	—	6,093,378
	05.07.2013	16.09.2013 to 04.07.2023	1.642	1.630	34,325,000	246,110	—	(2,961,081)	—	—	31,610,029
	24.03.2014	26.05.2014 to 23.03.2024	2.888	2.867	63,600,000[e,f,g]	445,257	—	(1,500,000)	(40,186,083)	—	22,359,174
	19.02.2016	15.03.2016 to 18.02.2026	1.16	n.a.	—	—	92,961,793[f]	(1,007,170)	—	—	91,954,623
	29.03.2016	18.04.2016 to 28.03.2026	1.324	n.a.	—	—	2,316,491[g]	—	—	—	2,316,491
Total					192,148,000	1,366,946	110,877,229	(6,414,991)	(109,177,229)	—	188,799,955

Notes:

a. Pursuant to the terms of the Share Option Scheme, the exercise price per share and the number of share options were required to adjust due to the issue of 3,097,927,453 rights shares of the Company on 26 January 2016. Details of the adjustment was set out in the announcement of the Company dated 26 January 2016.

b. The vesting period under the Share Option Scheme is 20% of the share options granted on the year of grant, the first, second, third and fourth anniversary of the date of grant, respectively. All share options granted will be fully vested on the fourth anniversary of the date of grant.

c. The closing price of the shares of the Company on 18 February 2016 and 24 March 2016, ie. the trading dates on which immediately before options were granted on 19 February 2016 and 29 March 2016 are HK$1.13 and HK$1.27, respectively.

d. Mr. Zheng Xiongjiu, who was entitled to 800,000 share options (before adjustment) with an adjusted exercise price of HK$4.071 per share granted on 15 July 2011, was appointed as an Executive Director of the Company with effect from 1 April 2016. His entitlement was re-classified from the category "Non-director employees" to "Directors/chief executive and their associates" under the column of "outstanding share options as at 1 January 2016".

e. Mr. Jiang Wenwu and Mr. Zheng Xiongjiu, each of whom was entitled to 1,700,000 share options (before adjustment) with an adjusted exercise price of HK$2.867 per share granted on 24 March 2014, were appointed as Executive Directors of the Company with effect from 1 April 2016. Their entitlements were re-classified from the category "Non-director employees" to "Directors/chief executive and their associates" under the column of "outstanding share options as at 1 January 2016".

f. Ms. Sun Wei, who was entitled to 3,200,000 share options (before adjustment) (1,500,000 share options granted on 16 February 2009 with an adjusted exercise price of HK$0.586 per share and 1,700,000 share options granted on 24 March 2014 with an adjusted exercise price of HK$2.867 per share), was appointed as an executive Director of the Company with effect from 9 September 2016. Her entitlements was re-classified from the category of "Non-director employees" to "Directors/chief executive and their associates" under the column of the "outstanding share options as at 1 January 2016" .

g. Mr. Shu Hua, who was entitled to 3,200,000 share options (1,500,000 share options granted on 16 February 2009 with an adjusted exercise price of HK$0.586 per share and 1,700,000 option shares granted on 24 March 2014 with an adjusted exercise price of HK$2.867 per share), resigned as a non-executive Director of the Company with effect from 9 September 2016. His entitlements was re-classified from the category of "Directors/chief executive and their associates" to "Non-director employees " under the column of the "outstanding share options as at 1 January 2016".

(C) Share option scheme of a subsidiary

GCL New Energy Holdings Limited ("GNE"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 451), in which the Company indirectly owned 62.28% issued shares as at 31 December 2016, is a subsidiary of the Company.

GNE adopted a share option scheme (the "GNE Share Option Scheme") on 15 October 2014 for the purpose to motivate personnel to optimize their future contributions to GNE and its subsidiaries ("GNE Group") and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the GNE Group, and additionally in the case of executives of GNE, to enable GNE Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The GNE Share Option Scheme shall be valid and effective for a period of 10 years from 15 October 2014, after which no further options will be granted or offered. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of GNE in issue from time to time. Any offer of grant of options shall remain open for acceptance together with an acceptance remittance of HK$1.00 to be received by GNE shall not be more than 30 days from the date of offer. The exercise price of any options granted shall not be less than whichever is the highest of :

(a) the nominal value of the a share of GNE;

(b) the closing price of a share of GNE as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(c) the average closing price of a share of GNE as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer.

During the year, no share options was granted, exercised nor cancelled under the GNE Share Option Scheme, and 14,797,020 share options were lapsed.

Details of the outstanding and movements of share options under the GNE Share Option Scheme during the year are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Adjusted exercise price per share due to rights issue HK$ (Note 1)	Outstanding as at 01.01.2016	Addition due to adjustment by rights issue (Note 1)	Granted during the year	Lapsed or forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31.12.2016
Zhu Yufeng	24.07.2015	24.07.2015 to 23.07.2025	0.61	0.606	3,500,000	23,100	—	—	—	—	3,523,100
Sun Wei	23.10.2014	24.11.2014 to 22.10.2024	1.1875	1.1798	24,000,000	158,400	—	—	—	—	24,158,400
	24.07.2015	24.07.2015 to 23.07.2025	0.61	0.606	3,000,000	19,800	—	—	—	—	3,019,800
Yeung Man Chung, Charles	23.10.2014	24.11.2014 to 22.10.2024	1.1875	1.1798	12,000,000	79,200	—	—	—	—	12,079,200
	24.07.2015	24.07.2015 to 23.07.2025	0.61	0.606	3,000,000	19,800	—	—	—	—	3,019,800
Directors of GNE and employees of GNE	23.10.2014	24.11.2014 to 22.10.2024	1.1875	1.1798	358,720,000	2,367,552	—	—	—	—	285,431,496
	24.07.2015	24.07.2015 to 23.07.2025	0.61	0.606	440,680,000	2,908,488	—	—	—	—	333,375,854
Total					844,900,000	5,576,340	—	—	—	—	664,607,650

Note:

1. Pursuant to the terms of the GNE Share Option Scheme, the exercise price per share and the number of share options were required to adjust due to the issue of 5,201,922,393 rights shares of GNE on 2 February 2016 (rights issue on the basis of three rights share for every eight existing shares of GNE). Details of the adjustment was set out on the announcement of GNE dated 2 February 2016.

Please refer to the 2016 annual report of GNE under the section "Report of Directors" with the heading "Share Option Schemes" for the details of the the GNE Share Option Scheme and the movements of options granted thereunder during the year.

Share Award Scheme

Subsequent to the financial year ended 31 December 2016 and on 16 January 2017 (the "Adoption Date"), the Company adopted a share award scheme (the "Scheme"), pursuant to which existing shares of the Company ("Shares") may be purchased by the trustee from the market out of cash contributed by the Group and/or the Company may allot and issue new Shares to Computershare Hong Kong Trustees Limited (the "Trustee") in accordance with any specific mandate approved by the shareholders. Such Shares would be used to grant to certain eligible persons who are employees of the Company and its subsidiaries. The purpose of the Scheme is to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole.

The Scheme shall be subject to the administration of the Board, a committee (comprising executive director, INEDs and senior executive) and the Trustee in accordance with the scheme rules and the trust deed.

The maximum number of Shares that can be held by the Trustee under the Scheme is limited to 2 per cent. of the total number of issued Shares at any given time. The maximum number of award shares which may be granted to a grantee who is not a Director but unvested under the Scheme shall not exceed 0.1 per cent. of the total number of issued Shares from time to time. The maximum number of award shares which may be granted to a grantee who is a Director shall not, in aggregate, exceed 0.5 per cent. of the total number of issued Shares in any 12-month period.

Subject to any early termination as may be determined by the Board pursuant to the terms of the scheme rules, the Scheme shall be valid and effective for the period commencing on the Adoption Date until the later of (i) the 10th anniversary of the Adoption Date, and (ii) such date that all Awards outstanding are fully vested, settled, lapsed, forfeited or cancelled (as the case may be).

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

Interests and Short Positions of Substantial Shareholders

As at 31 December 2016, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

(i) Long position in the shares and underlying shares of the Company

Name	Note	**Capacity/nature of interest**	**Number of ordinary shares/ underlying shares**	**Approximate percentage of issued share capital of the Company**
Asia Pacific Energy Fund Limited	1	Interest in a controlled corporation	6,370,388,156	34.27%
JP Morgan Chase & Co.	2	Beneficial owner, investment manager, custodian corporation/approved lending agent	1,438,764,946	7.74%
Templeton Investment Counsel, LLC	3	Investment Manager	943,382,262	5.08%
Templeton Global Advisors Limited	3	Investment Manager	930,948,864	5.01%
Haitong International Securities Group Limited		Interest in a controlled corporation	1,140,000,000	6.13%

(ii) Short position in the shares and underlying shares of the Company

Name	Note	Capacity/nature of interest	Number of ordinary shares/ underlying shares	Approximate percentage of issued share capital of the Company
JP Morgan Chase & Co.	2	Beneficial owner	26,836,140	0.14%

Notes:

1. An aggregate of 6,127,721,489 shares of the Company are collectively held by Highexcel Investments Limited , Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust ("Zhu Family Trust") with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries. Happy Genius Holdings Limited had lent 312,000,000 shares of the Company to the convertible bond investor's associate under the shares lending agreement dated 27 November 2013 (as amended by an agreement dated 15 July 2015 and further amended by an agreement dated 25 January 2016), out of which 69,333,333 shares were returned on 29 April 2016. Happy Genius Holdings Limited was thus also interested in a long position of 242,666,667 shares of the Company.

2. JP Morgan Chase & Co. disclosed that as at 18 November 2016, it had long positions in 1,438,764,946 shares of the Company, out of which 149,158,520 shares were held as beneficial owner, 245,000 shares were held as investment manager and 1,289,361,426 shares were held as custodian corporation/approved lending agent, respectively. Amongst the long positions interest in 9,691,140 shares under derivative interest, 9,514,818 shares were physically settled and 176,322 shares were cash settled. Out of the short position in 23,079,140 shares under derivative interest, 2,103,140 shares were physically settled and 20,976,000 shares were cash settled.

3. Both Templeton Global Advisors Limited and Templeton Investment Counsel, LLC disclosed that their parent company was Franklin Resources, Inc., which was thus deemed to be interested in an aggregate of 1,874,331,126 shares of the Company.

4. The total number of ordinary shares of the Company in issue as at 31 December 2016 is 18,587,564,721, on which all the above shareholding percentage calculation is based.

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 31 December 2016, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO.

Director's Interest in Significant Contracts

Save as disclosed in the heading "Connected Transactions & Continuing Connected Transactions", there is no transaction, arrangement or contract of significance subsisting during or at the end of the year in which a director of the Company is or was materially interested, either directly or indirectly.

Connected Transactions & Continuing Connected Transactions

The INEDs of the Company, have reviewed and considered the report from internal auditors in respect of the internal audit procedures taken and findings on the continuing connected transactions, confirmed that the continuing connected transactions for the year ended 31 December 2016 and that they were entered into:

i. in the ordinary course of the business of the Group

ii. on normal commercial terms or better; and

iii. in accordance with the relevant written agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed to the Board in writing that for the year ended 31 December 2016, the continuing connected transactions, which were entered into:

1. have received the approval of the Board;

2. have been in accordance with the pricing policies of the Company for transactions involving the provision of goods or services;

3. have been in accordance with the relevant agreement governing such transactions; and

4. have not exceeded the relevant announced cap amounts for the financial year ended 31 December 2016.

Details of the connected transactions and continuing connected transactions of the Company for the year ended 31 December 2016 are as follows:

(A) Connected Transactions

The following are summaries of transactions which were disclosed in the announcements of the Company during the year ended 31 December 2016:-

(1) Acquisition of Coal Usage Quota by 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") from 太倉港協鑫發電有限公司 (Taicang GCL Power Co., Ltd.*) ("Taicang GCL")

Jiangsu Zhongneng (a wholly-owned subsidiary of the Company) entered into an agreement (the "Agreement") with Taicang GCL dated 22 June 2016, pursuant to which Jiangsu Zhongneng would purchase from Taicang GCL the quota for the consumption of 800,000 tonnes of coal to be used by Jiangsu Zhongneng for the operation of its captive power plant for a consideration of RMB40,000,000. The Agreement did not contemplate the sale and purchase of the underlying coal that may be consumed by Jiangsu Zhongneng pursuant to such quota. The consideration, payable in cash, was determined with reference to the trading price of coal usage quota in Jiangsu, being approximately RMB50 to RMB70 per tonne.

The transaction was an one-off transaction. It is a requirement of the relevant PRC authorities that Jiangsu Zhongneng's captive power plant would not increase the amount of total consumption of coal in the province where the plant is located. As such, Jiangsu Zhongneng acquired the quota from Taicang GCL, which had ceased operations of certain generating facilities and possesses excess coal consumption quota.

As at the date of the Agreement, 72% of the equity interest in Taicang GCL was held by a discretionary trust (the "Zhu Family Trust"), under which Mr. Zhu Gongshan (an executive Director and chairman of the Board) and his family (including Mr. Zhu Yufeng, an executive Director and the son of Mr. Zhu Gongshan) are beneficiaries. As Mr. Zhu Gongshan and Mr. Zhu Yufeng are both connected persons of the Company and Taicang GCL is an associate of them, Taicang GCL is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

An announcement of the Company dated 22 June 2016 setting out details of the above-mentioned transaction was issued by the Company.

(2) Disposal of Printed Circuit Board Business by GCL New Energy Holdings Limited 協鑫新能源控股有限公司 ("GNE")

GNE (an indirect non wholly-owned subsidiary of the Company) and Mr. Yip Sum Yin (Mr. Yip") entered into a sale and purchase agreement dated 30 December 2016 (the "Sale and Purchase Agreement"), pursuant to which GNE conditionally agreed to sell and Mr. Yip conditionally agreed to purchase, the entire issued share capital of Same Time International (B.V.I.) Limited ("Same Time") at a fixed price of HK$250,000,000.00 plus, as the case may be, the adjustment amount as defined under the Sale and Purchase Agreement (the "Proposed Disposal"). Same Time, a direct wholly-owned subsidiary of GNE with its business primarily consists of the manufacturing and selling of printed circuit boards in the PRC. Closing is subject to the fulfilment or (if applicable) waiver of certain conditions precedents:

(i) GNE having obtained the requisite of its independent shareholders' approval for the Proposed Disposal as required under the Listing Rules; and

(ii) the release of the guarantee dated 1 June 2016 entered into by GNE in favour of Bank of China (Ji An Branch)* (中國銀行股份有限公司吉安市分行) in respect of a credit facility of Red Board (Jiang Xi) Limited* (紅板(江西)有限公司) (an indirect wholly-owned subsidiary of Same Time).

Mr. Yip, who was a director of GNE in the past 12 months, is a connected person of the Company, the Proposed Disposal was thus constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Since (i) Mr. Yip was regarded as a connected person of the Company at the subsidiary level; (ii) the Board (including the independent non-executive Directors) had approved the Proposed Disposal and the Sale and Purchase Agreement; and (iii) the Board (including the independent non-executive Directors) had confirmed that the terms of the Sale and Purchase Agreement and the transaction contemplated thereunder were fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders of the Company as a whole, the Proposed Disposal was subject to the reporting and announcement requirements but was exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

A joint announcement of the Company and GNE dated 30 December 2016 setting out details of the Proposed Disposal was issued. The Sale and Purchase Agreement and the transactions contemplated thereunder were approved by the independent shareholders at a special general meeting of GNE held on 13 February 2017.

(B) Continuing Connected Transactions

Details of the continuing connected transactions of the Company for the year ended 31 December 2016 are as follows:

(1) Steam supply

(a) Steam Supply to 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng")

Jiangsu Zhongneng, a wholly-owned subsidiary of the Company, entered into an agreement (the "JZ Agreement") dated 29 September 2015 with 徐州金山橋熱電有限公司 Xuzhou Jinshanqiao Cogeneration Co., Ltd.* ("Jinshanqiao Cogeneration Plant"), pursuant to which Jinshanqiao Cogeneration Plant agreed to supply steam with pressure of 0.8 Mpa and 3.8 Mpa at a price of RMB165 per tonne and RMB180.7 per tonne, respectively, to Jiangsu Zhongneng for three years, commencing from 1 November 2015 and ending on 31 October 2018. If the price prescribed by the government authority is adjusted, the parties will adopt the adjusted price as the applicable steam supply price unless the parties agreed otherwise. The steam price to be payable monthly in arrears based on the amount of steam utilized by Jiangsu Zhongneng.

Steam is required as energy by Jiangsu Zhongneng as part of its polysilicon production processes. An announcement of the Company dated 29 September 2015 setting out details of the JZ Agreement was published by the Company.

The entire equity interests of Jinshanqiao Cogeneration Plant is held by 徐州順力電力投資有限公司 (Xuzhou Shunli Power International Limited Company), a company indirectly owned and controlled by Mr. Zhu Gongshan (an executive Director). As Mr. Zhu Gongshan is a connected person of the Company and Jinshanqiao Cogeneration Plant is an associate of Mr. Zhu Gongshan, Jinshanqiao Cogeneration Plant is therefore a connected person of the Company. Accordingly, the transactions contemplated under the JZ Agreement, constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The transaction amounts and the annual cap for the year ended 31 December 2016 under the JZ Agreement were as follows:

Agreement	**Transaction amount for the year ended 31 December 2016** (RMB)	**Annual Cap for the year ended 31 December 2016** (RMB)
JZ Agreement	679,292,000	920,760,000

(b) *Steam Supply to 江蘇協鑫硅材料科技發展有限公司 (Jiangsu GCL Silicon Material Technology Development Co., Ltd.*) "Jiangsu GCL" from Jinshanqiao Cogeneration Plant*

On 29 September 2015, Jiangsu GCL (a wholly-owned subsidiary of the Company) entered into a steam supply agreement (the "GCL Agreement") with Jinshanqiao Cogeneration Plant, pursuant to which Jiangsu GCL purchased steam with pressure of 0.6–0.8 Mpa and temperature at 200°C–260°C at a price of RMB180 per tonne for three years, commencing from 1 November 2015 and ending on 31 October 2018. If the price prescribed by the government authority is adjusted, the parties will adopt the adjusted price as the applicable steam supply price unless the parties agreed otherwise. The steam price will be payable monthly in arrears based on the amount of steam utilized by Jiangsu GCL.

Steam is required by Jiangsu GCL to provide heat for its plant during the autumn and winter seasons. An announcement of the Company dated 29 September 2015 setting out details of the GCL Agreement was published by the Company.

The nature of the connected person's interest in the transaction and their connected relationship are same as paragraph 1(a) above.

The transaction amount and the annual cap for the year ended 31 December 2016 under the GCL Agreement were as follows:

Agreement	**Transaction amount for the year ended 31 December 2016** (RMB)	**Annual Cap for the year ended 31 December 2016** (RMB)
GCL Agreement	3,244,000	5,040,000

(c) Steam supply to 揚州協鑫光伏科技有限公司 (Yangzhou GCL Photovoltaic Technology Co., Ltd.) ("Yangzhou GCL Photovoltaic Technology") from 揚州港口污泥發電有限公司 (Yangzhou Harbour Sludge Power Co., Ltd.*) ("Yangzhou Harbour Sludge Power")*

Prior to the completion of the disposal (the "Disposal") of non-solar power business of the Company to 上海其辰投資管理有限公司 (Shanghai Qichen Investment Management Co., Ltd.*, a company beneficially owned by the Zhu Family Trust) on 8 December 2015, Yangzhou GCL Photovoltaic Technology (a wholly-owned subsidiary of the Company), had been purchasing steam from Yangzhou Harbour Sludge Power under the terms of a steam supply contract (the "Steam Supply Contract") dated 2 June 2015.

Pursuant to the Steam Supply Contract, Yangzhou Harbour Sludge Power would supply steam to Yangzhou GCL Photovoltaic Technology at a rate of 0.2 tonnes to 1 tonne per hour with pressure exceeding 0.6 Mpa and temperature exceeding 150ºC, during the period from 10 June 2015 to 9 June 2017.

The agreed steam supply price is RMB178.2 per tonne and payable monthly in areas based on the amount of steam utilized by Yanzhou GCL Photovoltaic Technology in the relevant month. The steam supply price was determined by arm's length negotiations between the parties with reference to the price prescribed by the Yangzhou Price Bureau, which will publish steam reference price to the industry from time to time. If the price prescribed by the government authority is adjusted, the parties will adjust the price for the steam supply accordingly.

Yanzhou Harbour Sludge Power was a subsidiary of the Company before the Disposal and became a connected person upon completion of the Disposal as it is owned by the Zhu Family Trust, an associate of Mr. Zhu Gongshan and Mr. Zhu Yufeng, both are directors of the Company. The continuing transactions under the Steam Supply Contract became continuing connected transactions upon the completion of the Disposal on 8 December 2015. Pursuant to Rule 14A.60 of the Listing Rules, the Company disclosed the Steam Supply Contract in an announcement dated 8 December 2015.

Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the Steam Supply Contract. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Steam Supply Contract.

During the year from 1 January 2016 to 31 December 2016, the transaction amount under the Steam Supply Contract is RMB928,000.

(2) Desalted Water Supply to Jiangsu Zhongneng from Jinshanqiao Cogeneration Plant

Jinshanqiao Cogeneration Plant and Jiangsu Zhongneng had entered into a desalted water supply agreement dated 29 September 2015 (the "Desalted Water Supply Agreement").

Pursuant to the Desalted Water Supply Agreement, Jinshanqiao Cogeneration Plant agreed to supply, and Jiangsu Zhongneng agreed to purchase desalted water for three years, commencing from 1 November 2015 and ending on 31 October 2018 at a price of RMB12 per tonne, payable monthly in arrears based on the actual amount of desalted water supplied. If the raw material price or other costs increase or decreases, resulting in the cost of supplying the desalted water increased or decreased by 10% or above, the parties will adjust the price accordingly. An announcement of the Company dated 29 September 2015 setting out the details of the transactions was published by the Company.

The nature of the connected person's interest in the transaction and their connected relationship are same as paragraph 1(a) above.

The transaction amount and the annual cap for the year from 1 January 2016 to 31 December 2016 under the Desalted Water Supply Agreement were as follows:

Agreement	Transaction amount for the year ended 31 December 2016 (RMB)	Annual Cap for the year ended 31 December 2016 (RMB)
Desalted Water Supply Agreement	1,854,000	4,320,000

(3) Lease of a property by 蘇州協鑫工業應用研究院有限公司 (Suzhou GCL Industrial Applications Research Co., Ltd.*) ("Suzhou GCL Industrial Applications Research" to 保利協鑫有限公司 (GCL-Poly Limited*)

Prior to the completion of the disposal (the "Disposal") of non-solar power business of the Company to 上海其辰投資管理有限公司 (Shanghai Qichen Investment Management Co., Ltd.*, a company beneficially owned by the Zhu Family Trust) on 8 December 2015, Suzhou GCL Industrial Applications Research entered into a lease dated 16 July 2015 (the "Lease") with 保利協鑫有限公司 (GCL-Poly Limited*, which changed its name to 協鑫智慧能源(蘇州)有限公司 GCL Energy (Suzhou) Co., Ltd.) ("GCL Intelligent Energy").

Pursuant to the Lease, Suzhou GCL Industrial Applications Research leased to GCL Intelligent Energy a property of 3,400 square meters in Suzhou, PRC for business purpose during the period from 20 July 2015 to 19 July 2017 for a rental of RMB255,000 per month, to be payable quarterly. The consideration was determined by arm's length negotiations between the parties with reference to the prevailing market rental of comparable class of commercial premises in Suzhou and is exclusive of management fees, utilities and car-park related expenses which are borne by GCL Intelligent Energy.

GCL Intelligent Energy was a subsidiary of the Company before the Disposal and became a connected person upon completion of the Disposal as it is owned by the Zhu Family Trust, an associate of Mr. Zhu Gongshan and Mr. Zhu Yufeng (both are directors of the Company). The continuing transactions under the Lease became continuing connected transactions upon the completion of the Disposal on 8 December 2015.

Pursuant to Rule 14A.60 of the Listing Rules, the Company disclosed the Lease in an announcement dated 8 December 2015 of the Company. Pursuant to Rule 14A.60 of the Listing Rules, the Company is required to comply with the applicable reporting and disclosure requirements under Chapter 14A of the Listing Rules regarding the Lease. The Company will comply in full with all applicable reporting, disclosure and, if applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules upon any variation or renewal of the Lease.

During the year from 1 January 2016 to 31 December 2016, the rental received under the Lease is RMB2,907,000.

(4) Supply of Coal by 蘇州協鑫能源科技有限公司 (Suzhou GCL Energy Technology Co., Ltd.*) ("Suzhou GCL") to 江蘇中能硅業科技發展有限公司 Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng")

On 24 May 2016, Jiangsu Zhongneng (a wholly-owned subsidiary of the Company) and Suzhou GCL entered into a coal supply framework agreement (the "Coal Supply Framework Agreement"). Pursuant to the Coal Supply Framework Agreement, Suzhou GCL agreed to supply, and Jiangsu Zhongneng agreed to purchase coal on a net calorific value as received basis with a value of Qnet,ar = 4,500–6,000 kcal/kg during the period of three years commencing from 1 June 2016 and ending on 31 May 2019. The actual volume of the supply of coal would be determined by both parties based on actual purchase orders made by Jiangsu Zhongneng. The price of coal to be supplied by Suzhou GCL to Jiangsu Zhongneng pursuant to the Coal Supply Framework Agreement from time to time shall be determined with reference to the lower of (i) the market price of coal as published by Qinhuangdao Haiyun Coal Transaction Market Co., Ltd.* (秦皇島海運煤炭交易市場有限公司) on its website on a weekly basis; and (ii) the market price of coal in Xuzhou as obtained by Jiangsu Zhongneng through quotations from independent third party coal suppliers, plus the estimated delivery costs. The key factors based on which the relevant market prices of coal being determined are the supply and demand situations, as well as the quality of the coal. The coal price (inclusive of tax) in April 2016 was RMB400 per tonne for a net calorific value of 5,000 kcal/kg. Payment for each purchase shall be settled in arrears within 10 business days after delivery of the invoice in respect of the coal supplied by Suzhou GCL.

As at the date of the Coal Supply Framework Agreement, 72% of the equity interest in Suzhou GCL is held by a discretionary trust, under which Mr. Zhu Gongshan (an executive Director and chairman of the Board) and his family (including Mr. Zhu Yufeng, an executive Director and the son of Mr. Zhu Gongshan) are beneficiaries. As Mr. Zhu Gongshan and Mr. Zhu Yufeng are both connected persons of the Company and Suzhou GCL is an associate of them, Suzhou GCL is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Coal Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The entering into of the Coal Supply Framework Agreement will enable Jiangsu Zhongneng to procure a supplier of coal with steady supply and quality for its captive power plant's consumption, and take the advantage of bulk purchase discount which may be available to Suzhou GCL as it also procures coal for its own group of power plants. An announcement of the Company dated 24 May 2016 setting out the details of the Coal Supply Framework Agreement was published by the Company.

The amount of coal sale and the annual cap for the period from 1 June 2016 to 31 December 2016 in respect of the Coal Supply Framework Agreement were as follows:

Agreement	**Transaction amount for the period from 1 June 2016 to 31 December 2016** (RMB)	**Annual Cap for the period from 1 June 2016 to 31 December 2016** (RMB)
Coal Supply Framework Agreement	289,448,000	350,000,000

(5) Supply of Wafer Products from 保利協鑫(蘇州)新能源有限公司 (GCL-Poly (Suzhou) New Energy Limited*) ("GCL-Poly Suzhou") to GCL System Integration Technology Co., Ltd. ("GCL System Integration")

GCL-Poly Suzhou and GCL System Integration entered into a framework agreement dated 8 July 2016 (the "Framework Agreement"), pursuant to which GCL-Poly Suzhou agreed to supply wafer products to GCL System Integration for the period from 1 July 2016 to 31 December 2016 (the "Period"), which may be extended for one month thereafter during which GCL System Integration may purchase and GCL-Poly Suzhou may deliver wafer products in order to fulfil the Minimum Purchase Quantity (as defined below).

Under the Framework Agreement, the estimated total quantity of the wafer products to be supplied by GCL-Poly Suzhou during the Period was 110,000,000 pieces (the "Estimated Purchase Quantity"). The Minimum Purchase Quantity during the Period shall be 85% of the Estimated Purchase Quantity. A deposit in the sum of RMB22,000,000 (the "Deposit") should be payable by GCL System Integration to GCL-Poly Suzhou within 10 days of the effective date of the Framework Agreement. The Deposit may be offset against outstanding sums payable by GCL System Integration to GCL-Poly Suzhou for the purchase of the wafer products under the Framework Agreement as at December 2016, provided that an offset may only be made if GCL System Integration has performed all the terms under the Framework Agreement at the time of the offset. The supply price would be determined with reference to the prevailing market supply and demand for the wafer products and the prices charged by other wafer product suppliers at the relevant time.

The parties would negotiate the price for the wafer products for each calendar month on or before the fifth day of the month. Such price should be fair, reasonable and on normal commercial terms. In the event that the parties were unable to agree on the price on the fifteenth day of the month then the price should be determined based on the basic price of the same products supplied by GCL-Poly Suzhou during that month to its large customers (the "Third Party Price"). If GCL System Integration disagree with the Third Party Price, then the parties should jointly appoint an audit firm in the PRC for the purpose of ascertaining the price to be charged, which price shall be binding on GCL-Poly Suzhou and GCL System Integration. Payment for each purchase of the wafer products should be settled in arrears within 15 days after delivery of the products by way of bank remittance or bank draft which may be drawn within no more than 180 days. A committee, comprising the chief executive officer of the Company as the chairman and the respective head of the wafer and polysilicon business sectors, would review and determine on a monthly basis the price of the wafer products taking into account the prevailing market supply and demand, and the prices charged by other wafer product suppliers.

As at the date of the Framework Agreement, approximately 22.40% and 28.19% of the issued shares in GCL System Integration was held by the Zhu Family Trust and Mr. Zhu Yufeng, respectively. As Mr. Zhu Gongshan and Mr. Zhu Yufeng are both Directors and therefore connected persons of the Company and GCL System Integration is an associate (as defined in the Listing Rules) of them, GCL System Integration is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The entering into of the Framework Agreement served to secure long term customer demand for the Company in respect of the wafer products, which is consistent with the Company's strategy to focus on its core integrated solar business. The sale of the wafer products under the Framework Agreement is expected to generate stable demand and income for the Company. An announcement of the Company dated 8 July 2016 setting out details of the Framework Agreement is issued by the Company.

The amount of sale of wafer products and the cap for the period from 1 July 2016 to 31 December 2016 in respect of the Framework Agreement were as follows:

Agreement	**Transaction amount for the period from 1 July 2016 to 31 December 2016** (RMB)	**Annual Cap for the period from 1 July 2016 to 31 December 2016** (RMB)
Framework Agreement	523,422,000	785,125,000

*Note: * English name for identification only*

Loan Agreement with Covenants Relating to Specific Performance of the Controlling Shareholder

As at the date of this report, the following facility agreements contain a condition imposing specific performance obligations on the controlling shareholders and breach of such obligation will cause a default in respect of loan that are significant to the operations of the Company:

On 25 August 2014, the Company (as borrower) entered into the following two new facility agreements with China Development Bank Corporation, Hong Kong Branch (the "Bank", as lender) , each for a term of three years:

i. the facility agreement ("Facility I Agreement") in respect of US$240 million facility (the "Facility I"); and

ii. the facility agreement ("Facility II Agreement") in respect of US$250 million facility (the "Facility II")

Under the terms of the Facility I Agreement and the Facility II Agreement, it would be a change of control event if at any time (i) Mr. Zhu Gongshan, the Chairman and a director of the Company, ceases to remain as one of the major beneficiaries of a discretionary trust with Credit Suisse Trust Limited as trustee; (ii) such discretionary trust ceases to own 100% interest in (whether directly or indirectly) Asia Pacific Energy Fund Limited; (iii) Asia Pacific Energy Fund Limited ceases to be the single largest shareholder of the Company; or (iv) Mr. Zhu Gongshan ceases to control the Company. If any of the above change of control events occurs, the Bank may, by notice to the Company, immediately cancel the facilities and declare the outstanding principal together with accrued interest and all other amounts accrued under the Facility I Agreement and Facility II Agreement, and all relevant security documents, to be immediately due and payable.

Up to the date of this report, the above obligation continues to exist.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

The following Directors are considered to have interests in the businesses which compete or are likely compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules:

Names of Director	Name of company in which the relevant Director has interest	Principal activities of the competing company	% interest in competing company
Mr. Zhu Yufeng	錫林郭勒中能硅業有限公司 Xilingol Zhongneng Silicon Co., Ltd.* (Dormant and inactive)	Intend to produce polysilicon ingot upon completion of construction	Mr. Zhu Yufeng, through companies controlled by him, holds 70% interest

Note: ** English name for identification only*

DEED OF NON-COMPETITION

Pursuant to a restated non-competition deed dated 8 November 2015 (the "Restated NCD") entered into between the Company and Mr. Zhu Gongshan, Mr. Zhu Yufeng, Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited (collectively the "Covenantors") and approved by the independent shareholders of the Company on 26 November 2015, each of the Covenantors had undertaken to the Company that it/he would not participate or hold interests in or be engaged in or acquire or hold any business during the restricted period set out in the Restated NCD, which is involved in the business of the Group from time to time, including the production and selling of polysilicon and wafer products, the development, owning and operation of solar power plants in the PRC or overseas (the "Restricted Business"). Nevertheless, under the Restated NCD, each Covenantor had undertaken that if he/it or any of his/its affiliates is offered or becomes aware of any new investment or business opportunity which is in competition, directly or indirectly, or may lead to direct or indirect competition with the Group in connection with the Restricted Business, he/it must first procure that such opportunity be offered to the Company on no less favourable terms, and that such Covenantor would only be allowed to take up the opportunity himself/itself if the Company has declined it (the "Right of First Refusal Arrangement").

On 12 August 2016, the Board convened a meeting to consider the business opportunity relating to a proposal by GCL System Integration Technology Co., Ltd. ("GSI") to engage in solar power station development projects sourced by GSI in various provinces in the PRC. GSI is a company in which Zhu Family Trust and Mr. Zhu Yufeng collectively controlled 50.59% issued shares. After consideration, the Board resolved to agree its non-wholly owned subsidiary, GCL New Energy Holdings Limited ("GNE") to set up a joint venture with GSI, both through their subsidiaries, to undertake the design, development, construction and sale of the solar power projects identified and sourced by GSI.

The Covenantors have provided confirmations to the Company that they have complied with the Restated NCD.

EMOLUMENT POLICY

The emolument policy of the Group to reward its employees is based on their performance, qualifications, competence and market comparables. Remuneration package generally comprises salary, contribution to pension schemes and bonuses relating to the profit of the relevant company and individual's performance. The remuneration package of the executive Directors and the senior management are also linked to the performance of the Group and the return to its shareholders. The remuneration policy of the executive Directors is reviewed by the Remuneration Committee of the Company.

The Company has adopted a Pre-IPO Share Option Scheme and a Share Option Scheme as an incentive to Directors and eligible employees, details of the schemes are set out under the section headed "Pre-IPO Share Option Scheme" and "Share Option Scheme" in this report and in note 51 to the consolidated financial statements.

The Company has adopted a share award scheme on 16 January 2017. The purpose of such scheme is, through the grant of awards to certain eligible persons, to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole. Details of the scheme and the scheme rules are disclosed under an announcement of the Company dated 16 January 2017.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or relevant laws of the Cayman Islands which would oblige the Company offer new Shares on a pro rata basis to the existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

In 2016, the Group's largest supplier accounted for 26.3% of total purchases. The five largest suppliers accounted for 44.0% of the Group's total purchases, evidencing the purchasing department's commitment to ensuring that the Group is not dependent on any one supplier, and that our purchases are at fair market terms.

The Group's largest customer accounted for 11.4% of our revenue for the year 2016. In 2016, the Group's five largest customers accounted for 40.5% of our revenue. To the best knowledge of the Directors, there is no Directors or any of their associates or any shareholder who holds more than 5% of the ordinary shares of the Company has any interests in the suppliers or customers disclosed above.

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.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in normal course of business are set out in note 54 to the consolidated financial statements. All related party transactions were constituted connected transactions/continuing connected transactions under the Listing Rules and that they have complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares of the Company as required under the Listing Rules.

WAIVER OF EMOLUMENT

Mr. Shu Hua, who resigned as a Non-executive Director with effect from 9 September 2016, was entitled to an annual director's fee of HK$500,000. Mr. Shu had notified the Company that he would and did waive such annual director's fee.

CHANGES IN INFORMATION ON DIRECTORS

Changes in information required to be disclosed by the Directors of the Company pursuant to Rule 13.51(B) of the Listing Rules are set out below:

Name of Director	Details of Change	Effective Date
Mr. Zhu Zhanjun	A housing allowance of HK$47,000 per month for Mr. Zhu Zhanjun was approved by the Remuneration Committee of the Company	1 January 2017
Mr. Jiang Wenwu	A housing allowance of HK$55,000 per month for Mr. Jiang Wenwu was approved by the Remuneration Committee of the Company	1 January 2017
Ms. Sun Wei	Ceased as a non-independent director of GCL System Integration Technology Co., Ltd	2 December 2016
	The remuneration was adjusted to HK$5,000,000 per annum which was approved by the Remuneration Committee of the Company	1 January 2017
Mr. Yeung Man Chung, Charles	The remuneration was adjusted to HK$5,000,000 per annum was approved by the Remuneration Committee of the Company	1 January 2017
Mr. Yip Tai Him	Resigned as an independent non-executive director of Vinco Financial Group Limited	1 August 2016
	Appointed as an independent non- executive director of Epicurean and Company, Limited	8 November 2016
	The annual Director's fee was adjusted to HK$357,210 per annum which was approved by the Board of the Company	1 January 2017
Dr. Ho Chung Tai, Raymond	The annual Director's fee was adjusted to HK$452,466 per annum which was approved by the Board of the Company	1 January 2017
Dr. Shen Wenzhong	The annual Director's fee was adjusted to HK$210,000 per annum which was approved by the Board of the Company	1 January 2017
Mr. Wong Man Chung, Francis	The annual Director's fee was adjusted to HK$252,000 per annum which was approved by the Board of the Company	1 January 2017

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire on conclusion of the forthcoming annual general meeting. A resolution for re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

EVENTS AFTER REPORTING PERIOD

Details of the events after reporting period of the Group are set out in the note 52 to the consolidated financial statements.

On behalf of the Board
Zhu Gongshan
Chairman

Hong Kong, 29 March 2017

Deloitte. 德勤

TO THE SHAREHOLDERS OF 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)

Opinion

We have audited the consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 99 to 260, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables of the solar material business segment	
We identified the recoverability of the Group's trade receivables of the solar material business segment as a key audit matter due to its significant balance and the estimation uncertainty involved in the management's assessment process in respect of the collectability of the trade receivables. Any changes in circumstances of the debtors may affect the collectability of the relevant balances. As described in note 26 to the consolidated financial statements, as at 31 December 2016, the carrying amount of the Group's trade receivables was RMB3,940 million (net of allowance for doubtful debts of RMB376 million), out of which RMB1,157 million (net of allowance for doubtful debts of RMB341 million) was contributed by the solar material business segment.	Our procedures in relation to the recoverability of trade receivables of the solar material business segment included: • Understanding the key controls in respect of granting credit to third parties and the impairment assessment performed by the Group's management on the Group's receivables; • Obtaining an understanding of management basis and assessment in relation to the recoverability of the Group's trade receivables; • Checking, on a sample basis, the accuracy and completeness of the relevant debt aging analysis and subsequent settlements; • Evaluating management's assessment over estimated future cash-flows discounted at original effective interest rates by taking into account of many factors such as any overdue receivables, financial information of individual debtors and any subsequent settlements; and • Performing a retrospective review of the accuracy of management judgements and assumptions relating to the allowance for doubtful debts made in the prior year.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment of the solar material business segment	
We identified the impairment of property, plant and equipment of the solar material business segment as a key audit matter due to the risk that machineries and equipment of the solar material business segment are subject to rapid technological advancement on production. Against this, the carrying amounts of the machineries and equipment may be higher than the recoverable amount which involves estimation uncertainty on assessment of such recoverable amount. As at 31 December 2016, the carrying amount of the Group's property, plant and equipment of the solar material business segment was RMB22,636 million. During the year ended 31 December 2016, the Group recognised an impairment loss of RMB442 million. When a review for impairment is conducted, the recoverable amount is determined based on higher of fair value less cost of disposal and value in use which relies on management' assumptions and estimates of future income generation from the use of the relevant the assets.	Our procedures in relation to the impairment of property, plant and equipment of the solar material business segment included: • Understanding of the key controls in respect of the impairment review process of property, plant and equipment; • Understanding on management methodology and basis applied in calculating the recoverable amount; and • Evaluating management prepared recoverable amount calculations of the relevant assets by 1) checking the mathematical accuracy of the impairment models; 2) assessing key assumptions applied in value in use calculations, if relevant; and 3) obtaining external valuation report for those assets where their recoverable amounts are determined by replacement cost method and evaluating the methodology and assumptions adopted.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on tariff adjustment on electricity sales	
We identified the recognition of the Group's revenue on tariff adjustment on electricity sales as a key audit matter due to the significant management judgement involved in determining whether each of the Group's operating solar farms had qualified for, and had met, all the requirements and conditions for the registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on accruing revenue on tariff adjustments. Pursuant to the New Tariff Notice issued in August 2013 (the "New Tariff Notice") by the National Development and Reform Commission of the People's Republic of China (the "PRC"), approvals for the registration in the Catalogue on a project-by-project basis are required for the settlement of the tariff adjustments. As described in note 6 to the consolidated financial statements, revenue on tariff adjustments on electricity sales of RMB1,860 million from the state grid companies in the PRC were recognised for the year ended 31 December 2016 in which certain on-grid solar farms of the Group are still pending for registration to the Catalogue, which is an ongoing process as the Catalogue is opened for registrations on a batch by batch basis.	Our procedures in relation to the recognition of the Group's revenue on tariff adjustment on electricity sales included: • Obtaining an understanding of the policies and regulations set by government authorities on tariff adjustment on sales of electricity in this industry; • Obtaining relevant supporting documents for examples, power purchase agreements and tariff approvals issued by the PRC government; • Obtaining legal opinion from the Group's PRC legal advisor in relation to the assessment that all of the Group's solar farms currently in operation had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustment when the electricity was delivered on grid; and • Assessing whether the previous registrations of the group entities operating the solar farms to the Catalogue were successfully completed against the historical record of the Group.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Accounting and classification of the Group's various financing arrangements	
We identified the accounting and classification of the Group's various financing arrangements as a key audit matter due to the complexity of the terms of the arrangements and the deployment of different type and nature of financing vehicles. During the year ended 31 December 2016, the Group obtained new borrowings of RMB30,505 million (2015: RMB39,625 million) via various financing arrangements, details of which are disclosed in note 35 to the consolidated financial statements. The accounting for these arrangements requires a careful consideration of all facts and circumstances and can involve a significant degree of both complexity and management judgement.	Our procedures in relation to the accounting and classification of the Group's various financing arrangements included: • Evaluating the terms set out in the agreements relating to each key financing arrangement; • Making inquiries with management in respect of their basis and assessment in relation to the accounting of each financing arrangement; and • Obtaining information and evidence to assess the substance of the transactions and evaluate the appropriateness of accounting treatment adopted by management in accordance with IFRSs.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and those charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations			
Revenue	6	**22,024,537**	20,484,445
Cost of sales		**(14,980,339)**	(14,743,575)
Gross profit		**7,044,198**	5,740,870
Other income	7	**926,431**	908,578
Compensation income arising from the amendment of settlement deed	8	**—**	1,160,000
Distribution and selling expenses		**(72,631)**	(61,971)
Administrative expenses		**(1,847,030)**	(1,502,829)
Finance costs	9	**(2,149,266)**	(2,194,727)
Other expenses, gains and losses, net	10	**(1,091,067)**	(1,224,640)
Share of profits (losses) of joint ventures	21	**33,489**	(49,859)
Profit before tax		**2,844,124**	2,775,422
Income tax expense	11	**(537,172)**	(484,299)
Profit for the year from continuing operations	12	**2,306,952**	2,291,123
Discontinued operations			
(Loss) profit for the year from discontinued operations	13	**(112,208)**	435,601
Profit for the year		**2,194,744**	2,726,724
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**31,233**	7,812
Total comprehensive income for the year		**2,225,977**	2,734,536
Profit (loss) for the year attributable to owners of the Company			
— from continuing operations		**2,099,295**	2,138,966
— from discontinued operations		**(69,883)**	286,254
Profit for the year attributable to owners of the Company		**2,029,412**	2,425,220

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
Profit (loss) for the year attributable to non-controlling interests			
— from continuing operations		**207,657**	152,157
— from discontinued operations		**(42,325)**	149,347
Profit for the year attributable to non-controlling interests		**165,332**	301,504
		2,194,744	2,726,724
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,064,780**	2,420,755
Non-controlling interests		**161,197**	313,781
		2,225,977	2,734,536
		2016 RMB cents	2015 RMB cents (Restated)
Earnings per share	16		
From continuing and discontinued operations			
Basic		**11.03**	15.52
Diluted		**11.03**	14.52
From continuing operations			
Basic		**11.41**	13.69
Diluted		**11.41**	12.72

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17A	52,461,558	41,649,905
Investment properties	17B	79,772	—
Prepaid lease payments	18	1,123,690	1,101,931
Goodwill	19	176,528	176,528
Other intangible assets	20	124,990	54,078
Interests in joint ventures	21	659,296	158,063
Available-for-sale investments	22	300,000	90,000
Convertible bonds receivable	23	128,211	93,707
Deferred tax assets	24	114,747	54,305
Deposits, prepayments and other non-current assets	26	3,639,900	2,685,754
Amounts due from related companies	27	144,700	129,936
Pledged and restricted bank deposits	29	953,446	442,225
		59,906,838	46,636,432
CURRENT ASSETS			
Inventories	25	965,674	1,386,584
Trade and other receivables	26	12,284,566	14,367,687
Amounts due from related companies	27	267,764	51,809
Prepaid lease payments	18	25,726	25,127
Available-for-sale investments	22	112,922	38,726
Held for trading investments	28	111,522	14,456
Tax recoverable		23,968	2,690
Pledged and restricted bank deposits	29	3,230,654	6,616,105
Bank balances and cash	29	8,958,397	10,259,967
		25,981,193	32,763,151
Assets classified as held for sale	30	1,131,282	291,907
		27,112,475	33,055,058
CURRENT LIABILITIES			
Trade and other payables	31	17,860,068	15,698,110
Amounts due to related companies	32	422,446	206,171
Advances from customers	33	517,566	478,773
Bank and other borrowings — due within one year	35	13,022,414	22,314,968
Obligations under finance leases — due within one year	36	858,173	934,578
Notes and bonds payables — due within one year	37	648,104	1,008,716
Derivative financial instruments	38	16,011	12,575
Deferred income		46,801	105,330
Tax payables		98,957	233,857
		33,490,540	40,993,078
Liabilities directly associated with assets classified as held for sale	30	910,112	51,462
		34,400,652	41,044,540
NET CURRENT LIABILITIES		(7,288,177)	(7,989,482)
TOTAL ASSETS LESS CURRENT LIABILITIES		52,618,661	38,646,950

At 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES			
Advances from customers	33	**182,623**	202,735
Bank and other borrowings — due after one year	35	**20,257,141**	12,120,725
Obligations under finance leases — due after one year	36	**1,655,267**	2,499,828
Notes payables — due after one year	37	**4,473,241**	3,670,615
Convertible bonds payables	39	**2,012,997**	2,018,472
Deferred income		**276,329**	352,002
Deferred tax liabilities	24	**367,121**	223,089
		29,224,719	21,087,466
NET ASSETS		**23,393,942**	17,559,484
CAPITAL AND RESERVES			
Share capital	40	**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		**23,393,942**	17,559,484

The consolidated financial statements on pages 99 to 260 were approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

Zhu Gongshan
DIRECTOR

Yeung Man Chung, Charles
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note i)	Capital reserve RMB'000 (Note ii)	Statutory reserve funds RMB'000 (Note iii)	Special reserves RMB'000 (Note iv)	Share options reserve RMB'000	Translation reserve RMB'000 (Note v)	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000 (Note v)	Total RMB'000
At 1 January 2015	1,372,226	6,198,607	2,384,001	67,251	1,578,613	(2,405,207)	176,480	(10,655)	5,147,617	14,508,933	2,336,016	16,844,949
Exchange differences arising from translation of financial statements of foreign operations	—	—	—	—	—	—	—	(4,465)	—	(4,465)	12,277	7,812
Profit for the year	—	—	—	—	—	—	—	—	2,425,220	2,425,220	301,504	2,726,724
Total comprehensive (expense) income for the year	—	—	—	—	—	—	—	(4,465)	2,425,220	2,420,755	313,781	2,734,536
Recognition of share-based payment expenses in respect of share options (note 51)	—	—	—	—	—	—	18,787	—	—	18,787	135,542	154,329
Exercise of share options	34	363	—	—	—	—	(113)	—	—	284	—	284
Forfeitures of share options	—	—	(2,220)	—	—	—	(19,720)	—	47,353	25,413	(25,413)	—
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	100,324	100,324
Dividend recognised as distribution (note 15)	—	(1,120,000)	—	—	—	—	—	—	—	(1,120,000)	—	(1,120,000)
Dividend declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(184,865)	(184,865)
Transfer to reserves	—	—	—	—	172,488	—	—	—	(172,488)	—	—	—
Disposal of subsidiaries	—	2,274,472	(3,000,938)	—	(296,312)	5,566	15,412	—	1,001,800	—	(970,073)	(970,073)
At 31 December 2015	1,372,260	7,353,442	(619,157)	67,251	1,454,789	(2,399,641)	190,846	(15,120)	8,449,502	15,854,172	1,705,312	17,559,484
Exchange differences arising from translation of financial statements of foreign operations	—	—	—	—	—	—	—	35,368	—	35,368	(4,135)	31,233
Profit for the year	—	—	—	—	—	—	—	—	2,029,412	2,029,412	165,332	2,194,744
Total comprehensive income for the year	—	—	—	—	—	—	—	35,368	2,029,412	2,064,780	161,197	2,225,977
Recognition of share-based payment expenses in respect of share options (note 51)	—	—	—	—	—	—	27,057	—	—	27,057	71,409	98,466
Forfeitures of share options	—	—	—	—	—	—	(5,647)	—	31,263	25,616	(25,616)	—
Issue of new shares through Rights Issue (as defined in note 40)	259,544	2,647,352	—	—	—	—	—	—	—	2,906,896	—	2,906,896
Transaction costs attributable to the issuance of Rights Issue	—	(61,541)	—	—	—	—	—	—	—	(61,541)	—	(61,541)
Issue of new shares through rights issue by GNE (as defined in note 2) to non-controlling interests	—	—	—	—	—	—	—	—	—	—	742,378	742,378
Transaction costs attributable to the issuance of rights issue by GNE to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(23,005)	(23,005)
Contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	—	48,813	48,813
Dividend declared to non-controlling interests	—	—	—	—	—	—	—	—	—	—	(106,317)	(106,317)
Acquisition of additional interest in an existing subsidiary	—	—	—	—	—	3,836	—	—	—	3,836	(22,266)	(18,430)
Acquisition of a subsidiary (note 41)	—	—	—	—	—	—	—	—	—	—	21,221	21,221
Transfer to reserves	—	—	—	—	854,965	—	—	—	(854,965)	—	—	—
At 31 December 2016	1,631,804	9,939,253	(619,157)	67,251	2,309,754	(2,395,805)	212,256	20,248	9,655,212	20,820,816	2,573,126	23,393,942

Notes:

(i) Other reserve represents the equity (other than share capital) attributable to owners of the Company prior to the reverse acquisition, including share premium, capital reserve, contribution from a shareholder, other reserve, share options reserve, revaluation reserve and deficit. As the Company was accounted for as reverse acquisition by GCL Solar Energy Technology Holdings Inc. ("GCL Solar Energy") in 2009, such reserves attributable to owners of the Company were reclassified to other reserve upon the completion of the reverse acquisition.

Upon disposal of the non-solar power business in 2015, portion of the amount was realised and transferred to the share premium, share options reserve and accumulated profits of the Group.

(ii) Capital reserve represents the amount of contribution from former immediate holding company of GCL Solar Energy of US$15,009,000 (equivalent to RMB126,029,000) net of the 500,000 ordinary shares of GCL Solar Energy repurchased for a consideration of US$7,000,000 (equivalent to RMB58,778,000) and cancelled prior to 2009.

(iii) Pursuant to the relevant laws in the PRC, each of the subsidiaries established in the PRC is required to transfer 5%–10% (2015: 5%–10%) of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve funds (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

(iv) Special reserves represent the difference between the consideration to acquire additional interest in subsidiaries or the carrying amounts of share of net assets acquired.

(v) Translation reserve and non-controlling interests included cumulative amount of RMB45,029,000 and RMB27,272,000 relating to the share of other comprehensive income of the disposal group classified as held for sales attributable to the owners of the Company and non-controlling interests, respectively, and included in equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,194,744	2,726,724
Adjustments for:		
Income tax	585,276	748,312
Finance costs	2,161,473	2,425,248
Interest income	(195,361)	(313,886)
Loss (gain) on disposal of non-solar power business	577	(82,411)
Bargain purchase from business combination	(67,111)	(21,626)
Unrealised exchange (gain) loss, net	(33,260)	426,473
Depreciation of property, plant and equipment	3,509,746	3,246,772
Depreciation of investment properties	4,655	—
Amortisation of prepaid lease payments	26,903	32,873
Amortisation of other intangible assets	11,014	18,177
Amortisation of deferred income	(147,024)	(101,247)
Loss on disposal of property, plant and equipment	26,489	16,297
Gain on deemed disposal of a joint venture	(1,822)	—
Share of (profits) losses of joint ventures	(33,489)	49,859
Share of profits of associates	—	(7,481)
Share-based payment expenses	98,466	154,329
Waiver of other payables	(19,020)	(8,563)
(Gain) loss on fair value change of held for trading investments	(24,947)	3,611
(Gain) loss on fair value change of convertible bonds receivable	(34,504)	44,225
Loss on fair value change of derivative financial instruments, net	3,436	12,575
Loss on fair value change of convertible bonds payables	356,126	6,211
Impairment loss on trade and other receivables, net	6,545	285,270
Write-down of inventories	199,905	275,419
Impairment loss on property, plant and equipment	540,737	187,979
Impairment loss on deposits for acquisitions of property, plant and equipment	59,536	—
Impairment loss on prepaid lease payments	—	13,221
Loss on measurement to fair value less costs to sell	114,435	—
Impairment loss on goodwill	—	16,000
Operating cash flows before movements in working capital	9,343,525	10,154,361
Decrease in inventories	110,596	653,432
Decrease (increase) in trade and other receivables	1,782,537	(4,301,524)
(Increase) decrease in amounts due from related companies	(232,328)	36,002
Decrease in trade and other payables	(2,561,702)	(1,628,288)
Decrease (increase) in amounts due to related companies	112,084	(438,174)
Decrease (increase) in advances from customers	18,681	(551,918)
Increase in deferred income	—	35,084
Increase in deposits, prepayments and other non-current assets	(123,551)	(162,779)
Increase in held for trading investments	(66,296)	—
Cash generated from operations	8,383,546	3,796,196
Income taxes paid	(598,425)	(592,111)
Income taxes refunded	—	14,332
NET CASH FROM OPERATING ACTIVITIES	7,785,121	3,218,417

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**145,627**	340,460
Dividend received from associates		**—**	8,785
Dividend received from joint ventures		**47,014**	36,682
Proceeds from disposal of an associate		**—**	56,494
Proceeds from disposal of assets classified as held for sale		**29,991**	—
Proceeds from disposal of property, plant and equipment		**90,273**	86,906
Addition of property, plant and equipment		**(9,406,075)**	(9,143,924)
Deposits paid for acquisitions of property, plant and equipment and other intangible assets		**(1,382,563)**	(962,508)
Refund of deposits received for a proposed disposal of business		**—**	(400,000)
Investments in joint ventures		**—**	(17,995)
Investments in associates		**—**	(118,865)
Addition of available-for-sale investments		**(282,759)**	(90,000)
Addition of held-to-maturity investment		**—**	(25,275)
Addition of prepaid lease payments		**(1,040)**	(166,652)
Addition of other intangible assets		**(39,155)**	(5,797)
Addition of entrusted loan receivable		**—**	(50,000)
Acquisition of subsidiaries	41	**19,079**	(146,914)
Disposal of a subsidiary	42	**—**	1,465,916
Withdrawal of pledged and restricted bank deposits		**7,043,473**	9,437,021
Placement of pledged and restricted bank deposits		**(4,240,232)**	(7,163,104)
Receipt of repayment from entrusted loans receivable		**—**	50,000
Receipt of government grants related to depreciable assets		**16,545**	55,900
Repayment from related companies		**29,962**	—
Payment to related companies		**(14,819)**	(409)
Loans to third parties		**(20,556)**	(389,378)
Settlement of payables to vendors of solar farms		**(132,159)**	(171,371)
Loans to a joint venture		**(20,807)**	(130,248)
(Payment) refund of deposits for acquisitions of solar farms		**(31,800)**	62,614
Placement of deposit for financing of other borrowings		**—**	(23,605)
NET CASH USED IN INVESTING ACTIVITIES		**(8,150,001)**	(7,405,267)

	Notes	2016 RMB'000	2015 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(2,387,145)**	(2,475,833)
Interest paid for convertible bonds payables		**(53,996)**	(12,215)
New bank and other borrowings raised		**30,505,138**	39,624,780
Repayment of bank and other borrowings		**(32,235,863)**	(31,181,853)
Proceeds from sale and finance leaseback arrangements		**71,451**	3,030,956
Repayment of obligations under finance leases		**(971,751)**	(1,318,907)
Proceeds from issuance of convertible bonds payables	39	**—**	2,166,079
Redemption of convertible bonds payables		**(307,605)**	(1,280,055)
Repayment of notes and bonds payables	37	**(1,190,000)**	(2,460,000)
Proceeds from Rights Issue by the Company, net		**2,845,355**	—
Proceeds from Rights Issue by GNE from non-controlling interests, net		**719,373**	—
Proceeds from issuance of notes and bonds payables	37	**1,618,575**	5,057,253
Proceeds from exercise of share options		**—**	284
Contribution from non-controlling interests		**30,394**	100,325
Dividends paid to non-controlling interests		**(106,317)**	(149,240)
Repayment to related companies		**(5,369)**	(61,508)
Advance from related companies		**2,014**	—
Advance from third parties		**—**	40,600
Acquisition of additional interest in an existing subsidiary		**(18,430)**	—
Dividend paid		**—**	(1,120,000)
Loan from a joint venture		**251,752**	—
Other financing costs		**—**	(19,521)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(1,232,424)**	9,941,145
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,597,304)**	5,754,295
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**10,340,815**	4,361,794
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF BANK BALANCES AND CASH HELD IN FOREIGN CURRENCIES		**241,482**	224,726
CASH AND CASH EQUIVALENTS AT 31 DECEMBER			
represented by			
— Bank balances and cash		**8,958,397**	10,259,967
— Bank balances and cash classified as held for sale		**26,596**	80,848
		8,984,993	10,340,815

1. General Information

GCL-Poly Energy Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 12 July 2006 under the Companies Law, Cap 22 of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2007. The address of the registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Units 1703B-1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively the "Group") and joint ventures are principally engaged in (1) the manufacturing of polysilicon and wafers for the solar industry; and (2) the sale of electricity, development, investment, management and operation of solar projects. In addition, the Group entered into agreement to dispose of its manufacturing and selling of printed circuit boards business ("PCB business") during the year ended 31 December 2016 (note 13) which has been presented as discontinued operation. The Group was also engaged in the development, investment, management and operation of environmental friendly power plants and trading of coal, which were discontinued during the year ended 31 December 2015 (see note 13).

The functional and presentation currency of the Company is Renminbi ("RMB").

2. Basis of Preparation

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 and bonds payables and convertible bonds payables) amounted to approximately RMB43,192 million (including loan from a shareholder of a subsidiary, 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, GNE Group's current liabilities exceeded its current assets by RMB7,278 million. In addition, as at 31 December 2016 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 as at 31 December 2016.

2. Basis of Preparation (Continued)

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 July and December 2016, GNE Group proposed the issuance of non-public corporate bonds and non-public green bonds to qualifying investors in the maximum principal amount of RMB2,000,000,000 and RMB1,750,000,000, respectively, which are 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 have 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

2. Basis of Preparation (Continued)

(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 for issuance. 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.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

(a) New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Acccounting Standards Board (the "IASB") for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IAS 1	Disclosure Initiative
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

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

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

(b) New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new, amendments and interpretation to IFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers and the related Amendments	1 January 2018
IFRS 16	Leases	1 January 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 7	Disclosure Initiative	1 January 2017
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to IAS 40	Transfers of Investment Property	1 January 2018
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle	1 January 2017 or 1 January 2018, as appropriate

Except as described below, the Directors consider that the application of the above new, amendments and interpretation to IFRSs will have no significant impact on the Group's consolidated financial statements in coming year.

IFRS 9 *Financial Instruments*

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

(b) New and amendments to IFRSs in issue but not yet effective (Continued)

IFRS 9 *Financial Instruments* (Continued)

Key requirements of IFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, application of IFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale equity investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or designated as FVTOCI (subject to fulfilment of the designation criteria). The Group's available-for-sale debt investments may fail to satisfy that they are held within a business model whose objective is both to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding and to sell financial assets. Debt investments which fail the FVTOCI may either be measured at FVTPL or amortised costs, depending on the Group's business model and further assessment on the terms and conditions of the underlying investments classification. In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost upon application of IFRS 9.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

(b) New and amendments to IFRSs in issue but not yet effective (Continued)

IFRS 9 *Financial Instruments* (Continued)

Also, the change in fair value of the Group's convertible bonds payables designated at fair value through profit or loss that is attributable to changes in credit risk would be presented in other comprehensive income.

However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue,* IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of IFRS 15 in the future may have an impact on the amounts reported (e.g. sales return) as the timing of revenue recognition may be affected and the amounts of revenue recognised are subject to variable consideration constraints. Regarding the sales of electricity contracts, the Group is required to evaluate the terms and conditions of, and the counter-parties to, contracts which may impact revenue recognition. The Group also has to identify performance obligations under such contracts and for contracts which contain more than one performance obligations, the total consideration will be allocated to the respective performance obligations based on relative fair values, which may affect the timing and amounts of revenue recognition. In addition, the Group has to identify the existence of any significant financing component in the contracts in which the transaction price shall only be adjusted for the effects of the time value of money for contracts which contain significant financing component. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. In addition, the application of IFRS 15 in the future may result in more disclosures in the consolidated financial statements.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

(b) New and amendments to IFRSs in issue but not yet effective (Continued)

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, it will also be affected as operating lease payments under IAS 17 are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has on-cancellable operating lease commitments of RMB993,538,000 as disclosed in note 47. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, certain of the Group's sale and leaseback arrangements may not satisfy the requirements of IFRS 15 as sales of assets and hence will be considered as collateralized borrowings under IFRS 16. For other sale and leaseback transactions entered into by the Group that do not satisfy the current requirements of IAS 17 and accounted as other borrowings in note 35, it will continue to account as collateralized borrowings upon application of IFRS 16 whilst these sale and leaseback transactions entered into before the date of initial application would not be reassessed upon application of IFRS 16, the application of IFRS 16 may impact the Group's sale and leaseback transactions in the future.

The application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (Continued)

(b) New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 7 *Disclosure Initiative*

The amendments require an entity to provide disclosures that enables users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed; (i) changes from financing cash flow; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rate; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosure on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment,* leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

4. Significant Accounting Policies (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4. Significant Accounting Policies (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

4. Significant Accounting Policies (Continued)

Business combinations (Continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

4. Significant Accounting Policies (Continued)

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. Significant Accounting Policies (Continued)

Investments in joint ventures (Continued)

When the Group ceases to have a joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in a joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale. Any retained portion of an investment in a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the joint venture.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

4. Significant Accounting Policies (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sale of goods and scrap materials are recognised when the goods or scrap materials are delivered and titles have passed.

Revenue from the sale of electricity is recognised when electricity is generated and transmitted.

Tariff adjustment is recognised at its initial fair value based on the prevailing nationwide government policies on renewable energy for the entitlement of the tariff subsidy when the electricity was delivered on grid.

Sales agreements typically do not contain product warranties except for return and replacement of defective products within 30 days from delivery. Sales agreements do not contain any post-shipment obligations or any other return or credit provisions.

Consultancy fee, management fee, commission on sales of modules, and waste processing management fee income are recognised when the services are provided.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

4. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by the Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date.

4. Significant Accounting Policies (Continued)

Foreign currencies (Continued)

When there is a change in functional currency resulting from change in primary economic environment in which the group entity operates, it is accounted for prospectively from the date of change.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

4. Significant Accounting Policies (Continued)

Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Share options granted to employees and others providing similar services

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 51.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit and loss. At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Irrespective of any modifications to the terms and conditions on which the equity instruments were granted, or a cancellation or settlement of that grant of equity instruments, the entity should recognise, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, the entity should recognise the effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employee.

If the modification increases the fair value of the equity instruments granted (e.g. by reducing the exercise price), measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognised immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

4. Significant Accounting Policies (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefit are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another IFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

4. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Internally-generated intangible assets research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4. Significant Accounting Policies (Continued)

Intangible assets (Continued)

Internally-generated intangible assets research and development expenditure (Continued)

An internally-generated intangible asset arising from development activities is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

4. Significant Accounting Policies (Continued)

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specific categories: financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is (i) held for trading and (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other expenses, gains and losses, net" line item. Fair value is determined in the manner described in note 45.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS investments

AFS investments are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS investments and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary investments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS investments are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Convertible bonds receivable

At the date of issue, the Directors have designated convertible bonds receivable as at FVTPL and initially recognised at fair value. In subsequent periods, the convertible bonds receivable measured at fair value with changes in fair value recognised in profit or loss. Transaction costs relating to the issuance of the convertible bonds receivable are charged to profit or loss immediately.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, pledged and restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see the accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS investments is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, and (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the "other expenses, gains and losses, net" line item. Fair value is determined in the manner described in note 45.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related companies, bank and other borrowings, notes and bonds payables are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

At the date of issue, the convertible bonds payables contains both the debt component and derivative components are recognised at fair value. In subsequent periods, both of them are designated as FVTPL as a whole and the corresponding effect of exchange difference together with changes in fair value are recognised to profit or loss. Transaction costs relating to the issuance of the convertible bonds payable are charged to profit or loss immediately.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Continued)

Critical judgement in applying accounting policies (Continued)

Revenue recognition on tariff adjustments on electricity sales

Tariff adjustments represents subsidy received and receivable from the government authorities in respect of the Group's solar power generation business.

In August 2013, the National Development and Reform Commission of the PRC released the New Tariff Notice (the "New Tariff Notice") to launch a new subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants (which is known as the ground solar plants).

Pursuant to New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

Tariff adjustments of RMB1,860,222,000 (2015: RMB744,152,000) has been recognised for the year ended 31 December 2016 and are included in the sales of electricity as disclosed in note 6 to the consolidated financial statements. Such amount is recognised based on the management judgement that all of the Group's operating solar farms had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants.

In making their judgment, the Directors, taking into account the legal opinion as advised by the Group's legal advisor, considered that all of the Group's solar farm currently in operation had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity was delivered on grid.

The Directors are confident that all of the Group's operating solar farms were able to be registered in the Catalogue in due course. Further, the accrued revenue on tariff subsidy are fully recoverable but just subject to timing of allocation of funds from the government, after considering that there were no bad debt experiences with the state grid companies in the past and the tariff subsidy was fully funded by the PRC government.

Accounting and classification of the Group's various financing arrangements

During the year ended 31 December 2016, the Group obtained new borrowing of RMB30,505,138,000 (2015: RMB39,624,780,000) via various financing arrangements with details disclosed in note 35.

The Directors have reviewed the Group's financing arrangements and in the light of its complex terms and conditions of the contracts and the deployment of different type and nature of financing vehicles, the accounting for these arrangements requires detail consideration of all facts and circumstances and the application of relevant accounting standards.

Joint arrangement

GNE Group holds 50% of the voting rights in its joint arrangements in Yili GCL and Qichuang and the Group holds 50.98% of the voting rights in its joint arrangement in Jiangsu Xinhua (all defined in note 21), respectively. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for relevant activities in which the determination of relevant activities requires judgements.

The Group's joint arrangements are structured as limited companies and provide the Group and the parties to the agreements with rights to the net assets of the limited companies under the arrangements. Therefore, these arrangements are classified as joint ventures.

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment of property, plant and equipment

The Group has made substantial investments in property, plant and equipment for the solar material business, solar farm business and new energy business. Changes in technology on plant and machinery or products to be manufactured may cause a change in the estimated useful lives or value of these assets.

The Group evaluates whether there is any event or change in circumstances which indicates that the carrying amounts of property, plant and equipment may not be recoverable. Whenever such events or changes in circumstances occur, these assets are reviewed for impairment.

Additionally, the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expense in future periods.

As at 31 December 2016, the carrying amount of property, plant and equipment was RMB52,461,558,000 (2015: RMB41,649,905,000), net of accumulated depreciation and impairment of RMB15,790,066,000 (2015: RMB13,490,961,000).

During the year ended 31 December 2016, the Group recognised impairment on plant and equipment of RMB540,737,000 (2015: RMB187,979,000) (note 17A). In addition, the Group changed the estimated useful lives of certain plant and machinery in relation to the PCB business as described in note 17A.

Estimated impairment of trade and other receivables and amounts due from related companies

On assessing any impairment of the Group's trade receivables and amounts due from related companies, the management regularly reviews the recoverability, creditworthiness of customers and ages of the trade receivables. Impairment on trade receivables and amounts due from related companies are made based on estimation of the future cash flows discounted at the original effective interest rates. If the financial condition of the customers of the Group deteriorates, resulting in an impairment of their ability to make payments, additional impairment may be required.

As at 31 December 2016, the carrying amount of trade and other receivables was RMB12,534,121,000 (2015: RMB14,543,387,000), net of allowance for doubtful debts of RMB459,028,000 (2015: RMB452,483,000). Additionally, as at 31 December 2016, the carrying amounts due from related companies was RMB412,464,000 (2015: RMB181,745,000).

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. As at 31 December 2016, the carrying amount of inventories was RMB965,674,000 (2015: RMB1,386,584,000). The management reviews the inventory age listing on a periodic basis to identify slow-moving, obsolete and defective inventories. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The amount of allowance would be changed as a result of changes in current market conditions and technology subsequently. During the year, inventories of RMB199,905,000 (2015: RMB275,419,000) mainly in relation to project assets and solar modules relating to solar farm projects in the USA were written-down and included in cost of sales because the relevant costs of certain inventories were higher than their net realisable values.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

As disclosed in note 23, the estimation of fair value of the convertible bonds receivable may include some assumptions not supported by observable market prices or rates, including the volatility of the share price of the issuer and its comparable entities for the relevant period, dividend yield, discount rate, the possibility to satisfy the Profit Guarantee Requirement (as defined in note 23), which is determined based on the management's expectations for the market development. As at 31 December 2016, the fair value of convertible bonds receivable was approximately RMB128,211,000 (2015: RMB93,707,000).

As disclosed in note 39, the estimation of fair value of the convertible bonds payables may include some assumptions not supported by observable market prices or rates, including the volatility of the share price of the Company, dividend yields and discount rate, which are determined based on the management's expectations for the market development. As at 31 December 2016, the fair value of the convertible bonds payables was approximately RMB2,012,997,000 (2015: RMB2,018,472,000).

Note 45 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

6. Segment Information

Information reported to the Executive Directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided, except for the business operations of GNE, which is assessed by the CODM as a separate operating segment.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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 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 the discontinued operation of non-solar power business, which are described in more details in note 13.

6. Segment Information (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results 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 1 & 2)	Total RMB'000
Segment revenue				
Revenue from external customers	19,269,818	508,294	3,737,989	23,516,101
Segment profit (loss)	2,319,517	(161,262)	131,365	2,289,620
Add: loss for the year from discontinued operation 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 (note 23)				34,504
Loss on fair value change of convertible bonds issued by the Company (note 39)				(180,878)
Gain on fair value change of held for trading investments				24,947
Profit for the year from continuing operations				2,306,952

6. Segment Information (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2016 (Continued)

Additional analysis presented to CODM which exclude the operating results of PCB business of GNE Group, is set out below:

	New energy business RMB'000 (Note 1 & 2)
Segment revenue — Continuing operations	
Revenue from external customers	**2,246,425**
Segment profit — Continuing operations	**243,573**

Year ended 31 December 2015

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000 (Note 1 & 2)	Total RMB'000
Segment revenue				
Revenue from external customers	19,242,635	553,801	1,969,899	21,766,335
Segment profit (loss)	1,872,435	(302,945)	6,393	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 (note 23)				(44,225)
Loss on fair value change of convertible bonds issued by the Company (note 39)				(35,275)
Loss on fair value change of held for trading investment				(3,611)
Compensation income arising from the amendment of settlement deed (note 8)				1,160,000
Profit for the year from continuing operations				2,291,123

6. Segment Information (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2015 (Continued)

Additional analysis presented to CODM which exclude the operating results of PCB business of GNE Group, is set out below:

	New energy business RMB'000 (Note 1 & 2)
Segment revenue — Continuing operations	
Revenue from external customers	688,009
Segment profit — Continuing operations	59,435

Note 1: The operating results of new energy business include corporate expenses and the effect arising from fair value adjustments relating to the assets and liabilities of GNE acquired in 2014, which are subject to the amortisation/depreciation over the estimated useful lives of the relevant assets.

Note 2: The revenue of the new energy business for the current year comprised sales of electricity (including tariff adjustment) amounting to approximately RMB2,246,425,000 (2015: RMB688,009,000) and sales of printed circuit boards ("PCB") amounting to approximately RMB1,491,564,000 (2015: RMB1,281,890,000).

The segment profit of the new energy business for the current year comprised profit contributed by the sale of electricity of approximately RMB243,573,000 (2015:RMB59,435,000) and loss contributed by the sale of PCB of approximately RMB112,208,000 (2015: RMB53,042,000).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. 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.

6. Segment Information (Continued)

Segment assets and liabilities

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

	2016 RMB'000	2015 RMB'000
Segment assets		
Solar material business	38,350,554	47,161,479
Solar farm business	4,156,910	4,709,445
New energy business (Note)	41,437,588	23,194,743
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	341,923	197,665
Consolidated assets	87,019,313	79,691,490
Segment liabilities		
Solar material business	25,633,378	36,246,293
Solar farm business	2,407,710	3,843,939
New energy business (Note)	34,157,909	20,422,363
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	271,837	282,333
Consolidated liabilities	63,625,371	62,132,006

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

- All assets are allocated to operating segments, other than 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 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. In 2016, the fair value adjustments are fully offset by the 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.

6. Segment Information (Continued)

Other segment information (included in the segment profit or loss or segment assets or regularly provided to the CODM)

Year ended 31 December 2016

Continuing operations and discontinued operation of PCB business

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000 (Note)	Unallocated RMB'000	Elimination of inter-segment profit RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to joint ventures	520,000	—	18,784	—	—	538,784
Addition to property, plant and equipment, prepaid lease payments and other intangible assets						
— arising from acquisition of subsidiaries	5,175	—	2,556,831	—	—	2,562,006
— other additions	2,175,625	29,949	11,294,822	—	—	13,500,396
Depreciation of property, plant and equipment	(2,610,297)	(157,431)	(715,779)	(26,239)	—	(3,509,746)
Depreciation of investment properties	(4,655)	—	—	—	—	(4,655)
Finance costs	(1,081,149)	(145,948)	(978,450)	(8,005)	52,079	(2,161,473)
Amortisation of prepaid lease payments	(23,205)	(361)	(3,337)	—	—	(26,903)
Amortisation of other intangible assets	(11,014)	—	—	—	—	(11,014)
Loss on disposal of property, plant and equipment	(26,356)	(105)	(28)	—	—	(26,489)
Write-down of inventories	(5,755)	(194,150)	—	—	—	(199,905)
Impairment loss on trade and other receivables, net	(6,545)	—	—	—	—	(6,545)
Impairment loss on property, plant and equipment	(442,175)	(98,562)	—	—	—	(540,737)
Loss on measurement to fair value less costs to sell	—	—	(114,435)	—	—	(114,435)
Research and development expenses	(247,295)	—	—	—	—	(247,295)
Income tax expense	(561,777)	(16,759)	(5,915)	(825)	—	(585,276)

6. Segment Information (Continued)

Other segment information (included in the segment profit or loss or segment assets or regularly provided to the CODM) (Continued)

Year ended 31 December 2015

Continuing operations and discontinued operation

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000 (Note)	Unallocated RMB'000	Elimination of inter-segment profit RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:						
Addition to joint ventures	—	1,740	16,256	—	—	17,996
Addition to property, plant and equipment, prepaid lease payments and other intangible assets						
— arising from acquisition of subsidiaries	—	—	1,522,874	—	—	1,522,874
— other additions	1,080,580	56,699	7,874,596	—	(28,196)	8,983,679
Depreciation of property, plant and equipment	(2,314,424)	(164,507)	(372,671)	(24,831)	—	(2,876,433)
Finance costs	(1,649,311)	(215,977)	(335,923)	(7,565)	—	(2,208,776)
Amortisation of prepaid lease payments	(20,050)	(269)	(2,340)	—	—	(22,659)
Amortisation of other intangible assets	(8,039)	—	—	—	—	(8,039)
(Loss) gain on disposal of property, plant and equipment	(14,675)	669	(941)	—	—	(14,947)
Write-down of inventories	(9,315)	(266,104)	—	—	—	(275,419)
Impairment loss on trade and other receivables	(252,936)	(28,882)	—	—	—	(281,818)
Impairment loss on property, plant and equipment	(147,286)	(28,000)	—	—	—	(175,286)
Research and development expenses	(257,190)	—	—	—	—	(257,190)
Income tax expense	(467,938)	(10,093)	(51,523)	—	—	(529,554)

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

6. Segment Information (Continued)

Revenue from major products

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

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

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 26.

Geographical information

The Group's revenue from continuing operations and discontinued operation from external customers by location of operations and information about its non-current assets by location of the assets are detailed below:

Continuing operations and discontinued operation

	Revenue from external customers		Non-current assets*	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
The PRC	**19,850,038**	18,702,037	**58,375,492**	44,985,222
Taiwan	**1,410,388**	2,016,045	**—**	—
Malaysia	**678,407**	196,061	**—**	—
Korea	**624,986**	677	**—**	—
Thailand	**360,057**	27,487	**—**	—
Singapore	**221,075**	35,642	**—**	—
Vietnam	**114,481**	54,520	**—**	—
India	**108,780**	21,529	**—**	—
The USA	**57,732**	101,353	**851,811**	502,082
Hong Kong	**50,850**	159,610	**274,377**	306,749
Japan	**10,072**	35,888	**84,020**	32,206
Others	**29,235**	415,486	**—**	—
	23,516,101	21,766,335	**59,585,700**	45,826,259

* Non-current assets excluded those relating to discontinued operations, deferred tax assets and financial instruments.

6. Segment Information (Continued)

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]	2,217,592	N/A[2]

[1] Revenue from solar material business — sales of wafer.

[2] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

No customer contributing over 10% of total sales of the Group for the year ended 31 December 2015.

7. Other Income

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations		
Government grants (note 34)	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	63,313	42,430
	926,431	908,578

8. 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.

9. 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 (Note)	**—**	21,383
Total borrowing costs	**2,431,784**	2,387,307
Less: Interest capitalised	**(282,518)**	(192,580)
	2,149,266	2,194,727

Borrowing costs capitalised during the year arose on 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.

10. Other Expenses, Gains and Losses, Net

	2016 RMB'000	2015 RMB'000 (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 (note 23)	**(34,504)**	44,225
Loss on fair value change of convertible bonds payables (note 39)	**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 (note 17A) (Note a)	**540,737**	175,286
Impairment loss on deposits for acquisitions of property, plant and equipment (Note b)	**59,536**	—
Loss on fair value change of derivative financial instruments, net	**3,436**	12,575
Impairment loss on trade and other receivables, net (note 26)	**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)**	—
	1,091,067	1,224,640

Notes:

(a) Amounts represent the impairment loss recognised on property, plant and equipment of the solar material business and solar farm business of RMB442,175,000 (2015: RMB147,286,000) and RMB98,562,000 (2015: RMB28,000,000), respectively. Details of the above said impairments are set out in note 17A.

(b) Impairment loss on deposits for acquisitions of property, plant and equipment represents specific impairment on (i) a deposit of RMB30,000,000 upon suspension of a construction project in consequence of an updated cost benefit analysis based on the forecast market trend; and (ii) a deposit of RMB29,536,000 upon liquidation of a third party construction company.

11. Income Tax Expense

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
Current tax	**439,214**	390,024
Overprovision in prior years	**(27,376)**	(25,081)
	411,838	364,943
USA Federal and State Income Tax		
Current tax	**260**	28
Underprovision in prior years	**9**	—
	269	28
Hong Kong Profits Tax — Current Tax	**—**	3,993
Other jurisdictions	**11**	—
PRC dividend withholding tax	**46,834**	103,951
Deferred tax (note 24)	**78,220**	11,384
	537,172	484,299

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 overprovision 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 income 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 Profits tax was made for the year as there were no assessible profits for both years.

11. Income Tax Expense (Continued)

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. See note 24 for details.

The tax charge for the year from continuing operations can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Profit before tax (from continuing operations)	**2,844,124**	2,775,422
Tax at PRC EIT rate of 25% (Note)	**711,031**	693,856
Tax effect of expenses not deductible for tax purpose	**208,390**	144,134
Tax effect of income not taxable for tax purpose	**(191,673)**	(348,084)
Tax effect of share of (profits) losses of joint ventures	**(7,016)**	12,465
Tax effect of deductible temporary difference not recognised	**201,681**	172,605
Tax effect of tax losses not recognised	**96,815**	142,464
Utilisation of tax losses previously not recognised	**(174,462)**	(62,362)
Effect of tax exemption and tax concessions granted to certain subsidiaries in the PRC	**(463,261)**	(359,670)
Effect of different tax rates of group companies operating in jurisdictions other than the PRC	**(388)**	14,631
Withholding tax	**183,440**	99,341
Overprovision in prior years, net	**(27,385)**	(25,081)
Income tax expense for the year from continuing operations	**537,172**	484,299

Note: The PRC EIT rate is used as it is the domestic tax in the jurisdiction whose the operation of the Group is substantially based.

12. Profit for the Year

	2016 RMB'000	2015 RMB'000 (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	**98,466**	152,329
Total staff costs	**2,461,235**	2,243,740
Depreciation of property, plant and equipment	**3,431,250**	2,656,562
Depreciation of investment properties	**4,655**	—
Amortisation of prepaid lease payments	**26,192**	21,950
Amortisation of other intangible assets (included in cost of sales)	**11,014**	8,039
Total depreciation and amortisation	**3,473,111**	2,686,551
Add (less): net amounts included in opening and closing inventories	**(77,360)**	39,100
Total of depreciation and amortisation charged to profit or loss	**3,395,751**	2,725,651
Auditor's remuneration	**12,544**	10,205

13. 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 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 year from discontinued operations

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

	2016 **RMB'000**	2015 RMB'000 (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 (note 30)	**(114,435)**	—
Loss for the year from discontinued operations	**(112,208)**	(53,042)

13. Discontinued Operations (Continued)

Year ended 31 December 2016 (Continued)

Analysis of loss for the year from discontinued operations (Continued)

	2016 RMB'000	2015 RMB'000 (Restated)
Loss for the year 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	711	709
Total of depreciation and amortisation	156,567	220,580
Cost of Inventories recognised as an expense (excluding fair value adjustment)	1,389,065	1,255,539
Auditor's remuneration	694	321

Note: During the year ended 31 December 2016, staff costs and depreciation and amortisation of approximately RMB212,528,000 (2015: RMB187,991,000) and RMB158,024,000 (2015: RMB224,055,000), respectively, capitalised as cost of inventories by GNE Group. Depreciation and amortisation adjustment of RMB5,761,000 (2015: RMB8,768,000) arising from fair value adjustments relating to assets and liabilities of GNE acquired in 2014 was included in the amount in table above.

During the year, GNE Group's PCB business contributed RMB136 million (2015: RMB165 million) to the Group's net operating cash flows, paid RMB139 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.

13. Discontinued Operations (Continued)

Year ended 31 December 2015 (Continued)

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 (see note 42)	82,411
	488,643

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	7,481
Profit before tax	624,990
Income tax expense	(218,758)
	406,232
Gain on disposal of non-solar power business	82,411
Profit for the period from discontinued operations	488,643

13. Discontinued Operations (Continued)

Year ended 31 December 2015 (Continued)

Analysis of profit for the period from discontinued operations (Continued)

	Period from 1 January 2015 to 8 December 2015 RMB'000
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	2,000
Total staff costs	476,399
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)	10,138
Total of depreciation and amortisation	351,591
Auditor's remuneration	2,163

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.

The carrying amounts of the assets and liabilities of the Group's non-solar power business at the date of disposal are disclosed in note 42.

14. Directors', Chief Executive's Emoluments and Five Highest Paid Employees

Particulars of the emoluments of directors, the chief executive and the five highest paid employees are as follows:

(a) Directors' and Chief Executive's emoluments

Directors' and chief executive's remuneration for this year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

Year ended 31 December 2016

Name of director	Directors' fee RMB'000	Salaries and other benefit RMB'000	Performance related bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive Directors (Note 6)						
Mr. ZHU Gongshan	—	5,285	5,837	—	—	11,122
Mr. ZHU Zhanjun	—	4,000	4,048	216	631	8,895
Mr. JI Jun	—	1,284	98	59	210	1,651
Mr. ZHU Yufeng	—	5,133	3,894	79	800	9,906
Ms. SUN Wei (Note 3)	—	1,673	4,342	49	1,185	7,249
Mr. YEUNG Man Chung, Charles	—	4,586	3,489	134	2,153	10,362
Mr. JIANG Wenwu (Note 1)	—	1,990	3,132	87	495	5,704
Mr. ZHENG Xiongjiu (Note 2)	—	1,990	2,705	105	586	5,386
Non-executive Director (Note 7)						
Mr. SHU Hua (Note 4)	—	—	—	—	510	510
Independent Non-executive Directors (Note 8)						
Ir. Dr. HO Raymond Chung Tai	642	—	—	—	211	853
Mr. YIP Tai Him	471	—	—	—	211	682
Dr. SHEN Wenzhong	257	—	—	—	—	257
Mr. WONG Man Chung, Francis (Note 5)	257	—	—	—	—	257
	1,627	25,941	27,545	729	6,992	62,834

Note 1: Mr. Jiang Wenwu was appointed as an executive director on 1 April 2016.

Note 2: Mr. Zheng Xiongju was appointed as an executive director on 1 April 2016.

Note 3: Ms. Sun Wei was appointed as an executive director on 9 September 2016.

Note 4: Mr. Shu Hua resigned as a non-executive director on 9 September 2016.

Note 5: Mr. Wong Man Chung, Francis was appointed as an independent non-executive director on 1 April 2016.

Note 6: The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Note 7: The non-executive director's emoluments shown above were mainly for his service as a director of the Company or its subsidiaries.

Note 8: The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

14. Directors', Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

Year ended 31 December 2015

Name of director	Directors' fee RMB'000	Salaries and other benefit RMB'000	Performance related bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive Directors (Note 6)						
Mr. ZHU Gongshan	—	4,021	4,820	—	—	8,841
Mr. ZHU Zhanjun (Note 1)	—	1,879	2,169	52	610	4,710
Mr. JI Jun	—	1,205	96	56	235	1,592
Mr. ZHU Yufeng	—	2,080	3,214	74	816	6,184
Ms. Sun Wei (Note 2)	—	178	—	7	168	353
Mr. YEUNG Man Chung, Charles	—	3,811	1,825	102	2,616	8,354
Non-executive Director (Note 7)						
Mr. SHU Hua (Note 3)	—	131	—	—	571	702
Independent Non-executive Directors (Note 8)						
Ir. Dr. HO Raymond Chung Tai	603	—	—	—	168	771
Mr. YIP Tai Him	442	—	—	—	168	610
Mr. XUE Zhongsu (Note 4)	53	—	—	—	—	53
Dr. SHEN Wenzhong (Note 5)	103	—	—	—	—	103
	1,201	13,305	12,124	291	5,352	32,273

Note 1: Mr. Zhu Zhanjun was appointed as an executive director on 23 January 2015.

Note 2: Ms. Sun Wei resigned as an executive director on 23 January 2015.

Note 3: Mr. Shu Hua was re-designated as a non-executive director from an executive director on 23 January 2015.

Note 4: Mr. Xue Zhongsu resigned as an independent non-executive director on 8 May 2015.

Note 5: Dr. Shen Wenzhong was appointed as an independent non-executive director on 15 July 2015.

Note 6: The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

Note 7: The non-executive director's emoluments shown above were mainly for his services as director of the Company or its subsidiaries.

Note 8: The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

14. Directors', Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

Bonuses are discretionary and are based on the Group's performance for the year.

Mr. Zhu Zhanjun (2015: Mr. Zhu Gongshan) is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive officer.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years except that Mr. Shu Hua had waived his director's fee of HK$469,863 (equivalent to RMB400,417) and HK$345,628 (equivalent to RMB295,788) for the period from 23 January 2015 to 31 December 2015 and 1 January 2016 to 9 September 2016, respectively.

No other directors waived any emoluments and no incentive paid on joining and no compensation for the loss of office during both years.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included five directors (2015: four directors), details of whose remuneration set out in (a) above. The emoluments of the remaining one individual in 2015 were as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other allowances	**N/A**	4,257
Retirement benefits scheme contributions	**N/A**	137
	N/A	4,394

The number of the highest paid employee including the directors of the Company, with emolument fell within the following bands is as follows:

	2016 No. of employees	2015 No. of employees
HK$5,000,001 to HK$5,500,000	**N/A**	1

14. Directors', Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

(b) Five highest paid employees (Continued)

	2016 No. of directors	2015 No. of directors
HK$5,500,001 to HK$6,000,000	—	1
HK$7,500,001 to HK$8,000,000	—	1
HK$8,000,001 to HK$8,500,000	1	—
HK$10,000,001 to HK$10,500,000	1	1
HK$11,500,001 to HK$12,000,000	1	1
HK$12,000,001 to HK$12,500,000	1	—
HK$13,000,001 to HK$13,500,000	1	—

(c) Compensation of key management personnel

The remuneration of senior management personnel, including Directors' and Chief Executive's remuneration during the year was as follows:

	2016 RMB'000	2015 RMB'000
Short-term benefits	60,479	30,887
Post-employment benefits	887	428
Share-based payments	6,992	5,352
	68,358	36,667

The remuneration of Directors and other key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

15. Dividends

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

	2016 RMB'000	2015 RMB'000
2015 special dividend — HK$0.0862 (2016: nil) per share	—	1,120,000

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

16. 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 RMB'000 (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	—	(111,499)
Earnings for the purpose of diluted earnings per share from continuing operations	2,029,412	2,313,721

	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	—	303,034
Weighted average number of ordinary shares for the purpose of diluted earnings per share	18,399,209	15,933,823

16. Earnings Per Share (Continued)

For continuing and discontinued operations (Continued)

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 (as defined in note 40) 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	**69,883**	(286,254)
Earnings for the purpose of basic earnings per share from continuing operations	**2,099,295**	2,138,966

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.

17A. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Aircraft RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2015	7,164,138	37,397,966	368,655	491,631	148,305	6,433,992	52,004,687
Additions	348,598	324,912	—	50,603	42,934	8,970,302	9,737,349
Acquired on acquisition of subsidiaries	—	442,569	—	53	—	1,080,252	1,522,874
Transfer	834,886	8,997,169	—	5,245	—	(9,837,300)	—
Transfer to assets held for sale	(63,246)	(182,092)	—	—	—	—	(245,338)
Disposals	(28,306)	(160,236)	—	(11,695)	(12,737)	(1,350)	(214,324)
Disposals of non-solar power business	(1,512,668)	(5,870,438)	—	(46,039)	(31,765)	(221,300)	(7,682,210)
Effect of foreign currency exchange differences	817	13,488	—	3,253	270	—	17,828
At 31 December 2015	6,744,219	40,963,338	368,655	493,051	147,007	6,424,596	55,140,866
Additions	22,952	268,918	—	77,051	32,332	13,099,143	13,500,396
Acquired on acquisition of subsidiaries	—	2,372,858	—	—	—	189,148	2,562,006
Transfer	697,242	12,830,354	—	20,882	(358)	(13,548,120)	—
Transfer to assets held for sale	(236,906)	(1,403,257)	—	(121,520)	(11,635)	—	(1,773,318)
Transfer to investment properties	(103,279)	—	—	—	—	—	(103,279)
Disposals	(25,711)	(1,066,952)	—	(13,813)	(14,673)	(11,857)	(1,133,006)
Effect of foreign currency exchange differences	1,013	51,833	—	3,873	396	844	57,959
At 31 December 2016	7,099,530	54,017,092	368,655	459,524	153,069	6,153,754	68,251,624
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2015	1,215,659	10,228,394	59,394	211,281	76,983	286,285	12,077,996
Depreciation expense	338,276	2,768,100	24,578	54,210	22,508	—	3,207,672
Transfer to assets held for sale	(19,211)	(56,009)	—	—	—	—	(75,220)
Eliminated on disposals of assets	(19,793)	(76,407)	—	(6,829)	(6,741)	(1,350)	(111,120)
Eliminated on disposals of non-solar power business	(353,928)	(1,425,129)	—	(22,699)	(11,157)	(200)	(1,813,113)
Impairment losses recognised in profit or loss	12,158	136,531	—	—	—	39,290	187,979
Effect of foreign currency exchange differences	359	13,479	—	2,745	184	—	16,767
At 31 December 2015	1,173,520	11,588,959	83,972	238,708	81,777	324,025	13,490,961
Depreciation expense	335,513	3,157,106	24,577	51,845	18,065	—	3,587,106
Transfer to assets held for sale	(34,277)	(1,143,489)	—	(99,596)	(7,769)	—	(1,285,131)
Transfer to investment properties	(18,852)	—	—	—	—	—	(18,852)
Eliminated on disposals of assets	(274)	(534,365)	—	(8,350)	(11,671)	—	(554,660)
Impairment losses recognised in profit or loss	1,537	440,638	—	—	—	98,562	540,737
Effect of foreign currency exchange differences	492	25,826	—	3,331	256	—	29,905
At 31 December 2016	1,457,659	13,534,675	108,549	185,938	80,658	422,587	15,790,066
CARRYING AMOUNTS							
At 31 December 2016	5,641,871	40,482,417	260,106	273,586	72,411	5,731,167	52,461,558
At 31 December 2015	5,570,699	29,374,379	284,683	254,343	65,230	6,100,571	41,649,905

17A. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of lease terms or 2%–5%
Plant and machinery	4%–25% or % calculated based on license period
Aircraft	62/3%
Office equipment	20%–33%
Motor vehicles	20%–30%

The carrying amount of property, plant and equipment as at 31 December 2016 includes (i) an aircraft; (ii) certain plant and machinery located in the PRC; and (iii) certain solar farms in the USA, are held under sale and finance leaseback arrangements of approximately RMB260,106,000 (2015: RMB284,683,000), RMB3,240,723,000 (2015: RMB3,955,448,000) and RMB327,352,000 (2015: RMB327,373,000), respectively.

Before 31 December 2015, plant and machinery used for manufacturing of PCB were depreciated at 10% per annum. Due to technology advancement on plant and machinery and products to be manufactured, the Directors have assessed that the estimated useful lives of these assets are expected to be shorter than previously estimated.

With effect from the year ended 31 December 2015, those plant and machinery used for manufacturing of PCB are depreciated at 16.67% per annum and such revision is accounted for as a change in accounting estimate prospectively.

2016

Impairment loss on solar material business

Due to technological advancement, management conducted a review of the Group's machinery and equipment and determined that a number of those assets were impaired. For those assets that were not in a good condition to be used in the future, the Group determined recoverable amount based on fair value less disposal cost and recognised an impairment loss of RMB419,872,000 (2015: RMB147,286,000) for the year ended 31 December 2016.

In addition, the Group has a manufacturing facility under construction which requires further time on development to achieve full scale production. The Group has performed an impairment assessment with recoverable amounts of the relevant assets determined on the basis of replacement cost method and recognised an impairment loss of RMB22,303,000 (2015:nil) for such assets during the year ended 31 December 2016.

Impairment loss on solar farm business

During the year ended 31 December 2016, the Group further recognised an impairment loss of RMB98,562,000 (2015: RMB28,000,000) in respect of property, plant and equipment of the solar farm business, mainly related to the solar farm projects under development in Puerto Rico since there is high uncertainty on expected return with reference to recent local economic situation and hence the management determined to impair the related project assets.

17A. Property, Plant and Equipment (Continued)

2015

Impairment loss on non-solar power business (discontinued operations)

The local government of Taicang city was undertaking an integration of cogeneration plants in Taicang city in order to improve the power generation efficiency. Pursuant to this integration policy, Taicang Poly Xiexin Thermal Power Co., Ltd. ("Taicang Poly Plant"), a subsidiary of the Group, agreed with the local government of Taicang city to shut down the power plant and to cease its operation in 2015. During the year ended 31 December 2015, an impairment loss of RMB12,693,000 and RMB13,221,000 for the property, plant and equipment and prepaid lease payments of Taicang Poly Plant, respectively, has been recognised in other expenses, gains or losses in discontinued operations.

As part of the overall integration arrangement, Xuzhou Western Environmental Protection Co-generation Power Co., Ltd. ("Xuzhou Cogeneration Plant") also signed a steam supply agreement with an independent third party who will replace Xuzhou Cogeneration Plant to supply steam to customers after its shut down. According to the steam supply agreement, Xuzhou Cogeneration Plant agreed to share 50% of the cost for reinstalling steam pipelines connecting the Xuzhou Cogeneration Plant's customers with the facilities of the independent third party, and accordingly, a provision for reinstallation cost of RMB10,680,000 was recognised as at 31 December 2015 which was charged against other expenses, gains and losses in discontinued operations.

17B. Investment Properties

	RMB'000
COST	
As at 1 January 2015, 31 December 2015 and 1 January 2016	—
Transfer from property, plant and equipment	103,279
As at 31 December 2016	103,279
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
As at 1 January 2015, 31 December 2015 and 1 January 2016	—
Transfer from property, plant and equipment	18,852
Provided for the year	4,655
As at 31 December 2016	23,507
CARRYING AMOUNTS	
As at 31 December 2016	79,772
As at 31 December 2015	—

The investment properties are depreciated on a straight-line basis over the shorter of lease terms or 5% per annum.

17B. Investment Properties (Continued)

The fair value of the Group's investment properties at 31 December 2016 was approximately RMB78,316,000 (31 December 2015: nil). The fair value was determined by the Directors with reference to recent market evidence of transaction prices for similar properties in similar locations and conditions and was classified as level 2 fair value measurement under the fair value hierarchy.

In estimating the fair value of the properties, the highest and best use of the properties is their current usage.

18. Prepaid Lease Payments

	2016 RMB'000	2015 RMB'000
Analysed for reporting purposes as:		
Current assets	**25,726**	25,127
Non-current assets	**1,123,690**	1,101,931
	1,149,416	1,127,058

During the year ended 31 December 2015, the Group shut down Taicang Poly Plant due to the government policy on integration of cogeneration plants in Taicang city (note 17A). Accordingly, an impairment loss of RMB13,221,000 in respect of the prepaid lease payments of Taicang Poly Plant was recognised in other expenses, gains and losses in discontinued operations.

19. Goodwill

	2016 RMB'000	2015 RMB'000
COST		
Balance at beginning of the year	**407,842**	984,396
Disposal of non-solar power business (note 42)	**—**	(576,554)
Balance at end of the year	**407,842**	407,842
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning of the year	**231,314**	484,537
Impairment loss recognised in the year	**—**	16,000
Disposal of non-solar power business (note 42)	**—**	(269,223)
Balance at end of the year	**231,314**	231,314
CARRYING AMOUNTS		
Balance at end of the year	**176,528**	176,528

For the purpose of impairment testing, goodwill has been allocated to individual subsidiaries, each of which constitutes a cash-generating unit ("CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) allocated to these CGUs are as follows:

	2016 RMB'000	2015 RMB'000
Konca Solar Cell Co., Ltd. ("Konca Solar")	**176,528**	176,528
Delingha (as defined in note 21)	**—**	—
	176,528	176,528

As at 31 December 2016, the Group carried out an annual goodwill impairment testing in relation to goodwill for Konca Solar. The basis of the recoverable amounts of the CGU in Konca Solar and its major underlying assumptions are summarised below:

The recoverable amount of the CGU in Konca Solar is determined based on a value in use calculation by the Directors on the CGU in Konca Solar as at 31 December 2016. That calculation uses cash flow projections based on a five-year financial budgets approved by the Directors at a discount rate of 10.03% (2015: 10.03%) for the CGU in Konca Solar. Cash flows beyond the five-year period are extrapolated using 3% (2015: 3%) growth rate for Konca Solar. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include budgeted sales and gross margin. Such estimation is based on past performance of the CGU in Konca Solar and management's expectations for the market development.

19. Goodwill (Continued)

The management determined there is no impairment for Konca Solar for the years ended 31 December 2016 and 2015 as Konca Solar has been profitable and has strong financial position as at 31 December 2016 and 2015 and therefore, the recoverable amounts exceed its carrying value.

During the year ended 31 December 2015, the Group recognised an impairment loss of RMB16,000,000 (2016: nil) in relation to the goodwill allocated to certain CGUs of the non-solar power business as the recoverable amounts determined based on value in use calculations were lower than the relevant carrying amounts including goodwill.

20. Other Intangible Assets

	Customer lists RMB'000	Technical know-how RMB'000	Restricted licence RMB'000	Total RMB'000
COST				
At 1 January 2015	—	108,507	111,989	220,496
Addition	5,797	—	—	5,797
Disposal of non-solar power business (note 42)	(5,797)	—	(111,989)	(117,786)
At 31 December 2015	—	108,507	—	108,507
Addition	—	81,926	—	81,926
At 31 December 2016	—	190,433	—	190,433
ACCUMULATED AMORTISATION AND IMPAIRMENT				
At 1 January 2015	—	46,390	37,757	84,147
Amortisation expense	—	8,039	10,138	18,177
Disposal of non-solar power business (note 42)	—	—	(47,895)	(47,895)
At 31 December 2015	—	54,429	—	54,429
Amortisation expense	—	11,014	—	11,014
At 31 December 2016	—	65,443	—	65,443
CARRYING AMOUNTS				
At 31 December 2016	—	124,990	—	124,990
At 31 December 2015	—	54,078	—	54,078

20. Other Intangible Assets (Continued)

Customer lists and restricted licence for the operation of waste management power plant issued by the local government are acquired through the acquisition of a company by the non-solar power business and they were disposed of together with the non-solar power business during 2015.

Technical know-how are mainly acquired by solar material business from third parties in relation to technical know-how of hydrochlorination production techniques and hydrochlorination recycling system, trichlorosilane fluidised bed reactor ("FBR") technics, perovskite solar cells technics and technical know-how on production for polysilicon and wafer products.

The intangible assets have definite useful lives and are amortised using the following basis:

Customer lists	straight-line basis over 10 years
Technical know-how	straight-line basis over 10 years
Restricted licence	straight-line basis over 23 years

21. Interests in Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	2016 **RMB'000**	2015 RMB'000
Cost of unlisted investment in joint ventures	**790,660**	284,352
Share of post-acquisition profit/(loss), net of dividend received	**(132,376)**	(119,208)
Loan to a joint venture	**—**	313
Effect of foreign currency exchange differences	**1,012**	(7,394)
	659,296	158,063

21. Interests in Joint Ventures (Continued)

As at 31 December 2016, the Group has interests in the joint ventures incorporated and operated in Luxembourg/South Africa, the PRC, USA and BVI/Japan as follows:

Name of company	Country of incorporation/ operation	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activities
		2016	2015	**2016**	2015	
SA Equity Holdco S.a.r.l. ("SA Equity") (Note a)	Luxembourg/ South Africa	**51%**	51%	**51%**	51%	Investment holding of photovoltaic power generation projects in South Africa
伊犁協鑫能源有限公司 Yili GCL New Energy Limited* ("Yili") (Note b)	PRC	**31.14%**	31.14%	**31.14%**	31.14%	Operation of solar farm in the PRC
海南州世能光伏發電有限公司 Hainanzhou Shineng Photovoltaic Power Co., Ltd.* ("Shineng") (Note c)	PRC	**—**	37.37%	**—**	37.37%	Operation of solar farm in the PRC
GCL-SR Solar Energy, LLC	USA	**50%**	50%	**50%**	50%	Development of photovoltaic power generation projects in the USA
啟創環球有限公司 Qichuang Global Limited ("Qichuang") (Note d)	BVI/Japan	**31.14%**	31.14%	**31.14%**	31.14%	Operation of solar farm in Japan
江蘇鑫華半導體材料科技有限公司 Jiangsu Xinhua Semiconductor Material Technology Co., Ltd* ("Jiangsu Xinhua") (Note e)	PRC	**50.98%**	—	**50.98%**	—	Production and trading of semiconductor polysilicon

* *English name for identification only*

Notes:

(a) At 31 December 2015 and 2016, the Group holds a 51% equity interests in SA Equity which is an investment holding company for a 76% equity interest in each of Solar Reserve GCL Soutdrift PV1 Proprietary Limited and Solar Reserve GCL Humansrus PV1 Proprietary Limited that indirectly holds a 150MW photovoltaic power plant in South Africa.

Pursuant to the subscription agreement entered into by the Group and the other shareholder, the relevant activities of SA Equity require unanimous consent of the parties sharing control. As a result, SA Equity is accounted for as a joint venture of the Group.

(b) At 31 December 2015 and 2016, GNE, a 62.28% owned subsidiary of the Group, holds 50% equity interest in Yili. Therefore, the Group indirectly holds 31.14% equity interest in Yili.

During the year ended 31 December 2015, GNE Group has further injected capital of RMB16,100,000 to Yili.

21. Interests in Joint Ventures (Continued)

Notes: (Continued)

(c) On 30 December 2014, GNE acquired 100% equity interests in Delingha Century Concord Photovoltaic Power Co., Ltd. ("Delingha") which in turn holds a 60% equity interest in Shineng. Therefore, the Group indirectly holds 37.37% equity interest in Shineng through GNE. Pursuant to shareholders agreement of Shineng, two-third of the votes is required to direct the relevant activities. The Directors consider that the Group can only exercise joint control over Shineng and it is therefore classified as a joint venture of the Group.

On 23 September 2016, GNE Group acquired the remaining 40% equity interest in Shineng at a consideration of RMB36,000,000 and therefore obtained control over Shineng, which becomes a subsidiary of GNE Group. Accordingly, the Group indirectly holds 62.28% equity interest in Shineng through GNE.

(d) In November 2015, GNE Group entered into an agreement with independent third parties, pursuant to which GNE invested 50% equity interest in Qichuang at a consideration of approximately RMB155,000. Therefore, the Group indirectly holds 31.14% equity interest in Qichuang. The Group has joint control over Qichuang as under the contractual agreements, unanimous consent is required from all parties to the agreements for all the relevant activities.

(e) In April 2016, the Group entered into a joint venture investment agreement ("Investment Agreement") with an independent investor ("JV Partner"), pursuant to which the Group invested 50.98% equity interest in Jiangsu Xinhua at a consideration of RMB520,000,000 in the form of property, plant and equipment which approximates the fair values of the relevant assets at date of transfer. Pursuant to the Investment Agreement, certain relevant activities require unanimous consent of the parties sharing control. The Directors consider that the Group can only exercise joint control over Jiangsu Xinhua and it is therefore classified as a joint venture of the Group.

Pursuant to the Investment Agreement, the independent third party also has the right to request the Group to repurchase its 49.02% equity interest at a premium price if Jiangsu Xinhua failed to complete certain conditions as set out in note 38. This put option is a derivative financial instrument within the scope of IAS 39. In the opinion of the Directors, the fair value of the put option was insignificant at initial recognition and it is re-measured at fair value at 31 December 2016 with a loss on fair value change of RMB16,011,000 recognised as derivative financial instrument. See note 38 for details.

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint venture, Jiangsu Xinhua, is set out below.

All joint ventures are accounted for using the equity method in these consolidated financial statements.

Jiangsu Xinhua

	2016 RMB'000
Current assets	412,107
Non-current assets	750,544
Current liabilities	(104,027)
Non-current liabilities	(47,150)

The above amounts of assets and liabilities include the following:

	2016 RMB'000
Cash and cash equivalents	81,048

21. Interests in Joint Ventures (Continued)

Summarised financial information of material joint ventures (Continued)

Jiangsu Xinhua (Continued)

	2016 RMB'000
Revenue	—
Loss from operations and total comprehensive expense	(8,533)

The above loss for the year including the following:

Interest income	5,444
Interest expenses	2,434

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangsu Xinhua recognised in the consolidated financial statements is set out below:

	2016 RMB'000
Net assets of Jiangsu Xinhua	1,011,474
Proportion of the Group's ownership interest in Jiangsu Xinhua	50.98%
Carrying amount of the Group's interest in Jiangsu Xinhua	515,650

Aggregate information of joint ventures that are not individually material

	2016 RMB'000	2015 RMB'000
The Group's share of profits (losses)	37,839	(49,859)
The Group's share of other comprehensive income	8,405	11,011
The Group's share of total comprehensive income (expense)	46,244	(38,848)

22. Available-for-Sale Investments

	2016 RMB'000	2015 RMB'000
Available-for-sale investments comprise:		
Listed investments:		
Debt securities listed in the Stock Exchange	**112,922**	38,726
Unlisted investments:		
Equity securities (Note)	**300,000**	90,000
Total	**412,922**	128,726
Analysed for reporting purpose as:		
Current assets	**112,922**	38,726
Non-current assets	**300,000**	90,000
	412,922	128,726

Note: The above unlisted equity interests represent investments in unlisted equity securities issued by a private entity established in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably.

23. Convertible Bonds Receivable

During the year ended 31 December 2013, the Group disposed of its 17.39% equity interests in China Merchant New Energy Holdings Limited ("CMNE") to United Photovoltaics Group Limited ("United Photovoltaics") ("CMNE Disposal") in exchange for the convertible bonds receivable from United Photovoltaics with principal amount of HK$159,988,000 (equivalent to RMB125,783,000). The convertible bonds receivable is non-interest bearing and matures on 10 June 2018.

There is a lock-up period of the convertible bonds receivable which expired on 31 December 2015. Each HK$1 of the convertible bonds receivable can be converted into one ordinary share of United Photovoltaics, at any time after the lock-up period until the maturity date.

According to certain profit guarantee requirements set out in the sale and purchase agreement of the CMNE Disposal, if the profits earned by CMNE during 1 January 2013 to 31 December 2015 (the "Profit Guarantee Period") is less than approximately HK$495,000,000 (equivalent to RMB414,711,000) (the "Guaranteed Profit"), the principal amount of the convertible bonds receivable will be downward adjusted in the proportion of the actual profits earned by CMNE during the Profit Guarantee Period to the Guaranteed Profit (the "Profit Guarantee Requirement"). No adjustment will be made if the Profit Guarantee Requirement is achieved. As at 31 December 2016, no adjustment on the principal amount of the convertible bonds receivable is made as the Profit Guarantee Requirement is achieved.

23. Convertible Bonds Receivable (Continued)

The Directors have designated the convertible bonds receivable as financial assets at FVTPL on initial recognition, and the fair value of the convertible bonds receivable at end of the reporting period is determined with reference to a valuation prepared by an independent professionally qualified valuer, DTZ Cushman & Wakefield Limited. Disclosures of the fair value measurement and significant unobservable inputs are set out in note 45.

The reconciliation of the change in fair value of the convertible bonds receivable is as follows:

	RMB'000
As at 1 January 2015	137,932
Change in fair value charged to profit or loss (note 10)	(44,225)
As at 31 December 2015	93,707
Change in fair value credited to profit or loss (note 10)	34,504
As at 31 December 2016	128,211

24. Deferred Taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2016 **RMB'000**	2015 RMB'000
Deferred tax assets	**114,747**	54,305
Deferred tax liabilities	**(367,121)**	(223,089)
	(252,374)	(168,784)

24. Deferred Taxation (Continued)

The following are the deferred tax assets (liabilities) recognised and movements thereon during the year:

	Property, plant and equipment	Prepaid lease payments	Other intangible assets	Withholding tax on undistributed profits	Unrealised profits on inventories	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	22,391	(47,929)	(18,558)	(331,438)	32,900	3,382	(339,252)
Acquisition of subsidiaries	—	—	—	—	—	(72)	(72)
(Charge) credit to profit or loss	1,156	4,554	2,534	(27,291)	(18,351)	(8,755)	(46,153)
Disposal of non-solar power business	15,791	40,146	16,024	144,764	—	—	216,725
Effect of foreign currency exchange differences	—	—	—	—	—	(32)	(32)
At 31 December 2015	39,338	(3,229)	—	(213,965)	14,549	(5,477)	(168,784)
Acquisition of subsidiaries	—	—	—	—	—	5,147	5,147
Credit (charge) to profit or loss	41,175	3,229	—	(137,765)	11,601	(21,583)	(103,343)
Reclassification to assets held for sale	—	—	—	14,064	—	578	14,642
Effect of foreign currency exchange differences	—	—	—	—	—	(36)	(36)
At 31 December 2016	80,513	—	—	(337,666)	26,150	(21,371)	(252,374)

At the end of the reporting period, the Group has unused tax losses of RMB1,337,240,000 (2015: RMB1,647,827,000) is contributed by continuing operations available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately RMB873,118,000 will expire from 2017 to 2021 and RMB464,122,000 may be carried forward indefinitely.

At the end of the reporting period, the Group has deductible temporary differences mainly in respect of impairment of certain assets in aggregate of RMB806,723,000 (2015: RMB732,523,000) for continuing operations. No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25. Inventories

	2016 RMB'000	2015 RMB'000
Raw materials	**403,742**	427,138
Work in progress	**175,961**	206,593
Semi-finished goods (Note)	**234,868**	376,208
Finished goods	**135,267**	133,288
Solar modules	**15,836**	79,065
Project assets	**—**	164,292
	965,674	1,386,584

Note: Semi-finished goods mainly represented polysilicon.

During the year ended 31 December 2016, cost of inventories from continuing operations of approximately RMB14,128,816,000 (2015: RMB14,610,972,000) recognised as cost of sales included write-down of inventories of approximately RMB199,905,000 (2015: RMB275,419,000).

Inventories written down were mainly in relation to project assets and solar modules relating to solar farm projects in the USA. The Group reviews project assets and solar modules whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable. In determining whether the project assets and solar modules are recoverable, the Group considers a number of factors, including the changes in environmental, ecological, permitting or regulatory conditions that affect the project. The management concluded that certain project assets and solar modules were written down to its net realisable values.

26. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables

Deposits, prepayments and other non-current assets

	2016 RMB'000	2015 RMB'000
Deposits for acquisitions of property, plant and equipment and intangible assets (Note a)	**267,583**	330,432
Deposits paid for EPC contracts and constructions (Note b)	**659,597**	929,739
Refundable value-added tax	**2,114,127**	1,036,986
Deposits paid for acquisitions of solar farm projects	**38,300**	13,410
Prepaid rent for parcels of land	**264,274**	160,715
Trade receivables (Note c)	**249,555**	175,700
Others	**46,464**	38,772
	3,639,900	2,685,754

26. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (Continued)

Trade and other receivables

	2016 RMB'000	2015 RMB'000
Trade receivables (Note c)	**4,316,435**	3,561,809
Less: allowance for doubtful debts	**(376,179)**	(352,483)
	3,940,256	3,209,326
Other receivables	**457,251**	432,712
Less: allowance for doubtful debts	**(82,849)**	(100,000)
	374,402	332,712
Value-added tax receivables	**692,373**	399,141
Bills receivable (trade-related) (Note d)	**6,086,715**	8,347,730
Other loan receivables (Note e)	**344,058**	389,378
Receivables for modules procurement (Note f)	**526,476**	1,325,203
Prepayments	**569,841**	539,897
	12,534,121	14,543,387
Analysed for reporting purposes as:		
— Current assets	**12,284,566**	14,367,687
— Non-current assets (Note c)	**249,555**	175,700
	12,534,121	14,543,387

Notes:

(a) Amount includes a deposit paid for the acquisition of intangible assets of US$15,000,000 (equivalent to approximately RMB104,055,000) for platform, people, intellectual property processes and advanced manufacturing technology regarding the technology of FBR, which will be transferred to non-current assets when the acquisition is completed. Details of the acquisition are set out in the announcement of the Company dated 28 August 2016.

(b) Deposits for EPC contracts and constructions represent deposits paid to contractors which will be transferred to property, plant and equipment under construction when the constructions commence.

26. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (Continued)

Notes: (Continued)

(c) Included in the Group's trade receivables are tariff adjustment receivables amounting to approximately RMB2,598,623,000 (2015: RMB1,013,018,000) recognised based on the prevailing nationwide government policies on renewable energy for solar farms. The Directors expected certain part of the tariff adjustment receivables amounting to approximately RMB249,555,000 (2015: RMB175,700,000) will be recovered after twelve months from the reporting date, and are discounted at an effective interest rate of 2.65% per annum as at 31 December 2016.

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 grants credit period of approximately one month to local power grid companies in the PRC from the date of invoice in accordance with the 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, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2016 **RMB'000**	2015 RMB'000
Unbilled (Note)	**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
	3,940,256	3,209,326

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.

The Directors closely monitor the credit quality of trade, bills and other receivables and consider the trade, bills and other receivables, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment record.

Included in the Group's trade receivables (excluding sales of electricity in the PRC) are debtors with aggregate carrying amount of RMB357,455,000 (2015: RMB951,112,000) which are past due as at the end of the reporting date. The average age of these receivables is 36 days (2015: 112 days). The Group has not provided allowance for doubtful debts for such receivables as part of such receivables are either covered by letters of credit and advances from customers or substantially settled subsequent to the end of the reporting period. For the remaining receivables, there is no historical default of payments by the respective customers and the Directors are closely monitoring the settlement status from the customers. The Group holds collateral over part of these receivables.

26. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (Continued)

Notes: (Continued)

(c) (Continued)

Ageing of trade receivables (excluding sales of electricity in the PRC) which are past due but not impaired:

	2016 RMB'000	2015 RMB'000
Within 3 months	**345,684**	545,353
3 to 6 months	**350**	140,091
More than 6 months	**11,421**	265,668
	357,455	951,112

Ageing of trade receivables for sales of electricity in the PRC which are past due but not impaired:

	2016 RMB'000	2015 RMB'000
0–90 days	**23,377**	72,692
91–150 days	**18,211**	3,024
More than 150 days	**55,970**	19,305
	97,558	95,021

Based on the track record of regular repayment from state-owned grid companies and the collection of tariff adjustment receivables is well supported by government policy, all trade receivables from sales of electricity, including tariff adjustments receivables, were expected to be recoverable. Consequently, no provision for impairment of trade receivables on sales of electricity in the PRC was recognised as at 31 December 2016.

Full allowance has been made for certain trade and other receivables which have been past due and considered as doubtful debts or irrecoverable by the management. Movement of the allowance for doubtful debts for trade and other receivables is set out as follows:

	2016 RMB'000	2015 RMB'000
Balance at beginning of the year	**452,483**	200,988
Impairment loss recognised on receivables	**252,593**	331,794
Impairment losses reversed	**(246,048)**	(46,524)
Disposal of non-solar power business	**—**	(33,775)
Balance at end of the year	**459,028**	452,483

Included in the allowance for trade and other receivables are individually impaired trade and other receivables with an aggregate balance of RMB417,182,000 (2015: RMB375,958,000) in which the counterparties have either in default of payments without any collateral held by the Group, have been placed under liquidation or in severe financial difficulties and it is not likely that such amounts will be recovered in the future.

26. Deposits, Prepayments and Other Non-Current Assets/Trade and Other Receivables (Continued)

Notes: (Continued)

(d) The following is an aged analysis of bills receivable (trade-related) presented based on the bills issue date at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
Bills receivable (trade-related):		
Within 3 months	**3,424,004**	4,304,120
3 to 6 months	**2,662,711**	4,043,610
	6,086,715	8,347,730

(e) During the year ended 31 December 2016, GNE Group, as lender, entered into loan agreements with independent third parties to provide credit facilities to finance their development and operation of certain solar power farm projects in the PRC (the "Projects"). Approximately RMB344,058,000 (2015: RMB389,378,000) was drawn down at the end of the reporting period. The terms of the loans are one year and carry interest at 10% (2015: 6.765% to 15%) per annum.

Certain loan receivables are secured by pledge of equity interest of the borrowers, pledge of the rights over electricity fee receivables by borrowers in the Projects and a grant of security over any future equipment and engineering works acquired or constructed by borrowers in the Projects.

(f) Receivables for modules procurement comprise modules procurement cost and commission earned by GNE Group and GNE Group allows credit period of 180 days to 1 year (2015: 180 days to 1 year).

27. Amounts Due from Related Companies

The related companies included joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family member which hold in aggregate approximately 34.27% (2015: 32%) of the Company's share capital as at 31 December 2016 and exercises significant influence over the Company.

	2016 RMB'000	2015 RMB'000
Non-trade-related:		
Companies in which Mr. Zhu Gongshan and his family have control (Note)	18,329	12,094
Joint ventures of the Group	159,442	163,387
Associates of the Group	—	4,600
	177,771	180,081
Trade-related:		
Companies in which Mr. Zhu Gongshan and his family have control (Note)	234,540	1,664
A joint venture of the Group	153	—
	234,693	1,664
Amount due from related companies	412,464	181,745
Analysed for reporting purposes as:		
— Current assets	267,764	51,809
— Non-current assets	144,700	129,936
	412,464	181,745

Note: The maximum amount outstanding during 2016 is RMB18,329,000 (2015: RMB17,284,000) and RMB234,540,000 (2015: RMB31,485,000) for non-trade-related and trade-related amounts due from companies in which Mr. Zhu Gongshan and his family have control.

27. Amounts Due from Related Companies (Continued)

For non-trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and repayable on demand, except for a loan granted by GNE Group to Yili to finance their operation for a facility up to RMB160,000,000 and RMB144,700,000 (2015: RMB123,700,000) as at 31 December 2016 was drawn down. The loan is unsecured and interest-bearing at a fixed-rate of 8% (2015: 9.05%) per annual with no fixed repayment term. The directors of GNE expected the loan to be realised after twelve months from the end of reporting period and accordingly is classified as non-current assets.

During the year ended 31 December 2016, amount due from joint venture of RMB12,397,000 was capitalised as capital in Qichuang and accounted under interest in joint ventures. As at 31 December 2015, amount consisted of an advance to Qichuang in which settlement is neither planned nor likely to occur in the foreseeable future and the Directors considered that it formed part of the investor's net investment in Qichuang. During the year ended 31 December 2016, the advance was capitalised as capital in Qichuang and accounted for under interest in joint ventures.

For trade related amounts due from related companies, the amounts are unsecured, non-interest bearing and the credit period is normally within 90 days.

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 **RMB'000**	2015 RMB'000
Within 3 months	**234,506**	474
3 to 6 months	**—**	111
More than 6 months	**187**	1,079
	234,693	1,664

The Directors closely monitors the credit quality of amounts due from related companies and consider those accounts, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment records of such parties.

28. Held for Trading Investments

	2016 **RMB'000**	2015 RMB'000
Listed securities:		
— Equity securities listed in Hong Kong	**111,522**	14,456

29. Pledged and Restricted Bank Deposits and Bank Balances

Bank balances

Bank balances carry interest at floating rates which range from 0.001% to 0.35% (2015: 0.001% to 0.44%) per annum or fixed rates which range from 0.001% to 5.85% (2015: 0.001% to 2.75%) per annum.

Pledged bank deposits

These bank deposits carry fixed interest rates ranging from 0.35% to 2.55% (2015: 0.30% to 2.80%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to RMB2,109,663,000 (2015: RMB2,162,769,000) have been pledged to secure short-term borrowings granted to the Group and obligations under finance leases in the PRC and the USA and are therefore classified as current assets. The remaining deposits amounting to RMB848,591,000 (2015: RMB343,700,000) have been pledged to secure long-term borrowings granted to the Group and obligations under finance leases which are due after one year, and are therefore classified as non-current assets.

Restricted bank deposits

The deposits carry interest at 0.3% floating rates (2015: 0.35%) per annum or fixed rates which range from 1.3% to 2.55% (2015: 1.3% to 3.25%) per annum and will be released upon the settlement or discharge of the relevant letters of credit and guarantee.

Restricted bank deposits amounting to RMB1,120,991,000 (2015: RMB4,453,336,000) have been restricted to secure bills payable, short-term letters of credit for trade and other payables and are therefore classified as current assets. The remaining deposits amounting to RMB104,855,000 (2015: RMB98,525,000) have been restricted to secure obligations under finance leases which are due after one year, and therefore classified as non-current assets.

30. Assets Classified as Held for Sale

Year ended 31 December 2016

As disclosed in note 13, GNE entered into a S & P Agreement to dispose of the entire interest in PCB business on 30 December 2016. The assets and liabilities attributable to PCB business, which are expected to be sold within twelve months from the end of reporting period, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. Immediately before the initial classification of the assets and liabilities of PCB business as held for sale, their carrying amounts are measured at the lower of the carrying amounts and the recoverable amount (i.e. the higher of fair value less costs to sell and value in use).

Since the expected fair value less costs to sell of the business is less than the aggregate carrying amount of the related assets and liabilities, loss on measurement to fair value less cost to sell of RMB114,435,000 is recognised. The major classes of assets and liabilities of PCB business at the end of the reporting period are as follows:

	2016 RMB'000
Assets related to the PCB business	**1,131,282**
Liabilities associated with assets classified as held for sale	**910,112**

30. Assets Classified as Held for Sale (Continued)

Year ended 31 December 2016 (Continued)

The major classes of assets and liabilities of the PCB business classified as held for sale are as follows:

	2016 RMB'000
Property, plant and equipment and prepaid lease payments	507,079
Other non-current assets	7,274
Pledged bank and other deposits	20,497
Inventories	187,790
Trade and other receivables	496,481
Bank balances and cash	26,596
Total assets of PCB business classified as held for sale before measurement to fair value less costs to sell	1,245,717
Trade and other payables	561,677
Bank and other borrowings	198,893
Obligations under finance leases	65,760
Other liabilities	83,782
Total liabilities of PCB business associated with assets classified as held for sale	910,112
Net assets of PCB business classified as held for sale	335,605
Less: Loss on measurement to fair value less costs to sell	(114,435)
	221,170

Cumulative amount of RMB45,029,000 and RMB27,272,000 attributable to the owners of the Company and non-controlling interests relating to the disposal group classified as held for sale has been recognised in other comprehensive income and included in equity.

Included in bank and other borrowing is an amount due to a shareholder of a subsidiary of RMB17,890,000 which is unsecured, interest free and repayable on 4 July 2016. During the year ended 31 December 2016, the Group entered into a loan extension agreement to extend the maturing date of the loan to 4 July 2017.

The following is an aged analysis of trade receivables presented based on the invoice date at 31 December 2016, which approximated the respective revenue recognition dates:

	2016 RMB'000
0–90 days	390,597
91–180 days	57,902
Over 180 days	189
	448,688

30. Assets Classified as Held for Sale (Continued)

Year ended 31 December 2016 (Continued)

For sale of PCB products, GNE Group generally allowed credit period of 30 to 120 days.

The following is an aged analysis of trade payables presented based on the invoice date as at 31 December 2016:

	2016 RMB'000
0–90 days	244,880
91–180 days	124,693
Over 180 days	10,634
	380,207

For the purchase of PCB products, the credit period is normally ranged from of 90 to 120 days.

Year ended 31 December 2015

As disclosed in note 13, the Group disposed of its non-solar power business on 8 December 2015. However, certain non-solar power entities, which had ceased operation, remained in the Group and the Group is in the process of disposing of the related assets. The related non-solar power assets are expected to be sold before these entities are liquidated. The Directors expect that the fair value less costs to sell of the power assets will be higher than the carrying amounts of the relevant assets and accordingly, no impairment loss was recognised on reclassification of the assets as held for sale as at 31 December 2015.

	2015 RMB'000
Assets related to the non-solar power business	291,907
Liabilities associated with assets classified as held for sale	51,462

30. Assets Classified as Held for Sale (Continued)

Year ended 31 December 2015 (Continued)

The major classes of assets and liabilities of the remaining non-solar power business classified as held for sale are as follows:

	8 December 2015 RMB'000
Property, plant and equipment and prepaid lease payments	180,490
Interest in an associate	30,569
Bank balances and cash	80,848
	291,907
Trade and other payables	33,950
Tax payable	17,512
Total liabilities classified as held for sale	51,462
Net assets classified as held for sale	240,445

During the year ended 31 December 2016, one of the non-solar power entities, which had ceased operation, was liquidated with net proceeds of RMB29,991,000, and the Group recognised a loss on disposal of RMB577,000.

31. Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade payables	**2,361,705**	2,876,485
Bills payable (trade)	**1,748,647**	4,477,586
Bills payable (non-trade)	**2,158,388**	86,756
Construction payables	**9,310,889**	5,307,897
Payables for modules procurement	**221,410**	1,211,075
Other payables	**1,254,387**	898,670
Dividend payables to non-controlling shareholders of subsidiaries	**38,773**	38,773
Other tax payables	**235,578**	286,430
Interest payables	**187,839**	177,693
Accruals	**342,452**	336,745
	17,860,068	15,698,110

The credit period for trade payables and bills payable (trade-related) are normally within 90 days and 180 days, respectively. The Group has financial risk management policies in place to ensure settlement of payables within the credit time frame.

The following is an aged analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	2016 RMB'000	2015 RMB'000
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
	2,361,705	2,876,485

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

	2016 RMB'000	2015 RMB'000
Bills payable (trade-related):		
Within 3 months	**1,097,268**	2,923,941
3 to 6 months	**651,379**	1,553,645
	1,748,647	4,477,586

Included in the trade and other payables are obligations arising from endorsing bills receivable with recourse issued by third parties for settlement of trade and other payables with an aggregate amount of RMB1,372,951,000 (2015: RMB1,350,601,000).

32. Amounts Due to Related Companies

	2016 RMB'000	2015 RMB'000
Non-trade related:		
Companies in which Mr. Zhu Gongshan and his family have control (Note a)	51,805	202,319
A joint venture of the Group (Note b)	253,766	—
	305,571	202,319
Trade-related:		
Companies in which Mr. Zhu Gongshan and his family have control (Note c)	116,875	3,852
	422,446	206,171

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Included in the amount due to a joint venture of the Group is an advance of RMB251,752,000 (2015: nil) to the Group from Jiangsu Xinhua. The loan is unsecured, interest-bearing at a fixed rate of 4.35% and repayable on demand. The remainder of the balance is non-interest bearing.

(c) The amounts are unsecured, non-interest bearing and the credit period is normally within 90 days.

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 RMB'000	2015 RMB'000
Within 3 months	94,490	3,660
3 to 6 months	22,011	24
More than 6 months	374	168
	116,875	3,852

33. Advances from Customers

The Group entered into goods supply contracts with customers and received advance payments from customers which are interest-free. As at 31 December 2016, the advances of RMB517,566,000 (2015: RMB478,773,000) and RMB182,623,000 (2015: RMB202,735,000) are included in current liabilities and non-current liabilities based on the estimated amounts of purchase of goods within one year and after one year, respectively.

34. Government Grants

	2016 RMB'000	2015 RMB'000 (Restated)
Amounts credited to profit or loss during the year:		
Continuing operations		
Incentive subsidies (Note a)	203,005	73,015
Subsidies related to property, plant and equipment (Note b)	137,567	83,126
Value-added tax refunds related to depreciable assets (Note c)	6,515	6,515
	347,087	162,656
Discontinued operations		
Incentive subsidies (Note a)	5,328	63,655
Subsidies related to property, plant and equipment (Note b)	—	5,491
Value-added tax refunds related to depreciable assets (Note c)	153	1,144
	5,481	70,290

	2016 RMB'000	2015 RMB'000
Deferred income related to government grants:		
Subsidies related to property, plant and equipment (Note b)	230,477	351,499
Value-added tax refunds related to depreciable assets (Note c)	50,649	63,788
Total	281,126	415,287
Less: current portion (included in deferred income)	(43,890)	(102,605)
Non-current portion (included in deferred income)	237,236	312,682

Notes:

(a) Incentive subsidies were received from the relevant PRC Government for improvement of working capital and financial assistance to the operating activities to enhance the competitiveness in the industry. The amount also includes grants for relevant expenses incurred such as those for research and development activities and interest subsidies. The subsidies were granted on a discretionary basis to the Group during the year.

(b) The Group received government subsidies for capital expenditure incurred for the plant and machinery. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(c) The Group received value-added tax refunds on purchases of domestic manufactured plant and machinery. The amounts are deferred and amortised over the estimated useful lives of the respective plant and machinery.

35. Bank and Other Borrowings

Details of the bank and other borrowings are as follows:

	2016 RMB'000	2015 RMB'000
Bank loans	**22,523,782**	29,782,430
Other loans	**10,755,773**	4,653,263
	33,279,555	34,435,693
Secured	**27,134,849**	21,803,960
Unsecured	**6,144,706**	12,631,733
	33,279,555	34,435,693
The carrying amount of the above borrowings are repayable*:		
Short-term borrowings	**7,041,364**	17,135,195
Long-term borrowings		
Within one year	**5,981,050**	5,179,773
More than one year, but not exceeding two years	**4,950,829**	3,913,745
More than two years, but not exceeding five years	**7,777,067**	4,165,874
More than five years	**7,529,245**	4,041,106
	26,238,191	17,300,498
	33,279,555	34,435,693
Less: Amounts due within one year shown under current liabilities	**(13,022,414)**	(22,314,968)
Amounts due after one year	**20,257,141**	12,120,725
Analysed as:		
Fixed-rate borrowings	**11,924,015**	17,899,452
Variable-rate borrowings	**21,355,540**	16,536,241
	33,279,555	34,435,693

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

35. Bank and Other Borrowings (Continued)

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are analysed as follows:

	2016	2015
Fixed-rate borrowings	1.20% to 11.45%	1.35% to 11.45%
Variable-rate borrowings		
US$ borrowings	London Interbank Offered Rate ("LIBOR") +2.90% to 3.30%	LIBOR +1.25% to 4.1%
RMB borrowings	100% to 115% of Benchmark Borrowing Rate of the People's Bank of China ("Benchmark Rate")	100% to 120% of Benchmark Rate

The Group's borrowings are denominated in the currencies other than the functional currency of the relevant group entities are set out below:

	2016 RMB'000	2015 RMB'000
US$	2,758,845	8,902,240
HK$	—	25,855

Certain borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits as set out in note 50.

Included in other loan is an amount of RMB1,000,000,000 (2015: RMB1,000,000,000) obtained by GNE Group through an investment fund established in the form of a limited partnership ("Limited Partnership"), the capital of which is contributed by two subsidiaries of GNE Group as to approximately 20% with the remainder contributed by a third party asset management company (the "Limited Partner"). Pursuant to the investment agreement and fund repurchase agreement entered into between GNE Group and the Limited Partner in conjunction with the formation of the Limited Partnership, the Limited Partner does not entitle to any variable returns (including profit distribution) from the Limited Partnership but receives a fixed return of 8.9% per annum ("Fixed Return"), the transaction as a whole has been considered as a loan granted to GNE Group in these consolidated financial statements to reflect the economic substance of the arrangement. GNE Group has agreed to repurchase the Limited Partner's interest in the Limited Partnership upon the occurrence of certain events but in any case before 29 May 2017, for a consideration equal to the outstanding capital of the Limited Partner plus the Fixed Return. As the investment fund has been fully utilised for the acquisition of new energy businesses of GNE Group, this arrangement is accounted for as financing to GNE Group with the equity interest in the invested project companies as collateral.

Included in short-term bank borrowings are obligations arising from bills receivable issued by third parties and the Group's entities with aggregate carrying amount of approximately RMB1,835,857,000 (2015: RMB8,783,986,000) discounted to banks with recourse at interest rates ranging from 2.73% to 4.80% (2015: 2.63% to 10.00%).

35. Bank and Other Borrowings (Continued)

GNE Group is required to comply with certain restrictive financial covenants and undertaking requirements. During 2015, certain subsidiaries of GNE Group did not comply with a required debt to asset ratio requirement as set out in the loan agreements entered into between the subsidiaries and a PRC bank. On discovery of the breach, the directors of GNE Group informed the lender and the relevant bank has agreed to grant a grace period to GNE Group up to 31 December 2015 in order for the subsidiaries to remediate and meet the required covenant requirement. As at 31 December 2015, the relevant covenant requirement has been remediated. The directors of GNE Group had reviewed all required covenant requirements of GNE Group and no breach of covenants was noted during the year ended 31 December 2016.

In respect of a bank loan with a carrying amount of approximately RMB2,358,580,000 as at 31 December 2016 (2015: RMB6,044,032,000) which contains certain covenants, the Directors had reviewed these covenants and no breach of covenants was noted during the year 31 December 2016 and 2015.

36. Obligations Under Finance Leases

The Group entered into sale and leaseback agreements with lessors in respect of its property, manufacturing equipment and prepaid lease payments in the PRC, solar farms in the USA and an aircraft in Hong Kong.

	Minimum lease payments		Present value of minimum lease payments	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Amounts payable under finance leases				
Within one year	**980,790**	1,104,586	**858,173**	934,578
More than one year, but not exceeding two years	**818,582**	999,480	**743,196**	873,120
More than two years, but not exceeding five years	**692,647**	1,365,741	**586,916**	1,194,639
More than five years	**382,269**	512,228	**325,155**	432,069
	2,874,288	3,982,035	**2,513,440**	3,434,406
Less: future finance charges	**(360,848)**	(547,629)	**N/A**	N/A
Present value of lease obligations	**2,513,440**	3,434,406	**2,513,440**	3,434,406
Less: Amount due for settlement within one year (shown under current liabilities)			**(858,173)**	(934,578)
Amount due for settlement after one year			**1,655,267**	2,499,828

36. Obligations Under Finance Leases (Continued)

Finance lease arrangements in the PRC

The Group entered into several finance lease agreements with third party financial institutions with lease terms of 3 to 5 years, pursuant to which the Group agreed to sell certain plants and equipment to the financial institutions, and concurrently lease the assets back for terms ranging from 3 to 5 years with quarterly rent payments. At the end of the lease term, the Group has the option to purchase the assets at nominal value. As the lease terms have covered major part of the useful lives of the relevant assets, the sale and leaseback arrangement resulted in finance leases.

At 31 December 2016, such finance leases have outstanding obligations of RMB2,139,009,000 (2015: RMB2,953,888,000). The average effective interest rate of these leases is 7.64% (2015: 7.56%) per annum after adjusting the effect of initial direct costs. The Group's obligations under finance lease arrangements in the PRC are secured by pledged and restricted deposits of approximately RMB220,120,000 (2015: RMB215,120,000) made to lessors at the inception of the lease.

Finance lease arrangements in the USA

GCL Solar Energy Inc. ("GCL Solar"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively the "Project Companies"), entered into master lease agreements and various related agreements with Wells Fargo & Company ("Wells Fargo") and Bank of America Merrill Lynch ("Bank of America") (collectively the "Lease Agreements") to fund solar photovoltaic power projects ("Solar Projects"). Pursuant to the Lease Agreements, the Project Companies will design, construct and build the Solar Projects, and upon completion of which, will sell the Solar Projects to Wells Fargo and Bank of America which will in turn, lease back the Solar Projects to the Project Companies. Separately, the Project Companies has entered into power purchase agreements with end customers, who will buy electricity directly from the Project Companies.

In 2012 and 2011, the Project Companies sold 1 MW Solar Projects to Bank of America, and 4.9 MW to Bank of America and 11 MW to Wells Fargo, respectively. Concurrent with the sale, the Project Companies entered into agreements to lease the Solar Projects back from Wells Fargo and Bank of America at a predetermined basis rent for terms of 17 to 25 years. At the end of the lease term, the Project Companies have the option to purchase the Solar Projects at market price, renew the lease, or dispose the Solar Projects. The sale and leaseback of all these Solar Projects resulted in finance leases and accordingly the excess of proceeds over the carrying amounts of these Solar Projects is deferred and amortised over the lease terms.

At 31 December 2016, such finance leases have outstanding obligations of US$28,931,000 (equivalent to RMB200,693,000) (2015: US$31,470,000 (equivalent to RMB204,356,000). The average effective interest rate of these leases was 6.47% (2015: 6.39%) per annum after adjusting the effect of initial direct cost. The Group's obligations under these finance lease arrangements are secured by pledged and restricted bank deposits of approximately RMB70,170,000 (2015: RMB65,677,000) made to lessors at the inception of the lease.

36. Obligations Under Finance Leases (Continued)

Finance lease arrangements in Hong Kong

In 2013, the Group entered into a sale and leaseback agreement with a financial institution to sell an aircraft for an amount of US$35,000,000 (equivalent to RMB219,412,000), and concurrently lease the aircraft back for a term of 7 years. At the end of the lease term, the Group has the option to purchase the aircraft at nominal value. The sale and leaseback arrangement resulted in a finance lease at a floating rate of 3 months LIBOR with a margin per annum.

The Group also entered into several finance lease agreements with third party financial institutions with lease terms of 3 years, pursuant to which the Group agreed to sell certain plants and equipment to the financial institutions, and concurrently lease the assets back for terms ranging from 3 to 5 years with monthly rental payments. At the end of the lease term, the Group has the opinion to purchase the assets at nominal value. As the lease terms have covered major part of the useful lives of the relevant assets, the sales and leaseback arrangement resulted in finance leases.

At 31 December 2016, such finance leases have outstanding obligations of RMB173,738,000 (2015: RMB180,797,000). The average effective interest rate of these leases is 4.56% (2015: 4.61%) per annum after adjusting the effect of initial direct costs. The Group's obligations under finance lease arrangement in Hong Kong are secured by a pledged and restricted deposit of approximately RMB34,685,000 (2015: RMB32,848,000) made to lessors at the inception of the lease.

37. Notes and Bonds Payables

The carrying amounts of the Group's notes and bonds payables are as follows:

	2016 RMB'000	2015 RMB'000
7.05% fixed rate notes due 2018 (Note a)	**1,320,000**	1,500,000
7.50% fixed rate notes due 2018 (Note b)	**700,000**	700,000
7.00% fixed rate notes due 2018 (Note c)	**500,000**	500,000
5.50% fixed rate notes due 2016 (Note d)	**—**	650,000
5.60% fixed rate notes due 2018/2020 (Note e)	**1,000,000**	1,000,000
4.15% fixed rate notes due 2019/2021 (Note e)	**1,000,000**	—
3.99% fixed rate notes due 2017 (Note d)	**650,000**	—
Less: Unamortised issuance costs	**(48,655)**	(30,669)
Net carrying amount	**5,121,345**	4,319,331
Bonds payables (Note f)	**—**	360,000
	5,121,345	4,679,331
Less: Amounts due within one year shown under current liabilities	**(648,104)**	(1,008,716)
Amounts due for settlement after one year shown under non-current liabilities	**4,473,241**	3,670,615

37. Notes and Bonds Payables (Continued)

Notes:

(a) On 15 November 2011, Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Jiangsu Zhongneng"), a wholly-owned subsidiary of the Group, issued RMB1,500,000,000 notes due on 15 November 2018 (the "Notes") in the PRC unless there is an earlier resale pursuant to terms of the Notes. The Notes bear interest at a fixed rate of 7.05% per annum for the first five years, payable annually in arrears on 15 November each year, commencing from 15 November 2012.

Jiangsu Zhongneng has the absolute right (but not the obligation) to adjust upward the annual interest rate within the range from 0 to 100 basis point upon the end of five years from the date of issue. The interest rate for the last two years will be 7.05% per annum plus any of the upward adjustment.

Any investors of the Notes has the right to register within 5 business days from the date of announcement of any upward adjustment of the interest rate upon the end of five years from the date of issue in order to qualify for resale of the whole or any part of the Notes held by them to Jiangsu Zhongneng at par.

During the year ended 31 December 2016, RMB180,000,000 was repaid upon maturity.

(b) On 18 June 2015, the Shanghai Stock Exchange issued a notice to Jiangsu Zhongneng notifying it that the terms of the proposed non-public issue of not more than RMB1,500,000,000 bonds by Jiangsu Zhongneng to qualified investors have fulfilled the trading conditions of the Shanghai Stock Exchange and that it has no objection to the trading of such proposed issue.

On 27 October 2015, Jiangsu Zhongneng issued notes payable in an aggregate principal amount of RMB700,000,000 to qualified investors in the PRC. The maturity date of the notes payable is 23 October 2018 and bears interest at 7.5%, which is payable annually, commencing from 23 October 2016.

(c) On 20 May 2015, the National Association of Financial Market Institutional Investors ("NAFMI") issued a notice to GCL-Poly (Suzhou) New Energy Co., Ltd.* ("GCL-Poly Suzhou") notifying it that it had accepted the registration of a total amount of RMB2,500,000,000 medium term notes to be issued by GCL-Poly Suzhou.

On 20 July 2015, GCL-Poly Suzhou issued the first tranche of the medium term notes in the principal amount of RMB500,000,000 due 2018 to financial institutions in the PRC. The maturity date of the notes payable is 20 July 2018 and bear interest at a fixed rate of 7% per annum, which is payable annually, commencing from 20 July 2016.

(d) On 20 May 2015, the NAFMI issued notices to GCL-Poly Suzhou notifying it that it had accepted the registration of a total amount of RMB1,300,000,000 short term notes to be issued by GCL-Poly Suzhou.

On 20 July 2015, GCL-Poly Suzhou issued the first tranche of the short term notes in the principal amount of RMB650,000,000 due 2016. The maturity of the notes payable was 20 July 2016 and bore interest at a fixed rate of 5.5% per annum. The notes were redeemed on its maturity date of 20 July 2016.

On 17 November 2016, GCL-Poly Suzhou completed the issue of the first tranche of the short term notes in the principal amount of RMB650,000,000 due 2017. The maturity of the notes payable is 17 November 2017 and bear interest at a fixed rate of 3.99% per annum, which is payable together with the principal upon the maturity date, commencing from 17 November 2016.

37. Notes and Bonds Payables (Continued)

Notes: (Continued)

(e) On 16 October 2015, the China Securities Regulatory Commission issued a notice to GCL-Poly Suzhou notifying it that it had approved the issue of not more than RMB2,000,000,000 notes payable to be issued by GCL-Poly Suzhou to qualified investors, and that the first tranche and the second tranche of such issue should be completed within 12 months and 24 months from the date of approval, respectively.

On 30 October 2015, GCL-Poly Suzhou issued notes payable in an aggregate principal amount of RMB1,000,000,000 to qualified investors in the PRC. The maturity date of the notes payable is either 28 October 2020 or 28 October 2018 if the option to resell is selected by the investors. Any investors has the option to resell in fair value any part of or the whole of the notes held by them to GCL-Poly Suzhou on the third interest payment date. The notes payable bears interest at 5.6% per annum, which is payable annually on 28 October in each year up to maturity date. If any investors selects to sell the bonds held by them back to GCL-Poly Suzhou, the interest payable date will be on 28 October in each year up to maturity date. The interest commencement date is 28 October 2015.

On 27 September 2016, GCL-Poly Suzhou completed the issue of the second tranche notes payable in an aggregate principal amount of RMB1,000,000,000 to qualified investors in the PRC. The maturity date of the notes payable is either 26 September 2021 or 26 September 2019 if the option to resell is selected by the investors. Any investors has the option to resell in fair value any part of or the whole of the notes held by them to GCL-Poly Suzhou on the third interest payment date. The notes payable bears interest at 4.15% per annum, which is payable annually on 26 September in each year up to maturity date. If any investors selects to sell the bonds held by them back to GCL-Poly Suzhou, the interest payable date will be on 26 September in each year up to maturity date. The interest commencement date is 26 September 2016.

(f) On 19 June 2015 and 7 July 2015, Nanjing GCL New Energy Development Co., Ltd. ("Nanjing GCL New Energy"), a wholly-owned subsidiary of GNE Group, issued bonds with a total nominal value of RMB360,000,000. The bonds bore interests at 6.7% per annum and matured one year from the date of issuance. During the year ended 31 December 2016, both bonds were fully repaid upon maturity.

* English name for identification only

38. Derivative Financial Instruments

	2016 RMB'000	2015 RMB'000
Put option of interest in Jiangsu Xinhua	16,011	—
Foreign currency forward contracts	—	12,575
	16,011	12,575

38. Derivative Financial Instruments (Continued)

Put option of interests in Jiangsu Xinhua

In April 2016, the Group entered into the Investment Agreement with the JV Partner pursuant to which the JV Partner is given a right to request the Group to repurchase its 49.02% equity interest in Jangsu Xinhua at a premium under the following circumstances:

(a) If Jiangsu Xinhua fails to complete a qualified initial public offering ("IPO") at a mutually agreed stock exchange within a specified time frame;

(b) If Jiangsu Xinhua meets the listing requirements of the specified stock exchanges but fails to complete a qualified IPO due to external factors such as a change in government policy or other factors out of Jiangsu Xinhua's control;

(c) If Jiangsu Xinhua fails to produce polysilicon to the quality and specification stipulated under the Investment Agreement within a specified time frame; or

(d) If there is a significant breach by the Group on the relevant terms of the Investment Agreement or actions brought by the Group resulting in significant adverse impact to the joint venture and the Group fails to remediate such breach with the period required by the JV Partner.

The fair value of the put option was insignificant at initial recognition and is re-measured at fair value as at 31 December 2016. The loss on fair value change of the derivative financial instrument of RMB16,011,000 was recognised to profit or loss in the current year.

Details of the inputs and assumption adopted in the valuation are described in note 45.

Foreign currency forward contracts

Major terms of the foreign currency forward contracts are as follows:

In 2015, the Group entered into certain forward contracts to manage foreign currency exchange rate risk, which was primarily related to its US dollar denominated borrowings. These US dollar forward contracts are typically for a period of less than 12 months. The timing and amount of foreign exchange contracts are largely based on the estimated timing of payments of indebtedness that are denominated in US dollar.

The foreign currency forward contracts were related to the purchase of US$ and the sale of RMB at contract rates ranging from RMB6.4867 to RMB6.6037 per one US$ with future maturity dates ranging from 19 June 2015 to 19 August 2016 at an aggregate notional amount of approximately RMB2,213 million. During the current year, all forward contracts were settled on the settlement date.

39. Convertible Bonds Payables

Convertible bonds payable that are designated as FVTPL

	2018 Convertible Bonds issued by the Company RMB'000	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Total RMB'000
At 1 January 2015	1,138,452	—	—	1,138,452
Issue of convertible bonds	—	1,397,115	768,964	2,166,079
Change in fair value charged (credited) to profit or loss (note 10)	146,774	(111,499)	(29,064)	6,211
Payments of interests	(5,171)	—	(7,044)	(12,215)
Redemption of convertible bonds	(1,280,055)	—	—	(1,280,055)
As at 31 December 2015 and 1 January 2016	—	1,285,616	732,856	2,018,472
Change in fair value charged to profit or loss (note 10)	—	180,878	175,248	356,126
Payments of interests	—	(4,353)	(49,643)	(53,996)
Partial redemption of convertible bonds	—	(307,605)	—	(307,605)
At 31 December 2016	—	1,154,536	858,461	2,012,997

Note: Exchange difference of the convertible bonds payables of approximately RMB107,192,000 (2015: RMB120,659,000) has been recognised together with changes in fair value to profit or loss for the year ended 31 December 2016.

2018 Convertible Bonds issued by the Company

On 29 November 2013, the Company issued US$200 million (equivalent to approximately RMB1,226,500,000) convertible bonds payable (the "2018 Convertible Bonds") that are in registered form in the denomination of US$200,000 each and integral multiples. The 2018 Convertible Bonds bore interest at a fixed rate of 0.75% per annum and were payable semi-annually. The maturity date would be 29 November 2018. The bonds entitled the holders to convert into ordinary shares of the Company at any time after six months of the date of issue to the maturity date at an initial conversion price of HK$3.125 per share, but would be subject to adjustment of anti-dilution protection. If the bonds had not been converted, they would be redeemed at 109.7% of its principal amount upon maturity.

The Directors have designated the 2018 Convertible Bonds as FVTPL and initially recognised at fair value. In subsequent periods, the 2018 Convertible Bonds is re-measured at fair value with changes in fair value recognised in profit or loss. The Company early redeemed the 2018 Convertible Bonds during the year ended 31 December 2015 at an amount of RMB1,280,055,000 from the proceeds of the 2019 Convertible Bonds (as defined below).

39. Convertible Bonds Payables (Continued)

2019 Convertible Bonds issued by the Company

On 22 July 2015, the Company completed the issue of convertible bonds due 2019 (the "2019 Convertible Bonds") in the aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,397,115,000), at the interest rate of 0.75% per annum.

The bonds entitle the holders to convert into ordinary shares of the Company at any time after six months of the date of issue to the maturity date at an initial conversion price of HK$2.60 per share, but will be subject to adjustment of anti-dilution protection. If the bonds have not been converted, they will be redeemed at 107.7% of its principal amount upon maturity. The Company will, at the option of the bonds holders, redeem all or some of the holder's bonds as requested on 22 July 2018, at 105.7% of the principal amount of the bonds when a relevant event has occurred or may occur. If at anytime that 90% of the bonds have been converted and/or redeemed and/or cancelled, the Company may redeem the remaining bonds in whole together with the unpaid interest.

The proceeds of the issuance of the 2019 Convertible Bonds was primarily used for the early redemption of the 2018 Convertible Bonds. The Directors had designated the 2019 Convertible Bonds as FVTPL and initially recognised at fair value. It is re-measured at fair value with changes in fair value recognised in profit or loss in subsequent periods.

The conversion price of the 2019 Convertible Bonds was adjusted to HK$2.45 with effective from 24 December 2015 as a result of the declaration of a special dividend, and it was adjusted further down to HK$2.34 with effective from 29 December 2015 as a result of the determination of entitlements to the Rights Issue mentioned in note 40.

During the year ended 31 December 2016, the Company partially redeemed the 2019 Convertible Bonds in the principal amount of US$50,000,000 at the purchase price of US$47,625,000 (equivalent to RMB307,605,000) under a private arrangement.

Convertible bonds issued by GNE

On 27 May 2015 and 20 July 2015, GNE issued three-year convertible bonds at a nominal value of HK$775,100,000 (equivalent to approximately RMB611,244,000) ("Talent Legend Issue") and HK$200,000,000 (equivalent to approximately RMB157,720,000) ("Ivyrock Issue"), respectively. The major terms and conditions of the convertible bonds issued by GNE are as follows:

(a) Interest rate

GNE shall pay an interest on the convertible bonds at 6% per annum.

(b) Conversion price

The bonds mature three years from the date of issuance at its nominal value of HK$775,100,000 and HK$200,000,000 respectively or can be converted into ordinary shares of GNE at an original conversion price of HK$1.20 per share, subject to adjustments, after six months from the date of issuance to the date of maturity.

39. Convertible Bonds Payables (Continued)

Convertible bonds issued by GNE (Continued)

(b) Conversion price (Continued)

The conversion price will be subject to adjustments upon the occurrence of certain events as set out below:

(i) Consolidation, subdivision or reclassification of shares, capitalisation of profits or reserve, capital distribution, rights issues of shares or options over shares, issues at a certain discount to current market price, change of control and other usual adjustment events. The conversion price may not be reduced so that the conversion shares may fall to be issued at a discount to their par value.

(ii) In addition, (1) if at any time after the date falling six months from the date of the instrument (i.e. 27 May 2015 and 20 July 2015), the 30-day average price of GNE falls below 80% of the applicable conversion price, the conversion price shall be adjusted to a price equal to the higher of (i) the then prevailing conversion price multiplied by 0.80 and (ii) the Minimum Conversion Price (see definition below) of HK$0.78 (the conversion price so adjusted being the "First Adjusted Conversion Price"). The First Adjusted Conversion Price shall be effective from the close of business in Hong Kong on the business day following the last dealing day within the period of the 30 consecutive dealing days in which such 30-day average price of GNE is ascertained; and (2) if at any time after the date falling three months from the date of the First Adjusted Conversion Price, the 30-day average price of GNE falls below 80% of the then prevailing conversion price, the conversion price shall be further adjusted to a price equal to the higher of (i) the then applicable conversion price multiplied by 0.80 and (ii) the Minimum Conversion Price of HK$0.78 (the conversion price so adjusted being the "Further Adjusted Conversion Price"). The Further Adjusted Conversion Price shall be effective from the close of business in Hong Kong on the business day following the last dealing day within the period of the 30 consecutive dealing days in which such 30-days average price of GNE is ascertained. For these purposes, "Minimum Conversion Price" means HK$0.78 subject to adjustments in the same manner as the conversion price. The Minimum Conversion Price has been further adjusted to HK$0.754 with effect from 6 January 2016 as a result of the determination of entitlements to the rights issue of shares of GNE in 2016.

Pursuant to the terms of the Talent Legend issue, the 30-day average price has fallen below 80% of the applicable conversion price. Accordingly, the conversion price of the Talent Legend Issue was adjusted from HK$1.20 per share of GNE to HK$0.96 per share of GNE with effect from 30 October 2015. GNE further announced that the conversion price of such convertible bonds was adjusted down to HK$0.93 with effect from 6 January 2016, as a result of the determination of entitlements to the rights issue of shares of GNE in 2016. On 29 February 2016, GNE announced that the conversion price of Talent Legend Issue was adjusted further down to HK$0.754 per share as a result of the 30-day average price has fallen below 80% of the applicable conversion price.

Pursuant to the terms of Ivyrock Issue, GNE announced that the conversion price of such convertible bond was adjusted from HK$1.20 to HK$1.16 with effect from 6 January 2016 as a result of the determination of entitlements to the rights issue of shares of GNE in 2016. On 21 January 2016, GNE announced that the conversion price of such convertible bond was adjusted further down to HK$0.93 per share of GNE and further adjusted down to HK$0.754 per share of GNE on 21 April 2016 as a result of the 30-day average price has fallen below 80% of the applicable conversion price.

39. Convertible Bonds Payables (Continued)

Convertible bonds issued by GNE (Continued)

(c) Maturity

The maturity for Talent Legend Issue and Ivyrock Issue are 26 May 2018 and 19 July 2018, respectively.

(d) Redemption

Unless previously redeemed, converted or purchased and cancelled, GNE will redeem all the principal amount of the convertible bond outstanding on the maturity date at 112% of the outstanding principal amount.

GNE designated the convertible bond with embedded derivatives (including the conversion option) as a financial liability at FVTPL which is initially recognised at fair value. In subsequent periods, such convertible bonds are re-measured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of the convertible bond are charged to profit or loss immediately.

The fair values of the convertible bonds were determined by independent qualified valuers, Jones Lang LaSelle Corporate Appraisal and Advisory Limited and Cushman & Wakefield Valuation Advisory Service Limited based on the Binomial Lattice Model.

The following key assumptions were applied.

2019 Convertible Bonds issued by the Company

	31 December 2016	31 December 2015	22 July 2015
Discount rate	**9.57%**	10.07%	9.69%
Share price (per share)	**HK$0.93**	HK$1.16	HK$1.76
Conversion price (per share)	**HK$2.34**	HK$2.34	HK$2.60
Risk free interest rate	**1.21%**	1.52%	1.44%
Time to maturity	**2.56 years**	3.56 years	4.00 years
Expected volatility	**49.23%**	56.29%	61.52%
Expected dividend yield	**0%**	0%	0%

39. Convertible Bonds Payables (Continued)

2019 Convertible Bonds issued by the Company (Continued)

	Talent Legend Issue		Ivyrock Issue	
	2016	2015	**2016**	2015
Discount rate	**24.48%**	30.97%	**24.51%**	31.03%
Fair value of each share of GNE	**HK$0.455**	HK$0.460	**HK$0.455**	HK$0.460
Conversion price (per share)	**HK$0.754**	HK$0.960	**HK$0.754**	HK$1.200
Risk free interest rate	**0.95%**	0.62%	**0.98%**	0.68%
Time to maturity	**1.40 years**	2.41 years	**1.55 years**	2.56 years
Expected volatility	**50.97%**	64.85%	**56.71%**	64.42%
Expected dividend yield	**0%**	0%	**0%**	0%

40. Share Capital

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At 1 January 2015, 31 December 2015, 1 January 2016	20,000,000	2,000,000
Increase of authorised share capital (Note a)	10,000,000	1,000,000
At 31 December 2016	30,000,000	3,000,000
Issued and fully paid		
At 1 January 2015	15,489,207	1,548,920
Exercise of share options (Note b)	430	43
At 31 December 2015 and 1 January 2016	15,489,637	1,548,963
Issue of new shares as a result of Rights Issue (Note c)	3,097,928	309,793
At 31 December 2016	18,587,565	1,858,756

40. Share Capital (Continued)

	2016 RMB'000	2015 RMB'000
Shown in the consolidated financial statements as	**1,631,804**	1,372,260

Notes:

(a) By an ordinary resolution passed on 25 May 2016, the authorised share capital of the Company was increased from HK$2,000,000,000 to HK$3,000,000,000 by creation of an additional 10,000,000,000 shares of HK$0.1 each.

(b) During the year ended 31 December 2015, share option holders exercised their rights to subscribe for 240,000, 160,000 and 30,000 ordinary shares in the Company at HK$0.59, HK$1.054 and HK$1.642 per share, respectively, with the net proceeds of approximately HK$360,000 (equivalent to RMB284,000).

(c) On 26 January 2016, the Company raised approximately HK$3,470 million (equivalent to RMB2,907 million), before expenses, by way of the rights issue of 3,097,927,453 rights shares at the subscription price of HK$1.12 per rights share ("Rights Issue"). Net proceeds from the Rights Issue is approximately RMB2,845 million, after deducting related expenses of approximately RMB61,541,000.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

All shares issued during the years ended 31 December 2016 and 2015 rank pari passu in all respects with the existing shares of the Company.

41. Acquisitions of Subsidiaries

Year ended 31 December 2016

Due to business expansion, the Group and GNE Group had several material acquisitions during the year ended 31 December 2016 in acquiring controlling interests in certain companies for a total consideration of approximately RMB30,000,000 (2015: nil) and RMB157,473,000 (2015: RMB286,722,000), respectively.

For the companies set out in note (i) below, these are solar farm project companies in development stage and did not have any substantial economic resources and processes for creating economic benefits; accordingly, the Group and GNE Group considers the nature of these acquisitions as acquisitions of assets in substance and the considerations have been allocated first to the financial assets acquired and financial liabilities assumed at the respective fair values. The remaining balance of the considerations is then allocated to other identifiable assets and liabilities on the basis of their relative fair values at the date of acquisitions.

For the other acquisitions as mentioned in note (ii) below, these solar farm project companies are in on-grid stage with relevant economic resources such as completed or near to complete farm and operational and management processes as at the date of the respective acquisitions which are considered as businesses. Therefore, those acquisitions are considered as business combinations under IFRS 3 and accounted for using acquisition method.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2016 (Continued)

(i) Assets acquisition

(a) Acquisition of 平邑富翔光伏電力有限公司 ("Pingyi")

On 5 January 2016, GNE Group acquired 100% equity interest in Pingyi at a consideration of RMB100,000. At the date of acquisition, Pingyi had a 30 MW solar farm project under development.

(b) Acquisition of 內蒙古金曦能源有限公司 ("Jinxi")

On 17 May 2016, GNE Group acquired 100% equity interest in Jinxi at a consideration of RMB1,000. At the date of acquisition, Jinxi had a 30 MW solar farm project under development.

(c) Acquisition of 玉溪市中太新能源科技有限公司 ("Yuxi")

On 18 May 2016, GNE Group acquired 100% equity interest in Yuxi at a consideration of RMB100,000. At the date of acquisition, Yuxi had a 20 MW solar farm project under preliminary development.

(d) Acquisition of 神木縣平西電力有限公司 ("Pingxi")

On 20 May 2016, GNE Group acquired 100% equity interest in Pingxi at a consideration of RMB10,000. At the date of acquisition, Pingxi had a 50 MW solar farm project under development.

(e) Acquisition of 神木縣平元電力有限公司 ("Pingyuan")

On 20 May 2016, GNE Group acquired 100% equity interest in Pingyuan at a consideration of RMB10,000. At the date of acquisition, Pingyuan had a 50 MW solar farm project under development.

(f) Acquisition of 德令哈時代新能源發展有限公司 ("Delingha Shidai")

On 16 June 2016, GNE Group acquired 100% equity interest in Delingha Shidai at a consideration of RMB80,000. At the date of acquisition, Delingha Shidai had a 20 MW solar farm project under development.

(g) Acquisition of 吉林億聯新能源科技有限公司 ("Yilian")

On 28 June 2016, GNE Group acquired 100% equity interest in Yilian at a consideration of RMB10,000. At the date of acquisition, Yilian had a 10 MW solar farm project under development.

(h) Acquisition of 十堰鄖能光伏電力開發有限公司 ("Shiyan")

On 1 August 2016, GNE Group acquired 100% equity interest in Shiyan at a consideration of RMB750,000. At the date of acquisition, Shiyan had a 50 MW solar farm project under development.

(i) Acquisition of 德令哈陽光能源電力有限公司 ("Yangguang")

On 5 August 2016, GNE Group acquired 100% equity interest in Yangguang at a consideration of RMB100,000. At the date of acquisition, Yangguang had a 10 MW solar farm project under development.

(j) Acquisition of 平山縣紫光新能源有限公司 ("Ziguang")

On 12 August 2016, GNE Group acquired 100% equity interest in Ziguang and its wholly owned subsidiary, 石能平山光伏電力開發有限公司 ("Pingshan"), at a consideration of RMB2,800,000. At the date of acquisition, Pingshan had a 30 MW solar farm project under development.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2016 (Continued)

(i) Assets acquisition (Continued)

(k) Acquisition of 庄浪光原光伏發電有限公司 ("Zhuanglang")

On 30 October 2016, GNE Group acquired 100% equity interest in Zhuanglang at a consideration of RMB100,000. At the date of acquisition, Zhuanglang had a 35 MW solar farm project under preliminary development.

(l) Acquisition of 8 US project companies

On 16 February 2016, GCL New Energy (NC) I, LLC, a subsidiary of GNE entered into two sale and purchase agreements with two independent third parties, pursuant to which GNE Group conditionally agreed to purchase the entire equity interests of a total of eight companies for a total consideration of US$4,932,000 (equivalent to approximately RMB32,312,000). These companies own the development rights of eight yet to be constructed photovoltaic electrical energy producing utility systems located in North Carolina in the USA. The acquisitions were completed in the same month.

(m) Acquisition of 廈門惟華光能有限公司 ("Xiamen Weihua")

On 31 July 2016, the Group acquired 58.57% equity interest in Xiamen Weihua at a consideration of RMB30,000,000. Xiamen Weihua is engaged in research and development of perovskite solar cells technics, and have not commenced operation at the date of acquisition.

	Pingyi	Jinxi	Yuxi	Pingxi	Pingyuan	Delingha Shidai	Yilian	Shiyan	Yangguang	Ziguang	Zhuanglang	8 US project companies	Xiamen Weihua	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note)	RMB'000
Assets and liabilities recognised at the date of acquisition														
Property, plant and equipment	8,306	1,425	—	2,684	2,669	123,719	11,161	2,761	3,011	1,100	—	32,312	5,175	194,323
Other intangible asset	—	—	—	—	—	—	—	—	—	—	—	—	42,771	42,771
Prepayments and other receivables	5,920	7,766	3,201	804	947	11,303	270	459	19,439	1,702	100	—	4,855	56,766
Bank balances and cash	22,385	2,614	—	2	—	48	119	10,000	212	12	—	—	255	35,647
Other payables	(36,511)	(11,804)	(3,101)	(3,480)	(3,606)	(134,990)	(11,540)	(12,470)	(22,562)	(14)	—	—	(1,835)	(241,913)
Total identifiable net assets acquired	100	1	100	10	10	80	10	750	100	2,800	100	32,312	51,221	87,594
Less: non-controlling interests	—	—	—	—	—	—	—	—	—	—	—	—	(21,221)	(21,221)
Consideration payable to the former owner	(100)	(1)	(100)	(10)	(10)	(80)	(10)	(750)	(100)	(2,800)	(100)	(32,312)	—	(36,373)
Cash consideration paid	—	—	—	—	—	—	—	—	—	—	—	—	30,000	30,000
Bank balances and cash acquired	22,385	2,614	—	2	—	48	119	10,000	212	12	—	—	255	35,647
Net cash inflow (outflow)	22,385	2,614	—	2	—	48	119	10,000	212	12	—	—	(29,745)	5,647

Note: The non-controlling interest (41.43%) in Xiamen Weihua recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Xiamen Weihua and amounted to RMB21,221,000.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2016 (Continued)

(ii) Business acquisition

(a) Acquisition of 常州中暉光伏科技有限公司 ("Changzhou Zhonghui")

On 31 December 2015, GNE Group entered into equity purchase agreements with two individuals, pursuant to which GNE Group agreed to acquire 100% equity interest of Changzhou Zhonghui with its subsidiary, 包頭市中利騰暉光伏發電有限公司 ("Baotou"), at a total consideration of RMB10,000,000. The transaction was completed on 19 January 2016. At the date of acquisition, Baotou had a 30 MW solar farm project and a 20 MW solar farm project in operation.

(b) Acquisition of 高唐縣協鑫晶輝光伏有限公司 ("Gaotang")

On 27 June 2016, GNE Group acquired 100% equity interest in Gaotang at a consideration of RMB1. At the date of acquisition, Gaotang had a 30 MW solar farm project on grid.

(c) Acquisition of 上高縣利豐新能源有限公司 ("Shanggao")

On 28 June 2016, GNE Group acquired 100% equity interest in Shanggao at a consideration of RMB100,000. At the date of acquisition, Shanggao had a 20 MW solar farm project on grid.

(d) Acquisition of 阜陽衡銘太陽能電力有限公司 ("Hengming")

On 6 July 2016, GNE Group acquired 100% equity interest in Hengming at a consideration of RMB100,000. At the date of acquisition, Hengming had a 20 MW solar farm project in operation.

(e) Acquisition of 林州市新創太陽能有限公司 ("Xinchuang")

On 11 August 2016, GNE Group acquired 100% equity interest in Xinchuang at a consideration of RMB1,700,000. At the date of acquisition, Xinchuang had a 60 MW solar farm project in operation.

(f) Acquisition of 鹽源縣白烏新能源科技有限公司 ("Baiwu")

On 5 September 2016, GNE Group acquired 100% equity interest in Baiwu at a consideration of RMB68,000,000. At the date of acquisition, Baiwu had a 50 MW solar farm project in operation.

(g) Acquisition of 海南州世能光伏發電有限公司 ("Shineng")

On 30 December 2014, GNE acquired 100% equity interests in Delingha which in turn holds 60% equity interest in Shineng.

On 23 September 2016, GNE Group acquired the remaining 40% equity interest in Shineng at a consideration of RMB36,000,000. At the date of acquisition, Shineng had a 30 MW solar farm project in operation.

(h) Acquisition of 聊城協昌光伏電力有限公司 ("Xiechang")

On 29 September 2016, GNE Group acquired 100% equity interest in Xiechang at a consideration of RMB5,100,000. At the date of acquisition, Xiechang had a 20 MW solar farm project in operation.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2016 (Continued)

(ii) Business acquisition (Continued)

(i) Acquisition of 吉水恒通太陽能發電有限公司 ("Hengtong")

On 30 December 2016, GNE Group entered into equity purchase agreement, pursuant to which GNE Group agreed to acquired 100% equity interest of Hengtong with its subsidiary 確山追日新能源電力有限公司 ("Zhuiri"), for a consideration of RMB100,000. At the date of acquisition, Zhuiri had a 25 MW solar farm project in operation.

Impact of acquisition on the results of GNE Group

Had the acquisitions as mentioned in note (ii) above been effected at the beginning of the year, total amounts of revenue and profit for the year of GNE Group would have been increased by RMB139,221,000 and RMB28,750,000, respectively. Such pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of GNE Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the above pro-forma financial information, depreciation and amortisation of the property, plant and equipment was calculated based on their recognised amounts of at the date of the acquisition.

The revenue and profit contributed by entities acquired during the current year are RMB223,627,000 and RMB98,551,000 respectively.

The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to approximately RMB763 million. The contractual cash flows not expected to be collected at acquisition dates were not expected to be material.

	Changzhou Zhonghui RMB'000	Gaotang RMB'000	Shanggao RMB'000	Hengming RMB'000	Xinchuang RMB'000	Baiwu RMB'000	Shineng RMB'000	Xiechang RMB'000	Hengtong RMB'000	Total RMB'000
Fair value of assets and liabilities recognised at the date of acquisition:										
Property, plant and equipment	434,647	224,482	139,318	130,693	486,229	388,177	248,490	147,797	167,850	2,367,683
Trade receivables	60,923	12,595	3,322	9,726	18,608	54,733	8,869	7,601	—	176,377
Prepayments and other receivables	72,284	35,809	16,543	69,872	168,011	162,673	23,604	13,376	24,443	586,615
Bank balances and cash	3,411	7,123	1	22	207	—	2,600	67	1	13,432
Other payables	(259,186)	(160,896)	(159,084)	(210,213)	(671,355)	(470,738)	(5,355)	(163,741)	(192,194)	(2,292,762)
Borrowings	(302,079)	(119,113)	—	—	—	—	(208,000)	—	—	(629,192)
Total identifiable net assets acquired	10,000	—	100	100	1,700	134,845	70,208	5,100	100	222,153
Fair value of previously held interest	—	—	—	—	—	—	(33,942)	—	—	(33,942)
Consideration payable to the former owner	(10,000)	—	(100)	(100)	(1,700)	(68,000)	(36,000)	(5,100)	(100)	(121,100)
Bargain purchase gain recognised (Note)	—	—	—	—	—	66,845	266	—	—	67,111
Cash consideration paid	—	—	—	—	—	—	—	—	—	—
Bank balances and cash acquired	3,411	7,123	1	22	207	—	2,600	67	1	13,432
Net cash inflow	3,411	7,123	1	22	207	—	2,600	67	1	13,432

Note: The bargain purchase arose because the consideration paid by GNE Group was less than the fair value of the identifiable net assets of the underlying business acquired as determined by the independent professional valuer, mainly due to the vendor was in financial difficulties and needs to sell its investments and assets to repay the debts as it fell due..

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2015

During the year ended 31 December 2015, GNE Group had several material acquisitions in acquiring controlling interests in certain companies for a total consideration of approximately RMB286,722,000.

(i) Assets acquisition

(a) Acquisition of 南通海德新能源有限公司 ("Nantong")

On 12 January 2015, GNE Group acquired 100% equity interest in Nantong at a consideration of RMB10,000,000. At the date of acquisition, Nantong had a 22 MW solar farm project under development.

The project has been connected to the grid later in the same month.

(b) Acquisition of 元謀綠電新能源開發有限公司 ("Yuanmou")

On 16 March 2015, GNE Group acquired 30% equity interest in Yuanmou at a consideration of RMB6,000,000 and obtained control of Yuanmou by holding 70% voting power in the shareholders' meeting. At the date of acquisition, Yuanmou had a 50 MW solar farm project under preliminary development.

GNE Group has an obligation to acquire the remaining 70% equity interest in Yuanmou at RMB14,000,000. The acquisition of the remaining 70% equity interest was subsequently completed in the same year.

Following the acquisition of the remaining 70% equity interest, GNE Group further injected capital to Yuanmou by increasing its total registered capital from RMB20,000,000 to RMB85,000,000. In December 2015, GNE Group entered into a separate sales and purchase agreement with the vendor to resell 20% equity interest in Yuanmou back to the vendor at RMB17,000,000. The disposal was completed during the year ended 31 December 2016 and accordingly, the relevant non-controlling interest is recognised.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2015 (Continued)

(i) Assets acquisition (Continued)

(c) Acquisition of 太谷縣風光發電有限公司 ("Taigu")

On 13 May 2015, GNE Group acquired 30% equity interest in Taigu at a consideration of RMB2,819,000 and obtained control of Taigu by holding 100% voting power in the shareholders' meeting. At the date of acquisition, Taigu had a 20 MW solar farm project under preliminary development.

GNE Group has an obligation to acquire the remaining 70% equity interest in Taigu at RMB6,578,000 after the project has obtained on-grid connection; and accordingly, other payable of RMB6,578,000 had been recognised as at 31 December 2015 in this regard.

The project was connected to the grid in December 2015 and the shares transfer for the remaining 70% equity interest to GNE Group was completed in December 2016.

(d) Acquisition of 余干縣協鑫新能源有限責任公司 ("Yugan")

On 26 August 2015, GNE Group acquired 100% equity interest in Yugan at a consideration of RMB500,000 and obtained control of Yugan. At the date of acquisition, Yugan had a 130 MW solar farm project under preliminary development.

First two phases of the project with an aggregate 80 MW capacity were completed in January and July 2016, respectively.

(e) Acquisition of 榆林隆源光伏電力有限公司 ("Longyuan")

On 26 August 2015, GNE Group acquired 100% equity interest in Longyuan at a consideration of RMB10,000,000 and obtained control of Longyuan. At the date of acquisition, Longyuan had a 200 MW solar farm project under preliminary development.

Pursuant to the acquisition agreement, GNE Group is required to settle the consideration of RMB10,000,000 after the project has been connected to the grid; and accordingly, other payable of RMB10,000,000 has been recognised as at 31 December 2015.

As the project was connected to the grid in July 2016, the remaining consideration of RMB10,000,000 was settled during 2016.

(f) Acquisition of 寧夏綠昊光伏發電有限公司 ("Lvhao")

On 17 November 2015, GNE Group acquired 95% equity interest in Lvhao at a consideration of RMB9,500,000 and obtained control of Lvhao. At the date of acquisition, Lvhao had a 20 MW solar farm project under development. GNE Group has an obligation to acquire the remaining 5% equity interest in Lvhao at approximately RMB500,000. Accordingly, other payable of RMB500,000 had been recognised as at 31 December 2015 in this regard.

Following the transfer of the equity interest, both GNE Group and the vendor further injected capital to Lvhao by increasing its total registered capital from RMB10,000,000 to RMB36,050,000 at the same time maintaining their respective ownership of 95% (attributable to GNE Group) and 5% (attributable to the vendor) of the total equity interests in Lvhao. The vendor paid up its attributable outstanding capital of RMB1,303,000 during 2015; and accordingly, total payable of RMB1,803,000 had been recognised as at 31 December 2015; as GNE Group has an obligation to acquire the remaining 5% interest as enlarged by the capital contribution at this price.

The project was completed and connected to the grid in April 2016. The respective procedures to apply for shares transfer of the remaining 5% equity interest is in progress.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2015 (Continued)

(i) Assets acquisition (Continued)

(g) Acquisition of 靖邊縣順風新能源有限公司 ("Jingbian")

On 4 December 2015, GNE Group acquired 95% equity interest in Jingbian at a consideration of RMB1,012,000 and obtained control of Jingbian. At the date of acquisition, Jingbian had a 40 MW solar farm project under preliminary development. GNE Group has an obligation to acquire the remaining 5% equity interest in Jingbian at approximately RMB53,000. Accordingly, other payable of RMB53,000 had been recognised as at 31 December 2015 in this regard.

The project was completed and connected to grid in June 2016. The respective procedures to apply for shares transfer of the remaining 5% equity interest is in progress.

	Nantong RMB'000	Yuanmou RMB'000	Taigu RMB'000	Yugan RMB'000	Longyuan RMB'000	Lvhao RMB'000	Jingbian RMB'000	Total RMB'000
Assets and liabilities recognised at the date of acquisition								
Property, plant and equipment	3,250	—	—	—	—	455	18,945	22,650
Prepayments and other receivables	8,003	19,993	9,900	—	120	14,491	8,652	61,159
Bank balances and cash	1,512	7	8	4,350	21,790	74	—	27,741
Other payables	(2,765)	—	(511)	(3,850)	(11,910)	(5,020)	(26,532)	(50,588)
Total identifiable net assets acquired	10,000	20,000	9,397	500	10,000	10,000	1,065	60,962
Consideration payable to the former owner	—	(14,000)	(6,578)	—	(10,000)	(500)	(53)	(31,131)
Cash consideration paid	(10,000)	(6,000)	(2,819)	(500)	—	(9,500)	(1,012)	(29,831)
Bank balances and cash acquired	1,512	7	8	4,350	21,790	74	—	27,741
Net cash (outflow) inflow	(8,488)	(5,993)	(2,811)	3,850	21,790	(9,426)	(1,012)	(2,090)

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2015 (Continued)

(ii) Business acquisition

(a) Acquisition of 常州新天新能源有限公司 ("Changzhou Xintian")

On 30 December 2014, GNE Group entered into equity purchase agreement with 中利騰暉光伏科技有限公司 ("Zhongli Solar Technology") and 常熟中利騰暉光伏材料有限公司 ("Changshu Zhongli Solar"), pursuant to which GNE Group agreed to acquire 100% equity interest of Changzhou Xintian for a total consideration of RMB5,000,000. The transaction was completed on 31 March 2015. At the date of acquisition, a wholly-owned subsidiary of Changzhou Xintian had a 50 MW solar farm project under development.

(b) Acquisition of 湖北麻城市金伏太陽能電力有限公司 ("Hubei Macheng")

On 10 December 2015, GNE Group entered into equity purchase agreement with 武漢日新能源有限公司 ("Wuhan Rixin"), pursuant to which GNE Group agreed to acquire 100% equity interest of Hubei Macheng for a total consideration of approximately RMB45,000,000. The transaction was completed on 11 December 2015. At the date of acquisition, Wuhan Rixin had a 110 MW solar farm project in operation.

(c) Acquisition of 內蒙古源海新能源有限責任公司 ("Yuanhai")

In November 2015, GNE Group entered into equity purchase agreement with two individuals, pursuant to which GNE Group agreed to acquire 100% equity interest of Yuanhai for a total consideration of approximately RMB51,000,000. The transaction was completed on 11 December 2015. At the date of acquisition, a wholly-owned subsidiary of Yuanhai had a 30 MW solar farm project, of which 20 MW was completed while 10 MW was under development.

(d) Acquisition of 邯能廣平縣光伏電力開發有限公司 ("Guangping")

On 30 December 2015, GNE Group entered into equity purchase agreement with 英利光伏電力投資集團有限公司 ("Yingli"), pursuant to which GNE Group agreed to acquire 100% equity interest of Guangping for a total consideration of approximately RMB124,760,000. Included in the total consideration, RMB45,000,000 has been paid by cash and RMB79,760,000 has been recognised as other payable as at 31 December 2015 in this regards. At the date of acquisition, Guangping had a solar farm project of 50 MW in operation.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2015 (Continued)

(ii) Business acquisition (Continued)

	Changzhou Xintian RMB'000	Hubei Macheng RMB'000	Yuanhai RMB'000	Guangping RMB'000	Total RMB'000
Fair value of assets and liabilities recognised at the date of acquisition:					
Property, plant and equipment	477,246	518,754	136,295	367,927	1,500,222
Trade receivables, prepayment and other receivables	50,592	1,958	51,976	49,446	153,972
Bank balances and cash	206	23	947	—	1,176
Other payables	(501,346)	(475,735)	(138,218)	(38,738)	(1,154,037)
Deferred tax liabilities	(72)	—	—	—	(72)
Borrowings	—	—	—	(253,875)	(253,875)
Total identifiable net assets acquired	26,626	45,000	51,000	124,760	247,386
Consideration payable to the former owner	—	—	—	(79,760)	(79,760)
Cash consideration paid	(5,000)	(45,000)	(51,000)	(45,000)	(146,000)
Bargain purchase gain recognised (Note)	21,626	—	—	—	21,626
Cash consideration paid	(5,000)	(45,000)	(51,000)	(45,000)	(146,000)
Bank balances and cash acquired	206	23	947	—	1,176
Net cash outflow	(4,794)	(44,977)	(50,053)	(45,000)	(144,824)

Note: The bargain purchase arose because the consideration paid by GNE Group was less than the fair value of the identifiable net assets of the underlying business acquired as determined by the independent professional valuer, mainly due to a discounting effect of the EPC payable.

41. Acquisitions of Subsidiaries (Continued)

Year ended 31 December 2015 (Continued)

(ii) Business acquisition (Continued)

Impact of acquisition on the results of GNE Group

Had the acquisitions as mentioned in note (ii) above been effected at the beginning of the year ended 31 December 2015, the total amounts of revenue and profit for the year ended 31 December 2015 of the Group would have been increased by RMB16,768,000 and RMB1,358,000, respectively. Such pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year ended 31 December 2015, nor is it intended to be a projection of future results.

In determining the above pro-forma financial information, depreciation and amortisation of the property, plant and equipment was calculated based on their recognised amounts of at the date of the acquisition.

The revenue and profit contributed by entities acquired during the year ended 31 December 2015 are RMB269,000 and RMB455,000 respectively.

The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to RMB201 million. The best estimate at acquisition date of the contractual cash flows not expected to be collected is insignificant.

42. Disposal of a Subsidiary

As disclosed in note 13, on 8 December 2015, the Group disposed of its non-solar power business through disposal of its subsidiary, GCL-Poly Limited. The net assets of the non-solar power business being disposed of at the date of disposal were as follows:

	RMB'000
Consideration received:	
Cash received	3,200,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	5,869,096
Prepaid lease payments	408,283
Interest in associates	238,112
Goodwill	307,331
Other non-current assets	79,094
Inventories	174,710
Trade and other receivables	1,372,822
Pledged and restricted bank deposits	132,718
Other current assets	81,700
Bank balances and cash	1,477,146
Trade and other payables	(1,194,496)
Bank borrowings — due within one year	(1,917,653)
Notes payable — due within one year	(1,218,787)
Other current liabilities	(107,061)
Bank borrowings — due after one year	(1,554,648)
Other non-current liabilities	(317,643)
Net assets disposed of	3,830,724
Gain on disposal of a subsidiary:	
Consideration received	3,200,000
Net assets disposed of	(3,830,724)
Non-controlling interests	970,073
Transaction costs and tax expenses	(256,938)
Gain on disposal	82,411
Net cash inflow arising on disposal:	
Cash consideration	3,200,000
Less: Transaction costs and tax expenses	(256,938)
Less: bank balances and cash disposed of	(1,477,146)
	1,465,916

The impact of discontinued operations on the Group's results and cash flows in the current and prior periods is disclosed in note 13.

43. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt, which mainly includes bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds payables respectively, net of cash and cash equivalents, and equity attributable to owners of the company, comprising issued share capital and reserves.

The Directors review the capital structure on a periodical basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debt.

44. Financial Instruments

44a. Categories of financial instruments

	2016 **RMB'000**	2015 RMB'000
Financial assets		
FVTPL:		
Held for trading investments	**111,522**	14,456
Convertible bonds receivable	**128,211**	93,707
Available-for-sale investments	**412,922**	128,726
Loans and receivables (including cash and cash equivalents)	**24,826,868**	30,928,691
Financial liabilities		
FVTPL:		
Convertible bonds issued by GNE	**858,461**	732,856
2019 convertible bonds issued by the Company	**1,154,536**	1,285,616
Derivative financial instruments	**16,011**	12,575
Amortised cost	**56,105,384**	54,396,130

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies

The management provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The management reports periodically to the Directors who monitor risks and policies implemented to mitigate exposures.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Foreign currency risk management

The Group's exposure to foreign currency risk arose from certain bank deposits and balances, bank borrowings, obligations under finance leases, trade and other receivables and payables, held for trading investments, available-for-sale investments, convertible bonds receivable and payables of the Group that are denominated in foreign currencies. The Group currently does not have a currency risk hedging policy. However, the management monitors foreign currency risk exposure by closely monitoring the movement of foreign currency rate and considers hedging against it should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
Euro ("EUR")	**45,070**	17,738	**9,764**	17,016
HK$	**517,420**	283,675	**921,600**	880,138
United States dollar ("US$")	**3,808,535**	1,587,207	**4,513,148**	10,457,786

The foreign currency assets in 2016 and 2015 mainly relate to the HK$ denominated convertible bonds receivable and bank balances, and the US$ denominated available-for-sales investments, trade and other receivables, pledged and restricted bank deposits and bank balances as set out in notes 22, 23, 26 and 29.

The foreign currency liabilities in 2016 and 2015 mainly relate to the HK$ denominated trade and other payable and convertible bonds issued by GNE, US$ denominated bank borrowings, obligations under finance leases, trade and other payables and convertible bonds payable as set out in notes 31, 35, 36 and 39.

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

The following sensitivity analysis details the Group's sensitivity to a 5% (2015: 5%) increase and decrease in functional currency of respective entities against the relevant foreign currencies. 5% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2015: 5%) change in foreign currency rates. A positive number below indicates increase in post-tax profit where functional currency of the respective entities had strengthened 5% (2015: 5%) against the relevant foreign currency. For a 5% (2015: 5%) weakening of functional currency of respective entities against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year.

	EUR	**HK$**	**US$**
	RMB'000	RMB'000	RMB'000
2016			
Increase (decrease) in profit for the year	**1,324**	**(15,157)**	**(26,423)**
2015			
Increase (decrease) in profit for the year	(27)	22,367	332,647

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate, interest-bearing amount due to a joint venture, available-for-sale investments, bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds payables (see notes 22, 32, 35, 36, 37 and 39 for details of the above financial instruments, respectively). The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of such financial assets and financial liabilities.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see note 35).

The management has considered the Group's exposure to cash flow interest rate risk in relation to variable-rate pledged and restricted bank deposits and bank balances (see note 29) to be limited because the current market interest rates on general deposits are relatively low and stable.

It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowings

If interest rates had been 50 basis points higher/lower on LIBOR and lending benchmark interest rate stipulated by Benchmark Rate and all other variables were held constant, the Group's profit for the year ended 31 December 2016 would increase/decrease by approximately RMB80,083,000 (2015: RMB62,011,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

The Group's exposure to cash flow interest rate risk has increased during the current year mainly due to the increase in variable-rate borrowings.

The Group's exposure to fair value interest rate risk has decreased during the year mainly due to the decrease in fixed-rate borrowings.

The Group's exposure to fair value interest rate risk relating to convertible bonds is mainly on the discount rate. The sensitivity analysis for change in discount rate is disclosed in note 45(i).

Other price risks

The Group is exposed to equity price risk through its investments in listed equity securities, convertible bonds receivable and convertible bonds payables. The Group's equity price risk is mainly concentrated on equity instruments operating in solar, and securities and financing industries sector quoted on the Stock Exchange. In addition, the Group has monitored the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. If the equity prices had been 5% higher/lower (2015: 5%):

- post-tax profit for the year ended 31 December 2016 would increase/decrease by RMB17,333,000 and RMB15,669,000 respectively (2015: post-tax profit would increase/decrease by RMB20,201,000 and RMB28,138,000) as a result of the changes in fair value of held for trading investments, convertible bonds receivables, convertible bonds payables.

The Group's exposure to equity price risk relating to held-for-trading investments, convertible bonds receivable and convertible bonds payables has not changed significantly from the prior year.

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies (Continued)

Credit risk management

As at 31 December 2016, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group.

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. 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 terms are granted to customers which are either secured by letters of credit issued by banks or good credit quality customers. The management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of its financial assets including trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

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 on sales of electricity is concentrated on a limited number of local electric power bureaus. However, as the local electric power bureaus are state-owned and have good repayment history, the management accordingly considers that there is no significant credit risk on respective sales.

Credit risk on pledged and restricted bank deposits and bank balances is limited because the counterparties are reputable banks in the PRC, Hong Kong and the USA.

The Group has concentration of credit risk on convertible bonds receivable amounting to RMB128,211,000 (2015: RMB93,707,000). Credit risk is considered as limited because the counterparty is a company listed on the Stock Exchange with strong financial position, and the convertible bonds receivable can be redeemed as marketable securities.

As at 31 December 2016, GNE Group also had concentration of credit risk on loan receivables amounting to approximately RMB344 million (2015: RMB389 million). Credit risk is considered to be limited as GNE Group holds collateral over most of these balances as disclosed in note 26.

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies (Continued)

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings to ensure unutilised banking facilities are adequate and ensures compliance with loan covenants.

The Group finances its capital intensive operations by short-term and long-term bank and other borrowings and shareholders' equity. The Group earned a post-tax profit of RMB2,307 million from continuing operations for the year ended 31 December 2016, and the Group's current liabilities exceeded its current assets by RMB7,288 million as at 31 December 2016. Further, the Group had cash and cash equivalents of RMB8,958 million (including bank balances and cash classified as held for sale of RMB27 million) with bank and other borrowings due within one year amounted to RMB13,022 million.

The Group successfully renewed banking facilities that were due during the year. In addition, management maintains continuous communication with the Group's principal banks on the renewal of existing banking facilities that will fall due in the coming twelve months and the grant of additional banking facilities. The Directors have reviewed the Group's bank loans and banking facilities available to the Group and are of the opinion that the bank loans and banking facilities would be renewed when their current terms expire. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationship with the relevant banks which enhance the Group's ability to renew the current bank loans upon expiry. Up to the date of approval of these financial statements, the Directors are not aware of any intention of the Group's principal banks to withdraw their banking facilities granted or request early repayment of the utilised facilities within the next twelve months from the end of the reporting period.

Despite uncertainties and measures mentioned in note 2, the Directors believe that the Group will be able to generate sufficient cash flows to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

The Directors are of the opinion that, taking into account the Group's current undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projection for the coming year and the net proceeds from the rights issues of the Group, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2016								
Non-derivative financial liabilities								
Trade and other payables	—	15,696,952	1,585,086	—	—	—	17,282,038	17,282,038
Amounts due to related companies								
— fixed-rate	4.35	2,738	8,213	10,951	262,704	—	284,606	251,752
— non-interest bearing	—	170,694	—	—	—	—	170,694	170,694
Bank and other borrowings								
— fixed-rate	6.10	3,342,199	4,491,639	2,811,467	1,984,913	224,715	12,854,933	11,924,015
— variable-rate	5.28	980,977	5,369,098	2,647,849	6,518,041	7,821,995	23,337,960	21,355,540
Notes and bonds payables	5.88	75,999	879,151	2,745,749	2,191,108	—	5,892,007	5,121,345
Subtotal		20,269,559	12,333,187	8,216,016	10,956,766	8,046,710	59,822,338	56,105,384
Convertible bonds payables	3.04	15,360	46,079	890,087	1,192,326	—	2,143,852	2,012,997
Obligations under finance leases	5.37	276,325	704,464	818,582	692,648	382,269	2,874,288	2,513,440
Derivative financial instrument								
Put option of interest in Jiangsu Xinhua	—	—	—	—	16,011	—	16,011	16,011
		20,561,244	13,083,730	9,924,685	12,857,751	8,428,979	64,856,389	60,647,832

44. Financial Instruments (Continued)

44b. Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk tables **(Continued)**

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2015								
Non-derivative financial liabilities								
Trade and other payables	—	12,261,279	2,813,656	—	—	—	15,074,935	15,074,935
Amounts due to related companies	—	206,171	—	—	—	—	206,171	206,171
Bank and other borrowings								
— fixed-rate	7.03	6,089,740	8,180,378	1,518,697	2,667,313	527,263	18,983,391	17,899,452
— variable-rate	4.61	1,337,599	7,817,960	3,082,708	2,535,995	3,919,363	18,693,625	16,536,241
Notes and bonds payables	6.63	71,250	1,230,616	249,250	3,984,119	—	5,535,235	4,679,331
Subtotal		19,966,039	20,042,610	4,850,655	9,187,427	4,446,626	58,493,357	54,396,130
Convertible bonds payables	2.80	14,994	44,981	59,974	2,526,802	—	2,646,751	2,018,472
Obligations under finance leases	7.34	283,043	821,543	999,480	1,365,741	512,228	3,982,035	3,434,406
Derivative financial instruments								
Foreign exchange forward contracts	—	578	11,997	—	—	—	12,575	12,575
		20,264,654	20,921,131	5,910,109	13,079,970	4,958,854	65,134,718	59,861,583

The amounts included above for variable-rate borrowings is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

45. Fair Value Measurements

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2016 RMB'000	2015 RMB'000				
1) Convertible bonds receivable (Note a)	**128,211**	93,707	Level 3	Binomial model, the key inputs are: underlying share price, exercise price, risk free interest rate, share price volatility, and dividend yield.	Share price volatility of 47.25% and discount rate of 18.57% (2015: share price volatility of 50.08% and discount rate of 23.03%), taking into account the historical share price of United Photovoltaics and comparable companies for the period of time close to the expected time to exercise.	The higher the volatility the higher the fair value. The higher the discount rate the lower the fair value
					Dividend yield of 0% (2015: 0%), taking into account management's experience and knowledge of the dividend to be paid.	The higher the dividend yield the lower the fair value.
2) 2019 Convertible Bonds issued by the Company (Note b)	**1,154,536**	1,285,616	Level 3	Binomial model, the key input are: underlying share price, exercise price, risk free interest rate, share price volatility, discount rate, and dividend yield.	Share price volatility of 49.23% and discount rate of 9.57% (2015: share price volatility of 56.29% and discount rate of 10.07%) taking into account the historical share price of the Company for the period of time close to the expected time to exercise.	The higher the volatility the higher the fair value. The higher the discount rate the lower the fair value.
3) Convertible bonds issued by GNE (Note c)	**858,461**	732,856	Level 3	Binomial Lattice model, the key inputs are: underlying share price, conversion price, risk free rate, share price volatility, discount rate and dividend yield.	Share price volatility of 50.97%–56.71% and discount rate of 24.48%–24.51% (2015: 64.42%–64.85% and 30.97%–31.03%) taking into account the historical share price of GNE for the period of time close to the expected time to exercise.	The higher the volatility the higher the fair value. The higher the discount rate the lower the fair value.

45. Fair Value Measurements (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets and financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2016 RMB'000	2015 RMB'000				
4) Put option of interest in Jiangsu Xinhua classified as derivative financial instrument in the statement of financial position	**16,011**	—	Level 3	Scenario analysis, the key inputs are: estimated probability of success or failure in IPO, risk-free rate and credit spread.	Estimated probability of success in IPO, failure in IPO due to external factors and unsatisfactory performance of Jiangsu Xinhua set out in note 38 of 90%, 10% and 0% respectively, taking into account the best estimate of the Directors.	The higher the estimated probability of success in IPO, the lower the fair value. The higher the estimated probability of failure in IPO in scenario I and II, the higher the fair value.
5) Listed equity securities classified as held for trading investments	**111,522**	14,456	Level 1	Quoted bid price in an active market.	N/A	N/A
6) Listed available-for-sale investments	**112,922**	38,726	Level 1	Quoted bid price in an active market	N/A	N/A
7) Foreign currency forward contracts classified as derivative financial instruments in the statement of financial position	**—**	12,575	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various parties.	N/A	N/A

Notes:

(a) If the share price volatility of the United Photovoltaics shares was 5% higher/lower while all the other variables were held constant, the carrying amount of the convertible bonds receivable would increase by approximately RMB509,000/decrease by approximately RMB1,271,000.

If the dividend yield of the shares was 5% higher while all the other variables were held constant, the carrying amount of the convertible bonds receivable would decrease by approximately RMB1,440,000.

If the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the gain on change in fair value of the convertible bonds receivable would increase by approximately RMB696,000/decrease by approximately RMB685,000.

(b) If the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the fair value of the 2019 Convertible Bonds issued by the Company would increase by approximately RMB11,387,000/decrease by approximately RMB9,351,000.

If the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the convertible bonds issued by the Company would increase by approximately RMB7,671,000/decrease by approximately RMB7,582,000.

45. Fair Value Measurements (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes: (Continued)

(c) If the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the loss on change in fair value of the convertible bonds payable issued by GNE would increase by approximately RMB13,641,000/decrease by approximately RMB13,726,000.

If the discount rate was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the convertible bonds issued by GNE would increase by approximately RMB9,487,000/decrease by approximately RMB9,719,000.

No significant changes in fair value resulting from credit risk for both years.

There is no transfer between the level 1 and level 2 of the fair value hierarchy for both years.

The Directors consider that the carrying amounts of financial assets and financial liabilities and the associated interest receivables and interest payables recorded at amortised cost in the consolidated financial statements approximate their fair values.

Included in other expenses, gains and losses set out in note 10, a net loss of RMB300,111,000 is related to financial assets and financial liabilities measured as at FVTPL held in 2016 (2015: gain of RMB66,622,000).

Fair value hierarchy as at 31 December 2016

	Leve 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Convertible bonds receivable	—	—	128,211	128,211
Listed equity securities classified as held for trading investments	111,522	—	—	111,522
Available-for-sale investments				
Listed debt securities	112,922	—	—	112,922
Total	224,444	—	128,211	352,655
Financial liabilities				
Convertible bonds issued by GNE	—	—	858,461	858,461
2019 Convertible Bonds issued by the Company	—	—	1,154,536	1,154,536
Put option of interest in Jiangsu Xinhua classified as derivative financial instrument in the statement of financial position	—	—	16,011	16,011
Total	—	—	2,029,008	2,029,008

45. Fair Value Measurements (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy as at 31 December 2015

	Leve 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Convertible bonds receivable	—	—	93,707	93,707
Listed equity securities classified as held for trading investments	14,456	—	—	14,456
Available-for-sale investments				
Listed debt securities	38,726	—	—	38,726
Total	53,182	—	93,707	146,889
Financial liabilities				
Convertible bonds issued by GNE	—	—	732,856	732,856
2019 Convertible Bonds issued by the Company	—	—	1,285,616	1,285,616
Foreign currency forward contracts classified as derivative financial instruments in the statement of financial position	—	12,575	—	12,575
Total	—	12,575	2,018,472	2,031,047

45. Fair Value Measurements (Continued)

(ii) Reconciliation of Level 3 fair value measurements

31 December 2016

	Convertible bonds receivable RMB'000	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Put option of interest in Jiangsu Xinhua RMB'000	Total RMB'000
Opening balance	**93,707**	**(1,285,616)**	**(732,856)**	**—**	**(1,924,765)**
Gain (loss) in profit or loss	**34,504**	**(180,878)**	**(175,248)**	**(16,011)**	**(337,633)**
Payment of interests	**—**	**4,353**	**49,643**	**—**	**53,996**
Partial redemption of convertible bonds	**—**	**307,605**	**—**	**—**	**307,605**
Closing balance	**128,211**	**(1,154,536)**	**(858,461)**	**(16,011)**	**(1,900,797)**

31 December 2015

	Convertible bonds receivable RMB'000	2018 Convertible Bonds issued by the Company RMB'000	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Total RMB'000
Opening balance	137,932	(1,138,452)	—	—	(1,000,520)
(Loss) gain in profit or loss	(44,225)	(146,774)	111,499	29,064	(50,436)
Issues	—	—	(1,397,115)	(768,964)	(2,166,079)
Payment of interests	—	5,171	—	7,044	12,215
Redemption of convertible bonds	—	1,280,055	—	—	1,280,055
Closing balance	93,707	—	(1,285,616)	(732,856)	(1,924,765)

45. Fair Value Measurements (Continued)

(ii) Reconciliation of Level 3 fair value measurements (Continued)

Fair value measurements and valuation processes

The Directors have engaged independent professional qualified valuers to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

No significant change in fair value resulting from credit risk for the year ended 31 December 2016.

46. Transfers of Financial Assets

During the current year, the Group endorsed certain bills receivable for the settlement of trade and other payables; and discounted certain bills receivable/letters of credit to banks for financing.

The following were the Group's bills receivable as at 31 December 2016 and 2015 that were transferred to banks or creditors by discounting or endorsing those receivables, respectively, on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and recognised the cash received on the transfer as a secured borrowing (see note 35) or the amounts outstanding with the creditors remain to be recognised as trade and other payables and amount due to related companies, respectively. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

46. Transfers of Financial Assets (Continued)

At 31 December 2016

	Bills receivable/ letters of credit discounted to banks with full recourse RMB'000	Bills receivable endorsed to creditors with full recourse RMB'000	Total RMB'000
Bills receivable from third parties	**820,734**	**1,372,951**	**2,193,685**
Bills receivable/letters of credit from group entities	**1,031,200**	**—**	**1,031,200**
Carrying amount of transferred assets	**1,851,934**	**1,372,951**	**3,224,885**
Carrying amount of associated liabilities	**(1,851,934)**	**(1,372,951)**	**(3,224,885)**
Net position	**—**	**—**	**—**

At 31 December 2015

	Bills receivable/ letters of credit discounted to banks with full recourse RMB'000	Bills receivable endorsed to creditors with full recourse RMB'000	Total RMB'000
Bills receivable from third parties	3,557,122	1,350,601	4,907,723
Bills receivable/letters of credit from group entities	5,440,382	—	5,440,382
Carrying amount of transferred assets	8,997,504	1,350,601	10,348,105
Carrying amount of associated liabilities	(8,997,504)	(1,350,601)	(10,348,105)
Net position	—	—	—

Further, in the opinion of the Directors, the Group has transferred the significant risks and rewards relating to certain endorsed or discounted bills receivable/letter of credit, and the Group's obligations to the corresponding counterparties were discharged in accordance with the commercial practice in the PRC and the risk of the default in payment of the endorsed and discounted bills receivable/letter of credit is remote because those endorsed and discounted receivable are issued and guaranteed by reputable PRC banks. Accordingly, the relevant assets and liabilities were not recognised in the consolidated financial statements. As at 31 December 2016, the maximum exposure to the Group that may result from default of these endorsed and discounted receivable is RMB40,660,000 and RMB618,445,000 respectively (2015: RMB2,690,736,000 and RMB581,699,000, respectively), and aggregate of RMB659,105,000 (2015: RMB3,272,435,000).

46. Transfers of Financial Assets (Continued)

Maturity analysis of the derecognised endorsed or discounted bills receivables is as follows:

	2016 RMB'000	2015 RMB'000
Within 3 months	268,458	2,190,994
Over 3 months but within 6 months	390,647	1,081,441
	659,105	3,272,435

The Directors consider that the carrying amounts of the endorsed and discounted bills receivable/letter of credit approximate their fair values.

The undiscounted cash outflows that may be required to repurchase derecognised bills receivable discounted to banks and endorsed to creditors are approximately their carrying amounts.

The finance costs from continuing operations recognised for bills receivable/letter of credit discounted to banks are RMB153,253,000 for the year ended 31 December 2016 (2015: RMB782,716,000).

47. Operating Leases

The Group as lessee

	2016 RMB'000	2015 RMB'000
Minimum lease payments paid under operating leases during the year:		
Buildings	54,717	56,970
Land	23,118	3,261
Staff quarters	6,849	3,017
Motor vehicles	11,889	8,780
Others	30,721	55,538
	127,294	127,566

47. Operating Leases (Continued)

The Group as lessee (Continued)

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 RMB'000	2015 RMB'000
Within one year	**91,812**	70,801
In the second to fifth years inclusive	**191,925**	150,546
After five years	**709,801**	440,971
	993,538	662,318

Operating lease payments represent rentals payable by the Group for certain pieces of land, properties and other assets. Leases are negotiated and rentals are fixed for terms ranging from 3 to 34 years for those pieces of land and ranging from 1 to 3 years for the other properties.

The Group as lessor

At the ended of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016 RMB'000	2015 RMB'000
Within one year	**6,327**	5,008
In the second to fifth years inclusive	**16,767**	12,051
Over five years	**12,000**	—
	35,094	17,059

Operating lease income represents property rental income earned during the year. All of the properties held have committed tenants for the next 1 to 9 years.

48. Capital Commitments

	2016 RMB'000	2015 RMB'000
Capital expenditure in respect of acquisitions of property, plant and equipment contracted for but not provided in the consolidated financial statements	5,005,283	5,861,215
Capital Commitment in respect of acquisitions of intangible assets contracted for but not provided in the consolidated financial statements	936,495	—
Commitment to contribute share capital to a joint venture contracted for but not provided	—	36,000
Commitment to contribute share capital to an available-for-sale investment	—	210,000
	5,941,778	6,107,215

49. Contingent Liabilities

Financial guarantees contracts

At 31 December 2014, the Group provided guarantees amounting to RMB100,000,000 to the banks in respect of banking facilities of an associate, which expired on 28 April 2015 and 31 December 2015.

Contingent liability

On 9 September 2016, Solaria Corporation ("Solaria") filed litigation in California state court in the USA against 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 GCL 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 recognise any provision for any possible losses in relation to this dispute as at 31 December 2016.

50. Pledge of Assets

At the end of the reporting period, the Group has pledged the following assets to secure credit facilities of the Group:

	2016 RMB'000	2015 RMB'000
Bank and other borrowings secured by:		
Bills receivables	**1,887,410**	4,554,979
Pledged bank deposits	**2,758,660**	2,291,349
Prepaid leases payments	**6,045**	6,173
Property, plant and equipment	**24,302,258**	15,609,980
Trade receivables	**2,313,050**	701,841
	31,267,423	23,164,322
Obligations under finance leases secured by:		
Aircraft	**260,106**	284,684
Available for sale investments	**—**	12,847
Pledged bank deposits	**220,120**	215,120
Property, plant and equipment	**3,568,075**	4,282,821
	4,048,301	4,795,472
Total	**35,315,724**	27,959,794

Certain subsidiaries pledged their fee collection rights in relation to the sales of electricity and as at 31 December 2016, trade receivables in respect of such fee collection rights pledged amounted to approximately RMB2,313,050,000 (31 December 2015: RMB701,841,000).

In addition to the pledged bank deposits, there are restricted bank deposits of RMB1,120,991,000 (31 December 2015: RMB4,453,336,000) which have been restricted to secure bills payable, short term letters of credit for trade and other payables and RMB104,855,000 (31 December 2015: RMB98,525,000) have been restricted to secure obligations under finance leases which are due after one year.

As at 31 December 2015, the shares of a subsidiary with net asset value of RMB9 billion (2016: nil) were pledged to secure bank borrowings totalling RMB3,153,408,000 (2016: nil) granted to the Group.

51. Share-Based Payment Transactions

51a. The Company

Equity settled share option scheme

On 22 October 2007, a Pre-IPO Share Option Scheme ("Pre-IPO Share Option Scheme") and a Share Option Scheme ("Share Option Scheme") were adopted by the Company pursuant to the resolution of the sole shareholder. Under the schemes, the Company may grant option to directors, employees of the Company and its subsidiaries and qualifying grantees to subscribe for shares of the Company. The Company granted 31,260,000 to the employees and directors of the Group under the Share Option Scheme. Options granted are exercisable during the period after respective vesting date to the last day of the ten-year period after grant date.

On 16 February and 24 April 2009, the Company granted 40,980,000 and 3,040,000 share options to the directors and employees of the Group under the Share Option Scheme, at an exercise price of HK$0.59 and HK$1.054 per share, respectively. The share options are subject to a vesting scale in tranches of one-fifth of the shares starting from 1 April and 1 May 2009 and then the first, second, third and fourth anniversary dates of the date of grant, respectively. The share options shall be valid during the period of ten years from the date of grant.

On 12 January and 15 July 2011, the Company granted 25,000,000 and 108,100,000 share options to the employees and directors of the Group under the Share Option Scheme, at an exercise price of HK$3.32 and HK$4.1 per share, respectively. The share options are subject to a vesting scale in tranches of one-fifth of the shares starting from 1 March 2011 and 1 September 2011 and then the first, second, third and fourth anniversary dates of the date of grant, respectively. The share options shall be valid during the period of ten years from the date of grant.

On 5 July 2013, the Company granted 44,600,000 share options to the employees of the Group under the Share Option Scheme, at an exercise price of HK$1.642 per share. The share options are subject to a vesting scale in tranches of one-fifth starting from 16 September 2013 and then the first, second, third and fourth anniversary dates of the date of grant, respectively. The share options shall be valid during the period of 10 years from the date of grant.

On 24 March 2014, the Company granted 77,600,000 share options to the employees of the Group under the Share Option Scheme, at an exercise price of HK$2.888 per share. The share options are subject to a vesting scale in tranches of one-fifth starting from 26 May 2014 and then the first, second, third and fourth anniversary dates of the date of grant, respectively. The share options shall be valid during the period of 10 years from the date of grant.

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

On 19 February 2016 and 29 March 2016, the Company modified certain of its previous options granted and details of which are set out in note (b) under the section headed (ii) Share Option Scheme below.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the schemes was 212,710,000 (2015: 215,888,000) shares, representing 1.14% (2015: 1.39%) of the issued share capital of the Company at that date.

The total number of shares in respect of which options may be granted under the Share Option Scheme are not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the Directors and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Pursuant to the terms of the Pre-IPO Share Option Scheme and Share Option Scheme, the exercise price and the number of share options were being adjusted as a result of the determination of entitlements to the Rights Issue mentioned in note 40. Details of the adjustments are disclosed in the announcement of the Company on 26 January 2016.

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

Movements of share options granted during the year are as follows:

(i) Pre-IPO Share Option Scheme

2016

	Exercise price (Note a)	Date of grant	Exercise period	Number of share options: Outstanding at 1 January 2016	During the year: Adjusted for the Rights Issue (Note a)	Exercised	Forfeited	Transferred (Note c)	Outstanding at 31 December 2016
Directors	HK$4.071	13.11.2007	13.11.2010 to 12.11.2017	3,000,000	21,510	—	—	201,434	3,222,944
Employees and others	HK$4.071	13.11.2007	13.11.2010 to 12.11.2017	20,740,000	148,706	—	—	(201,434)	20,687,272
				23,740,000	170,216	—	—	—	23,910,216
Exercisable at the end of the year				23,740,000					23,910,216
Weighted average exercise price (HK$)				4.071	4.071	—	—	—	4.071

2015

	Exercise price	Date of grant	Exercise period	Number of share options: Outstanding at 1 January 2015	During the year: Granted	Exercised	Forfeited	Transferred (Note c)	Outstanding at 31 December 2015
Directors	HK$4.1	13.11.2007	13.11.2010 to 12.11.2017	4,500,000	—	—	—	(1,500,000)	3,000,000
Employees and others	HK$4.1	13.11.2007	13.11.2010 to 12.11.2017	20,560,000	—	—	(1,320,000)	1,500,000	20,740,000
				25,060,000	—	—	(1,320,000)	—	23,740,000
Exercisable at the end of the year				25,060,000					23,740,000
Weighted average exercise price (HK$)				4.1	—	—	4.1	—	4.1

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

(i) Pre-IPO Share Option Scheme (Continued)

The expected volatility was determined by using the volatility of the stock return of the Company and comparable listed companies as at the valuation date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the Director's best estimate. Change in subjective input assumptions can materially affected the fair value.

The weighted average closing price of the Company's shares at dates on which the options were exercised during the year ended 31 December 2015 was HK$1.85 per share and no options were exercised during the current year.

No further options under the Pre-IPO Share Option Scheme can be granted after 13 November 2007, the date of listing of the shares of the Company on the Stock Exchange.

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

(ii) Share Option Scheme

2016

				Number of share options						
					During the year					
	Exercise price (Note a)	Date of grant	Exercise period	Outstanding at 1 January 2016	Adjusted for the Rights Issue (Note a)	Granted (Note b)	Cancelled (Note b)	Forfeited	Transferred (Note c)	Outstanding at 31 December 2016
Directors	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	4,000,000	28,680	—	—	—	—	4,028,680
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	1,000,000	7,170	—	(1,007,170)	—	—	—
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	1,000,000	7,170	—	(1,812,905)	—	805,735	—
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	6,600,000	47,322	—	(10,071,700)	—	3,424,378	—
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	—	—	—	—	—	5,942,302	5,942,302
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	—	—	10,361,662	—	—	(1,712,189)	8,649,473
Employees and others	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	8,931,000	64,035	—	—	—	—	8,995,035
	HK$1.046	24.04.2009	01.05.2009 to 23.04.2019	842,000	6,037	—	—	(40,287)	—	807,750
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	9,500,000	68,115	—	(4,532,265)	—	—	5,035,850
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	57,950,000	415,502	—	(50,559,936)	(906,453)	(805,735)	6,093,378
	HK$1.630	05.07.2013	16.09.2013 to 04.07.2023	34,325,000	246,110	—	—	(2,961,081)	—	31,610,029
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	68,000,000	476,805	—	(41,193,253)	(1,500,000)	(3,424,378)	22,359,174
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	—	—	98,904,095	—	(1,007,170)	(5,942,302)	91,954,623
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	—	—	1,611,472	—	—	1,712,189	3,323,661
				192,148,000	1,366,946	110,877,229	(109,177,229)	(6,414,991)	—	188,799,955
Exercisable at the end of the year				132,268,000						108,353,448
Weighted average exercise price (HK$)				2.88	2.88	1.18	3.47	2.19	—	1.56

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

(ii) Share Option Scheme (Continued)

2015

				Number of share options					
				Outstanding at	During the year				Outstanding at
	Exercise price	Date of grant	Exercise period	1 January 2015	Granted	Exercised	Forfeited	Transferred (Note)	31 December 2015
Directors	HK$0.59	16.02.2009	01.04.2009 to 15.02.2019	5,500,000	—	—	—	(1,500,000)	4,000,000
	HK$3.32	12.01.2011	01.03.2011 to 11.01.2021	—	—	—	—	1,000,000	1,000,000
	HK$4.1	15.07.2011	01.09.2011 to 14.07.2021	1,500,000	—	—	(500,000)	—	1,000,000
	HK$2.888	24.03.2014	21.05.2014 to 23.03.2024	7,100,000	—	—	(500,000)	—	6,600,000
Employees and others	HK$0.59	16.02.2009	01.04.2009 to 15.02.2019	7,951,000	—	(240,000)	(280,000)	1,500,000	8,931,000
	HK$1.054	24.04.2009	01.05.2009 to 23.04.2019	1,002,000	—	(160,000)	—	—	842,000
	HK$3.32	12.01.2011	01.03.2011 to 11.01.2021	15,000,000	—	—	(4,500,000)	(1,000,000)	9,500,000
	HK$4.1	15.07.2011	01.09.2011 to 14.07.2021	67,400,000	—	—	(9,450,000)	—	57,950,000
	HK$1.642	05.07.2013	16.09.2013 to 04.07.2023	36,675,000	—	(30,000)	(2,320,000)	—	34,325,000
	HK$2.888	24.03.2014	26.05.2014 to 23.03.2024	70,500,000	—	—	(2,500,000)	—	68,000,000
				212,628,000	—	(430,000)	(20,050,000)	—	192,148,000
Exercisable at the end of the year				108,196,000					132,268,000
Weighted average exercise price (HK$)				2.94	—	0.84	3.41	—	2.91

Note: Ms. Sun Wei resigned as an executive director on 23 January 2015 and remains as an employee of the Company.

Mr. Zhu Zhanjun, who was an employee of the Company, was appointed as an executive director of the Company on 23 January 2015.

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

(ii) Share Option Scheme (Continued)

Notes: (Continued)

(a) In January 2016, the Company completed a rights issue on the basis of one rights share for every five shares held. Accordingly, adjustments have been made to the exercise price and the number of shares that can be subscribed for under the outstanding share options.

(b) On 19 February 2016 and 29 March 2016, the Company modified certain of its previously granted share options as follows:

(i) On 19 February 2016, (1) a total of 98,904,095 share options (the "Outstanding Options 1") previously granted by the Company to its directors and employees (the "Grantees") under the Share Option Scheme on 12 January 2011, 15 July 2011 and 24 March 2014, which had not been exercised or lapsed since they were granted, were cancelled (the "Cancelled Share Options 1"); and (2) a total of 98,904,095 new share options (the "Replacement Share Options 1") were granted under the Share Option Scheme to the Grantees in replacement of the Outstanding Options 1. All the Grantees had given their written consent to cancel their respective Outstanding Options 1.

(ii) On 29 March 2016, (1) a total of 10,273,134 share options (the "Outstanding Options 2") previously granted by the Company to the Grantees under the Share Option Scheme on 12 January 2011, 15 July 2011 and 24 March 2014, which had not been exercised or lapsed since they were granted, were cancelled (the "Cancelled Share Options 2"); and (2) a total of 10,273,134 new share options (the "Replacement Share Options 2") were granted under the Share Option Scheme to the Grantees in replacement of the Outstanding Options 2. All the Grantees had given their written consent to cancel their respective Outstanding Options 2.

(iii) In addition, 1,700,000 share options (the "New Options") was granted to a director on 29 March 2016 and the fair value of the options determined at the date of grant using the Binomial model was HK$1,254,000 (equivalent to RMB1,054,000).

On 19 February 2016 and 29 March 2016, the Company granted a total of 109,177,229 Replacement Share Options to the Grantees under the Share Option Scheme. The validity period of the options is ten years, from 19 February 2016 to 18 February 2026 and from 29 March 2016 to 28 March 2026, respectively. The option will entitle the Grantees to subscribe for a total of 98,904,095 and 10,273,134 new shares at an exercise prices of HK$1.16 and HK$1.324 per share of the Company, respectively. The fair value of the Cancelled Share Options was approximately HK$32,027,000 (equivalent to RMB26,933,000) at the dates of cancellation and the fair value of the Replacement Share Options was approximately HK$62,592,000 (equivalent to RMB52,637,000) at the date of grant, respectively. The incremental fair value at date of grant of HK$30,565,000 (equivalent to RMB25,704,000) will be expensed over the vesting periods subject to a vesting scale in tranches of one-fifth of the shares starting from 15 March 2016 and 18 April 2016 and then the first, second, third and fourth anniversary dates of the date of grant, respectively. In addition, the share-based payment expenses in relation to original share options will be expensed over the remainder of the original vesting period.

51. Share-Based Payment Transactions (Continued)

51a. The Company (Continued)

Equity settled share option scheme (Continued)

(ii) Share Option Scheme (Continued)

Notes: (Continued)

(b) The following inputs were used to derive the fair value of the Cancelled Share Options at the date of cancellation and the fair value of the Replacement Share Options at the date of grant, using the Binomial model:

	Replacement Share Options granted on 19 February 2016	Cancelled Share Options granted on 12 January 2011	Cancelled Share Options granted on 15 July 2011	Cancelled Share Options granted on 24 March 2014
Number of options granted (cancelled)	**98,904,095**	(4,532,265)	(51,365,671)	(43,006,159)
Closing share prices immediately before date of grant	**HK$1.16**	HK$1.16	HK$1.16	HK$1.16
Exercise price (per share)	**HK$1.16**	HK$3.296	HK$4.071	HK$2.867
Risk-free interest rate	**1.438%**	1.122%	1.163%	1.331%
Expected life	**10 years**	4.89 years	5.40 years	8.09 years
Expected volatility	**65.49%**	61.12%	59.83%	65.49%
Expected dividend yield	**0%**	0%	0%	0%

	New Options granted on 29 March 2016	Replacement Share Options granted on 29 March 2016	Cancelled Share Options granted on 12 January 2011	Cancelled Share Options granted on 15 July 2011	Cancelled Share Options granted on 24 March 2014
Number of options granted (cancelled)	**1,700,000**	10,273,134	(1,007,170)	(1,007,170)	(8,258,794)
Closing share prices immediately before date of grant	**HK$1.25**	HK$1.25	HK$1.25	HK$1.25	HK$1.25
Exercise price (per share)	**HK$1.324**	HK$1.324	HK$3.296	HK$4.071	HK$2.867
Risk-free interest rate	**1.402%**	1.402%	1.109%	1.144%	1.290%
Expected life	**10 years**	10 years	4.78 years	5.29 years	7.98 years
Expected volatility	**65.33%**	65.33%	61.30%	60.36%	65.33%
Expected dividend yield	**0%**	0%	0%	0%	0%

(c) Mr. Zheng Xiongjiu, who was an employee of the Company, was appointed as an executive director of the Company on 1 April 2016. Upon appointment, his entitlement of 201,434 share options, 805,735 share options and 1,712,189 share options (200,000 share options, 800,000 share options and 1,700,000 share options before adjustment for the Rights Issue) granted on 13 November 2007, 15 July 2011 and 24 March 2014, respectively, and 2,517,924 share options granted on 19 February 2016, were transferred from those held by employees to directors accordingly.

Mr. Jiang Wenwu, who was an employee of the Company, was appointed as an executive director of the Company on 1 April 2016. Upon appointment, his entitlement of 1,712,189 share options (1,700,000 share options before adjustment for the Rights Issue) granted on 24 March 2014 and 1,712,189 share options granted on 19 February 2016, were transferred from those held by employees to directors accordingly.

Ms. Sun Wei, who was an employee of the Company, was appointed as an executive director of the Company on 9 September 2016. Upon appointment, her entitlement of 1,510,755 share options and 1,712,189 share options (1,500,000 share options and 1,700,000 share options before adjustment for the Rights Issue) granted on 16 February 2009 and 24 March 2014, respectively, were transferred from those held by employees to directors accordingly.

Mr. Shu Hua resigned as an executive director and remains as an employee of the Company during the year ended 31 December 2016.

51. Share-Based Payment Transactions (Continued)

51b. Share option plan of GNE

Equity settled share option scheme

GNE's new share option scheme was adopted pursuant to a resolution passed on 15 October 2014 ("New Share Option Scheme") for the primary purpose of providing incentives to directors of GNE and eligible employees. Under the New Share Option Scheme, the Board of Directors of GNE may grant options to eligible employees, including the directors of GNE, to subscribe for shares in GNE. Additionally, GNE may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to GNE.

At 31 December 2016, the number of shares in respect of which had been granted under the New Share Option Scheme and remained outstanding was 664,608,000 (2015: 844,900,000) shares, representing 3.5% (2015: 6.1%) of the issued share capital of GNE at that date. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the shares of GNE in issue at the date of approval of the New Share Option Scheme. The maximum entitlement for any one participant is that the total number of shares issued or to be issued upon exercise of the options granted to each participant in any twelve-month period shall not exceed 1% of the total number of shares in issue.

The exercise price is determined by the directors of GNE, and will not be less than the higher of (i) the closing price of GNE's shares on the date of grant, (ii) the average closing price of GNE shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of GNE share.

On 23 October 2014, GNE granted 134,210,000 share options at exercise price of HK$4.75 per share option ("2014 Share Options"), subject to acceptance by the grantees, to subscribe for an aggregate of 134,210,000 shares under the New Share Option Scheme, and of which 35,000,000 share options were granted to the directors of GNE. These share options are subject to a vesting scale in five even tranches on 24 November 2014 and the first, second, third and fourth anniversary dates of the grant date, respectively, as well as market performance conditions. The share options granted are exercisable from the respective vesting dates to the last day of the ten-year period after the grant date.

As a result of the share subdivision, the exercise price per 2014 Share Options granted and the number of subdivided shares falling to be issued upon exercise of the options granted had been adjusted to HK$1.1875 per share option and 536,840,000 share options, respectively.

On 24 July 2015, GNE granted 473,460,000 share options at exercise price of HK$0.61 per share option ("2015 Share Options"), subject to acceptance by the grantees, to subscribe for an aggregate of 473,460,000 shares under the New Share Option Scheme, and of which 43,000,000 share options were granted to the directors of GNE. These share options are subject to certain service and market performance conditions and a vesting scale in five even tranches on 24 July 2015 and the first, second, third and fourth anniversary dates of the grant date, respectively. The share options granted are exercisable after the respective vesting date and upon meeting the service and market performance conditions up to the last day of the ten-year period after the grant date.

Pursuant to the terms of the New Share Option Scheme, the exercise price of the 2014 Share Options and 2015 Share Options is adjusted from HK$1.1875 to HK$1.1798 and from HK$0.61 to HK$0.606, respectively, with effect from 2 February 2016 as a result of the determination of entitlements to the rights issue mentioned in note 51a.

51. Share-Based Payment Transactions (Continued)

51b. Share option plan of GNE (Continued)

Equity settled share option scheme (Continued)

The following table discloses movements of GNE's share options:

2016

	Exercise price (Note a)	Date of grant	Exercise Period	Number of share options: Outstanding at 1 January 2016	During the year: Adjusted for the Rights Issue (Note a)	During the year: Forfeited	Outstanding at 31 December 2016
Directors	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	70,000,000	462,000	(12,079,200)	58,382,800
	HK$0.606	24.7.2015	24.07.2015 to 23.07.2025	51,000,000	336,600	(2,717,820)	48,618,780
Employees and others	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	324,720,000	2,143,152	(63,576,856)	263,286,296
	HK$0.606	24.7.2015	24.07.2015 to 23.07.2025	399,180,000	2,634,588	(107,494,814)	294,319,774
				844,900,000	5,576,340	(185,868,690)	664,607,650
Exercisable at the end of the year				157,888,000			197,784,821
Weighted average exercise price (HK$)				0.8798	0.8741	0.8396	0.8837

2015

	Exercise price	Date of grant	Exercise Period	Number of share options: Outstanding at 1 January 2015	During the year: Granted	During the year: Forfeited	During the year: Transferred *(Note b)*	Outstanding at 31 December 2015
Directors	HK$1.1875	23.10.2014	24.11.2014 to 22.10.2024	140,000,000	—	(46,800,000)	(23,200,000)	70,000,000
	HK$0.61	24.7.2015	24.07.2015 to 23.07.2025	—	43,000,000	(3,000,000)	11,000,000	51,000,000
Employees and others	HK$1.1875	23.10.2014	24.11.2014 to 22.10.2024	396,840,000	—	(95,320,000)	23,200,000	324,720,000
	HK$0.61	24.7.2015	24.07.2015 to 23.07.2025	—	430,460,000	(20,280,000)	(11,000,000)	399,180,000
				536,840,000	473,460,000	(165,400,000)	—	844,900,000
Exercisable at the end of the year				107,368,000				157,888,000
Weighted average exercise price (HK$)				1.1875	0.61	1.1062	—	0.8798

51. Share-Based Payment Transactions (Continued)

51b. Share option plan of GNE (Continued)

Equity settled share option scheme (Continued)

Notes:

(a) In February 2016, GNE completed the rights issue on the basis of three rights shares for every eight existing shares held. Accordingly, adjustments have been made to the exercise price and the number of shares that can be subscribed for under the outstanding share options.

(b) Transfer upon appointment as directors of GNE or resignation as director but remains as an employee of GNE Group.

The fair value of the 2015 Share Options measured at the date of grant on 24 July 2015 for each share option to be vested in 0.09 year, 1 year, 2 years, 3 years and 4 years from the grant date were HK$0.360, HK$0.371, HK$0.381, HK$0.399 and HK$0.405 for directors, and HK$0.321, HK$0.362, HK$0.381, HK$0.399 and HK$0.405 for employees and others, respectively. The following inputs were used to derive the fair value of the share options, using the Monte Carlo model:

	24 July 2015
Spot price	HK$0.58
Exercise price	HK$0.61
Expected volatility	75%
Dividend yield	0%
Risk-free interest rate	1.732%
Option life	10 years

The expected volatility was determined by using the volatility of the stock return of GNE and comparable listed companies as at the valuation date. The expected life used in the model had been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The variables and assumptions used in estimating the fair value of the share options were based on the director of GNE's best estimate. Change in subjective input assumptions can materially affect the fair value.

During the current year, share-based payment expense of RMB98,466,000 (2015: RMB154,329,000) has been recognised in profit or loss. In addition, certain share options granted to employees have been forfeited after the vesting period, and respective share options reserve of approximately RMB31,263,000 (2015: RMB47,353,000) are transferred to the Group's accumulated profits from share options reserve and non-controlling interest.

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

52. Events After 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, and 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. Further details of the Scheme are set out in the announcement of the Company dated 16 January 2017.

(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 "SunEdison 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 SunEdison 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).

(iv) On 30 December 2016, GNE Group entered into a sale and purchase agreement to dispose of entire interest in Printed Circuit Board Business. The Disposal was approved by the shareholders of GNE in a special general meeting on 13 February 2017. As at the date of approval of these consolidated financial statements for issuance, the Disposal was not yet completed and subject to the fulfilment of certain conditions precedent.

(v) On 19 January 2017, GNE Group entered into certain agreements regarding a sales and leaseback arrangement with Cinda Financial Leasing* 信達金融租賃有限公司. GNE Group sold to Cinda Financial Leasing certain equipment at a consideration of RMB504,523,000 and leased back the equipment for a term of 8 years at an estimated rent of RMB538,005,073. In addition, GNE Group will pay Cinda Financial Leasing a finance lease service fee of RMB21,072,000.

(vi) On 27 February 2017, GNE Group received a no-objection letter from the Shenzhen Stock Exchange in relation to an issuance of non-public green bonds to qualifying investors for a maximum principal amount of RMB1,750,000,000 which are fully underwritten and shall have a term of up to 3 years. The bonds was outstanding for issuance as at 31 December 2016.

(vii) On 2 March 2017, Nanjing GCL New Energy, as customer, and Jiangyin Hareon* 江陰海潤太陽能電力有限公司, a third party supplier, entered into a 100MW module purchase agreement for the supply and purchase of 100MW of solar modules for Nanjing GCL New Energy's photovoltaic power station projects located in Anhui, Guizhou, Liaoning, Jiangsu, Shandong, Shaanxi, Shanghai, Gansu, and Guangxi in the PRC at a total consideration of RMB320,000,000.

* English name for identification only

53. Retirement Benefits Schemes

(a) The PRC

The Group's full-time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 12% to 20% (2015: 8% to 20%) of employees' salaries, which are charged to profit or loss as an expense when the contributions are due.

During the year ended 31 December 2016, the total amounts contributed by the Group to the scheme in the PRC and charged to profit or loss, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme, are as follows:

	2016 **RMB'000**	2015 RMB'000
Amounts contributed and expensed	**70,244**	66,875

(b) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

During the year ended 31 December 2016, the total amounts contributed by the Group to the scheme in Hong Kong and charged to profit or loss, which represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme, are as follows:

	2016 **RMB'000**	2015 RMB'000
Amounts contributed and expensed	**4,576**	2,330

54. Related Party Disclosures

During the current year, the Group has entered into the following transactions with related parties:

	2016 RMB'000	2015 RMB'000
Continuing operations		
Transactions with companies in which Mr. Zhu Gongshan and his family have control:		
Construction-related services expense	**(10,200)**	—
Consultancy service fee expense	**(10,368)**	(13,327)
Management fee expense	**(10,216)**	(22,184)
Purchase of property, plant and equipment	**(640)**	(213,097)
Purchases of steam (Note)	**(607,103)**	(712,548)
Purchase of coal (Note)	**(247,391)**	—
Purchase of coal capacity (Note)	**(40,000)**	—
Purchase of desalted water	**(1,585)**	(495)
Rental income	**14,060**	—
Sales of modules	**—**	3,551
Sales of wafer	**447,961**	—

	Period from 1 January 2015 to 8 December 2015 RMB'000
Discontinued operations	
Transactions with companies in which Mr. Zhu Gongshan and his family have control:	
Consultancy service fee expense	(4,975)
Management fee income	11,846
Rental expense	(8,211)
Sales of coal	204,164
Transfer of capacity quota	30,000
Transactions with associates:	
Interest income	(838)
Sales of coal	(13,803)

Details of balances and other arrangements with related parties are disclosed in the consolidated statement of financial position from pages 101 to 102 and notes 27, 32 and 49.

Note: Steam, coal and coal capacity are purchased by a subsidiary of solar material business mainly for the manufacturing of polysilicon, at price mutually agreed by the two parties.

55. Particulars of Principal Subsidiaries

55a. General information of subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Directly held:					
Incorporated in the Cayman Islands					
Universe Solar Energy Holdings Inc. 環宇光伏電力控股有限公司	Cayman Islands/ Hong Kong	US$10,500	100	100	Investment holding
Indirectly held:					
Solar Material Business ***Established in the PRC***					
Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* 江蘇中能硅業科技發展有限公司	PRC	RMB6,254,073,060	100	100	Manufacture and sale of polysilicon
Jiangsu GCL Silicon Material Technology Development Co., Ltd. 江蘇協鑫硅材料科技發展有限公司	PRC	RMB3,099,650,000	100	100	Manufacture and sale of ingot and wafer
Konca Solar Cell Co., Ltd. 高佳太陽能股份有限公司	PRC	RMB1,184,570,000	70.19	70.19	Manufacture and sale of ingot and wafer
Changzhou GCL Photovoltaic Technology Co., Ltd.* 常州協鑫光伏科技有限公司	PRC	US$109,400,000	100	100	Manufacture and sale of wafer
Suzhou GCL Photovoltaic Technology Co., Ltd. 蘇州協鑫光伏科技有限公司	PRC	US$153,030,000	100	100	Manufacture and sale of wafer
GCL-Poly (Suzhou) New Energy Limited* 保利協鑫(蘇州)新能源有限公司	PRC	RMB4,940,000,000	100	100	Investment holding and trading of wafer
Henan GCL Photovoltaic Technology Co., Ltd.* 河南協鑫光伏科技有限公司	PRC	RMB373,500,000	100	100	Manufacture and sale of ingot
GCL (Nanjing) Solar Energy Technology Co., Ltd. 協鑫(南京)太陽能科技有限公司	PRC	RMB250,000,000	100	100	Manufacture and trading of solar cell and module
Taicang GCL Photovoltaic Technology Co., Ltd 太倉協鑫光伏科技有限公司	PRC	US$148,270,000	100	100	Manufacture and sale of wafer
Funing GCL Photovoltaic Technology Co., Ltd.* 阜寧協鑫光伏科技有限公司#	PRC	US$33,000,000	100	100	Manufacture and sales of solar products
Ningxia GCL Monocrystalline Silicon Technology* Development Co., Ltd.* 寧夏協鑫晶體科技有限公司	PRC	RMB301,000,000	90	90	Manufacture and sales of solar products

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
Solar Material Business (Continued) ***Established in the PRC (Continued)***					
Yangzhou GCL Photovoltaic Technology Company Limited* 揚州協鑫光伏科技有限公司	PRC	US$63,500,000	**100**	100	Manufacture and sale of wafer
GCL-CSI (Suzhou) Photovoltaic Technology Co., Ltd*. 協鑫阿特斯(蘇州)光伏科技有限公司	PRC	RMB166,300,000	**100**	90	Manufacture and sale of wafer
GCL-Poly Silicon Material (Taicang) Co., Ltd.* 保利協鑫硅材料(太倉)有限公司	PRC	US$34,000,000	**100**	100	Trading of solar products
Incorporated in Hong Kong					
GCL Solar Energy Technology Holdings Limited 協鑫光伏電力科技控股有限公司	Hong Kong	HK$1	**100**	100	Investment holding
Konca Solar Cell (H.K.) Co., Ltd. 高佳太陽能(香港)有限公司	Hong Kong	HK$20,000,000	**70.19**	70.19	Trading of wafer
GCL Solar Energy Trading Limited 協鑫光伏貿易有限公司	Hong Kong	HK$1	**100**	100	Trading of wafer
Solar Farm Business ***Established in the PRC***					
GCL-Poly (Sangri) Solar Power Co., Ltd.* 保利協鑫(桑日)光伏電力有限公司	PRC	RMB42,000,000	**100**	100	Operation of solar farm
Xuzhou GCL Solar Energy Co., Ltd.* 徐州協鑫光伏電力有限公司	PRC	RMB84,000,000	**100**	100	Operation of solar farm
Jiangsu Guoneng Solar Technology Co., Ltd.* 江蘇國能新能源科技有限公司	PRC	RMB10,000,000	**100**	100	Operation of solar farm
Suzhou GCL-Poly Solar Energy Investment Ltd.* 蘇州保利協鑫光伏電力投資有限公司	PRC	RMB422,000,000	**100**	100	Investment holding
Datong Xian GCL Solar Energy Co., Ltd.* 大同縣協鑫光伏電力有限公司	PRC	RMB144,600,000	**100**	100	Operation of solar farm
Baoying Xingneng Renewable Energy Co., Ltd.* 寶應興能可再生能源有限公司	PRC	RMB52,800,000	**100**	100	Operation of solar farm
Funing Xinneng Solar Energy Co., Ltd.* 阜寧新能光伏電力有限公司	PRC	RMB52,800,000	**100**	100	Operation of solar farm

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
Solar Farm Business (Continued) ***Established in the PRC (Continued)***					
Ningxia Qingyang New Energy Co., Ltd.* 寧夏慶陽新能源有限公司	PRC	RMB170,000,000	**51**	51	Operation of solar farm
Huocheng Xian Tukai New Energy Technology Development Co., Ltd.* 霍城縣圖開新能源科技開發有限公司	PRC	RMB49,380,000	**51**	51	Operation of solar farm
Ningxia Hengyang New Energy Co., Ltd. 寧夏恒陽新能源有限公司	PRC	RMB49,800,000	**100**	100	Operation of solar farm
Datong Xian Xinneng Solar Energy Co., Ltd.* 大同縣鑫能光伏電力有限公司	PRC	RMB32,600,000	**100**	100	Operation of solar farm
GCL Solar System (Suzhou) Limited* 協鑫太陽能系統集成(蘇州)有限公司	PRC	US$2,200,000	**100**	100	Trading of solar products
Incorporated in Hong Kong					
GCL Solar Energy Limited 協鑫光伏有限公司	Hong Kong	HK$1	**100**	100	Investment holding
Incorporated in the USA					
GCL Solar Energy, Inc.	USA	US$2,000,000	**100**	100	Construction and sales of solar farm projects
Incorporated in Luxembourg					
Berimor Investments S.a.r.l.	Luxembourg	US$2,000,000	**100**	100	Investment holding
New Energy Business					
Same Time International (B.V.I.) Limited	BVI/Hong Kong	US$50,000	**62.28**	62.28	Investment holding
GCL New Energy Development Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
GCL New Energy International Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
GCL New Energy Management Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
GCL New Energy Trading Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
Established in the PRC					
協鑫新能源投資(中國)有限公司 GCL New Energy Investment (China) Co., Ltd.*	PRC	US$889,000,000	**62.28**	62.28	Investment holding
南京協鑫新能源發展有限公司 Nanjing GCL New Energy Development Co., Ltd.*	PRC	US$789,000,000	**62.28**	62.28	Investment holding
蘇州協鑫新能源投資有限公司 Suzhou GCL New Energy Investment Co., Ltd.* (“Suzhou GCL NE”)	PRC	RMB12,000,000,000	**62.28**	62.28	Investment holding

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
New Energy Business (Continued) ***Established in the PRC (Continued)***					
上林協鑫光伏電力有限公司 Shang Lin GCL Solar Power Co., Ltd.*	PRC	RMB81,380,000 (2015: RMB5,000,000)	**62.28**	62.28	Operation of solar farms
上高縣利豐新能源有限公司 Shang Gao Xian Li Feng New Energy Co., Ltd.*#	PRC	RMB31,600,000	**62.28**	—	Operation of solar farms
中利騰暉海南電力有限公司 Zhongli Tenghui Hainan Solar Power Co., Ltd.*	PRC	RMB105,500,000 (2015: RMB10,000,000)	**62.28**	62.28	Operation of solar farms
元謀綠電新能源開發有限公司 Yuanmou Green Power New Energy Development Ltd.*△	PRC	RMB85,000,000	**49.82**	49.82	Operation of solar farms
內蒙古香島新能源發展有限公司 Inner Mongolia Xiangdao New Energy Development Co., Ltd.*	PRC	RMB273,600,000	**56.11**	56.11	Operation of solar farms
冊亨協鑫光伏電力有限公司 Ce Heng Solar Power Co., Ltd.*	PRC	RMB130,000,000 (2015: RMB10,000,000)	**62.28**	62.28	Operation of solar farms
包頭市中利騰暉光伏發電有限公司 Bao Tou Shi Zhong Li Photovoltaic Co., Ltd.*	PRC	RMB10,000,000	**62.28**	62.28	Operation of solar farms
南通協鑫新能源有限公司 Nan Tong GCL New Energy Co., Ltd.*	PRC	RMB93,340,000	**62.28**	62.28	Operation of solar farms
句容信達光伏發電有限公司 Ju Rong Xin Da Photovoltaic Power Co., Ltd.*	PRC	RMB21,000,000	**62.28**	18.68^	Operation of solar farms
合肥久陽新能源有限公司 He Fei Jiu Yang New Energy Co., Ltd.*△	PRC	RMB34,000,000	**43.60**	43.60	Operation of solar farms
合肥建南電力有限公司 Hefei Jiannan Solar Power Co., Ltd.*△	PRC	RMB33,600,000	**43.60**	43.60	Operation of solar farms
和田協鑫光伏電力有限公司 He Tian GCL Solar Power Co., Ltd.*	PRC	RMB34,534,000 (2015: RMB1,000,000)	**62.28**	62.28	Operation of solar farms
哈密歐瑞光伏發電有限公司 Hami Ourui Photovoltaic Power Generation Co., Ltd.*	PRC	RMB36,000,000	**62.28**	62.28	Operation of solar farms
哈密耀輝光伏電力有限公司 Hami Yaohui Photovoltaic Co., Ltd.*	PRC	RMB181,960,000	**62.28**	62.28	Operation of solar farms
天長市協鑫光伏電力有限公司 Tianchang GCL Solar Energy Ltd.*	PRC	RMB63,960,000 (2015: RMB30,160,000)	**62.28**	62.28	Operation of solar farms
太谷縣風光發電有限公司 Taigu Fengguang Photovoltaic Power Co., Ltd.*	PRC	RMB30,000,000	**62.28**	18.68^	Operation of solar farms

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
New Energy Business (Continued) ***Established in the PRC (Continued)***					
安福協鑫新能源有限公司 An Fu GCL New Energy Co., Ltd.*	PRC	RMB32,000,000 (2015: RMB10,000,000)	62.28	18.68^	Operation of solar farms
安龍縣茂安新能源發展有限公司 An Lung Mao An New Energy Development Co., Ltd.*#	PRC	RMB60,000,000	62.28	—	Operation of solar farms
宿州協鑫光伏電力有限公司 Su Zhou GCL Solar Power Co., Ltd.*	PRC	RMB74,000,000 (2015: RMB1,000,000)	62.28	62.28	Operation of solar farms
寧夏盛景太陽能科技有限公司 Ningxia Shengjing Solar Power Technology Co., Ltd.*	PRC	RMB75,000,000	56.11	56.11	Operation of solar farms
寧夏綠昊光伏發電有限公司 Ningxia Lu Hao Photovoltaic Power Co., Ltd.*Δ	PRC	RMB53,000,000 (2015: RMB36,050,000)	60.16	49.82	Operation of solar farms
寧夏金信光伏電力有限公司 Ningxia Jinxin Photovoltaic Electric Power Co., Ltd.*	PRC	RMB126,300,000 (2015: RMB86,300,000)	62.28	62.28	Operation of solar farms
寧夏金禮光伏電力有限公司 Ningxia Jinli Photovoltaic Electric Power Co., Ltd.*	PRC	RMB86,830,000 (2015: RMB86,300,000)	62.28	62.28	Operation of solar farms
寧夏鑫墾簡泉光伏電力有限公司 Ning Xia Xin Ken Jian Quan Solar Power Co., Ltd.*#	PRC	RMB2,000,000	62.28	—	Operation of solar farms
尚義元辰新能源開發有限公司 Shangyi Yuanchen New Energy Development Co., Ltd.*	PRC	RMB230,000,000	59.17	59.17	Operation of solar farms
山東萬海電力有限公司 Shandong Wanhai Solar Power Co., Ltd.*	PRC	RMB50,000,000	62.28	9.34^	Operation of solar farms
山西佳盛能源股份有限公司 Shanxi Jiasheng Energy Holding Ltd.*	PRC	RMB50,000,000	59.79	59.79	Operation of solar farms
平山縣世景新能源有限公司 Pingshan Shijing New Energy Ltd.*Δ	PRC	RMB78,760,000 (2015: RMB50,000,000)	62.28	43.60	Operation of solar farms
平邑富翔光伏電力有限公司 Ping Yi Fu Xiang Solar Power Co., Ltd.*	PRC	RMB60,000,000	62.28	62.28	Operation of solar farms
張家口協鑫光伏發電有限公司 Zhang Jia Kou GCL Photovoltaic Power Co., Ltd.*	PRC	RMB73,950,000 (2015: RMB29,880,000)	62.28	62.28	Operation of solar farms
徐州鑫日光伏電力有限公司 Xuzhou Xinre Solar Energy Ltd.*	PRC	RMB34,000,000 (2015: RMB16,000,000)	62.28	62.28	Operation of solar farms
德令哈協合光伏發電有限公司 Delingha Century Concord Photovoltaic Power Co., Ltd.*	PRC	RMB222,000,000	62.28	62.28	Operation of solar farms
德令哈時代新能源發電有限公司 Delingha Shi Dai New Energy Power Co., Ltd.*#	PRC	RMB39,000,000	62.28	—	Operation of solar farms

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
New Energy Business (Continued) ***Established in the PRC (Continued)***					
東海縣協鑫光伏電力有限公司 Donghai GCL Solar Energy Ltd.*	PRC	RMB24,500,000	62.28	62.28	Operation of solar farms
林州市新創太陽能有限公司 Lin Zhou Shi Xin Chuang Solar Co., Ltd.*#	PRC	RMB107,000,000	62.28	—	Operation of solar farms
桃源縣鑫源光伏電力有限公司 Tao Yuan Xin Yuan Solar Power Co., Ltd.*	PRC	RMB29,000,000	62.28	62.28	Operation of solar farms
桃源縣鑫能光伏電力有限公司 Tao Yuan Xin Neng Solar Power Co., Ltd.*	PRC	RMB29,000,000	62.28	62.28	Operation of solar farms
桃源縣鑫輝光伏電力有限公司 Tao Yuan Xin Hui Solar Power Co., Ltd.*	PRC	RMB29,000,000	62.28	62.28	Operation of solar farms
榆林市榆神工業區東投能源有限公司 Yu Lin Shi Yu Shen Industrial Area Energy Co., Ltd.*	PRC	RMB170,000,000	62.28	62.28	Operation of solar farms
榆林隆源光伏電力有限公司 Yulin Longyuan Solar Energy Ltd.*	PRC	RMB465,000,000	62.28	62.28	Operation of solar farms
橫山晶合太陽能發電有限公司 Hengshan Jinghe Solar Energy Co., Ltd.*	PRC	RMB222,000,000	60.01	60.01	Operation of solar farms
欽州鑫金光伏電力有限公司 Xin Zhou Xin Jin Solar Power Co., Ltd.*#	PRC	RMB88,640,000	62.28	—	Operation of solar farms
正藍旗國電光伏發電有限公司 Zhenglanqi State Power Photovoltaic Co., Ltd.*	PRC	RMB125,000,000 (2015: RMB85,000,000)	61.55	61.55	Operation of solar farms
汝州協鑫光伏電力有限公司 Ru Zhou GCL Photovoltaic Power Co., Ltd.*	PRC	RMB150,000,000 (2015: RMB1,000,000)	62.28	62.28	Operation of solar farms
汝陽協鑫新能源有限公司 Ruyang GCL New Energy Ltd.*	PRC	RMB84,000,000	62.28	62.28	Operation of solar farms
江蘇協鑫海濱新能源科技發展有限公司 Jiangsu GCL Haibin New Energy Development Co., Ltd.*△	PRC	RMB43,800,000 (2015: RMB10,000,000)	37.37	37.37	Operation of solar farms
江陵縣協鑫光伏電力有限公司 Jiang Ling Xian GCL Solar Power Co., Ltd.*	PRC	RMB150,000,000 (2015: RMB19,000,000)	62.28	62.28	Operation of solar farms
浙江舒奇蒙電力科技有限公司 Zhejiang Shuqimeng Electricity Science and Technology Co., Ltd.*	PRC	RMB36,498,500	56.67	56.67	Operation of solar farms
海南天利科新能源項目投資有限公司 Hainan Tianlike New Energy Project Investment Co., Ltd.*△	PRC	RMB76,000,000	62.28	47.63	Operation of solar farms
海南州世能光伏發電有限公司 Hai Nan Zhou Shi Neng Photovoltaic Power Co., Ltd.*	PRC	RMB60,000,000	62.28	62.28	Operation of solar farms
海南意晟新能源有限公司 Hainan Yisheng New Energy Co., Ltd.*△	PRC	RMB43,000,000	47.80	47.80	Operation of solar farms

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
New Energy Business (Continued) ***Established in the PRC (Continued)***					
海豐縣協鑫光伏電力有限公司 Hai Feng Xian GCL Solar Power Co., Ltd.*	PRC	RMB155,900,000 (2015: RMB5,000,000)	62.28	62.28	Operation of solar farms
淇縣協鑫新能源有限公司 Qixian GCL New Energy Ltd.*	PRC	RMB84,000,000	62.28	62.28	Operation of solar farms
湖北省麻城市金伏太陽能電力有限公司 Hubei Macheng Jinfu Solar Energy Ltd.*	PRC	RMB191,000,000 (2015: RMB45,000,000)	62.28	62.28	Operation of solar farms
烏拉特後旗源海新能源有限責任公司 Wulate Houqi Yuanhai New Energy Ltd.*	PRC	RMB50,000,000	62.28	62.28	Operation of solar farms
猛海協鑫光伏農業電力有限公司 Menghai GCL Solar Agricultural Power Co., Ltd.*	PRC	RMB85,000,000	62.28	62.28	Operation of solar farms
盂縣晋陽新能源發電有限公司 Yu County Jinyang New Energy Power Generation Co., Ltd.*	PRC	RMB171,800,000 (2015: RMB87,800,000)	61.91	61.57	Operation of solar farms
石能平山光伏電力開發有限公司 Shi Neng Ping Shan Solar Power Co., Ltd.*#	PRC	RMB45,000,000	62.28	—	Operation of solar farms
碭山協鑫光伏電力有限公司 Shan Shan GCL Solar Power Co., Ltd.*	PRC	RMB44,000,000	62.28	—	Operation of solar farms
確山追日新能源有限公司 Que Shan Zhui Ri New Energy Co., Ltd.*#	PRC	RMB1,000,000	62.28	—	Operation of solar farms
神木縣平元電力有限公司 Shen Mu Ping Yuan Power Co., Ltd.*#	PRC	RMB20,000,000	62.28	—	Operation of solar farms
神木縣平西電力有限公司 Shen Mu Ping Xi Power Co., Ltd.*#	PRC	RMB20,000,000	62.28	—	Operation of solar farms
聊城協昌光伏電力有限公司 Liao Cheng Xie Chang Solar Power Co., Ltd.*#	PRC	RMB5,000,000	62.28	—	Operation of solar farms
臨城協鑫光伏發電有限公司 Lin Cheng GCL Photovoltaic Power Co., Ltd.*	PRC	RMB61,260,000 (2015: RMB47,000,000)	62.28	62.28	Operation of solar farms
輝縣市協鑫光伏電力有限公司 Huixian GCL Solar Energy Ltd.*	PRC	RMB51,820,000 (2015: RMB31,000,000)	62.28	62.28	Operation of solar farms
通榆咱家禽業科技有限公司 Tongyu Zajia Qinye Technology Ltd.*	PRC	RMB36,000,000	62.28	62.28	Operation of solar farms
邯能廣平縣光伏電力開發有限公司 Hanneng Guangping Solar Energy Development Ltd.*	PRC	RMB130,000,000	62.28	62.28	Operation of solar farms
金湖正輝太陽能電力有限公司 Jinhu Zhenhui Photovoltaic Co., Ltd.*	PRC	RMB160,600,000	62.28	59.18	Operation of solar farms
鎮江鑫利光伏電力有限公司 Zhen Jiang Xin Li Photovoltaic Power Co., Ltd.*	PRC	RMB23,000,000	62.28	56.05	Operation of solar farms

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2016 %	2015 %	Principal activities
Indirectly held: (Continued)					
New Energy Business (Continued) ***Established in the PRC (Continued)***					
開封華鑫新能源開發有限公司 Kai Feng Hua Xin New Energy Development Co., Ltd.*	PRC	RMB200,000,000	**62.28**	62.28	Operation of solar farms
阜南協鑫光伏電力有限公司 Fu Nan GCL Photovoltaic Power Co., Ltd.*	PRC	RMB165,000,000 (2015: RMB2,000,000)	**62.28**	62.28	Operation of solar farms
阜寧縣鑫源光伏電力有限公司 Fu Ning Xian Xin Yuan Solar Power Co., Ltd.*#	PRC	RMB5,000,000	**62.28**	—	Operation of solar farms
阜陽衡銘太陽能電力有限公司 Fu Yang Heng Ming Solar Power Co., Ltd*#	PRC	RMB68,550,000	**62.28**	—	Operation of solar farms
靖邊縣順風新能源有限公司 Jingbian Shunfeng New Energy Ltd.*	PRC	RMB68,550,000 (2015: RMB5,000,000)	**59.17**	59.17	Operation of solar farms
余干縣協鑫新能源有限責任公司 Yugan GCL New Energy Ltd.*	PRC	RMB139,300,000 (2015: RMB100,000,000)	**62.28**	62.28	Operation of solar farms
高唐縣協鑫晶輝光伏有限公司 Gao Tang Xian GCL Jing Hui Photovoltaic Co., Ltd.*#	PRC	RMB1,000,000	**62.28**	—	Operation of solar farms
鹽源縣白烏新能源科技有限公司 Yan Yuan Xian Bai Wu New Energy Technology Co., Ltd.*#	PRC	RMB80,000,000	**62.28**	—	Operation of solar farms
鹽邊鑫能光伏電力有限公司 Yan Bian Xin Neng Solar Power Co., Ltd*	PRC	RMB56,000,000 (2015: RMB2,000,000)	**62.28**	62.28	Operation of solar farms
黎城協鑫光伏電力有限公司 Licheng GCL Solar Energy Ltd.*	PRC	RMB52,540,000	**62.28**	62.28	Operation of solar farms
PCB segment					
東莞紅板多層線路板有限公司 Dongguan Red Board Limited*	PRC	HK$250,000,000	**62.28**	62.28	Manufacture and sale of PCB
紅板(江西)有限公司 Red Board (Jiangxi) Limited*	PRC	HK$373,969,000	**62.28**	62.28	Manufacture and sale of PCB
Red Board Limited	Hong Kong	Ordinary shares — HK$4 Non-voting deferred shares — HK$5,000,000	**62.28**	62.28	Sale of PCB
Incorporated in BVI					
Same Time Electronics (B.V.I.) Limited	BVI/PRC	US$1	**62.28**	62.28	Property holding

55. Particulars of Principal Subsidiaries (Continued)

55a. General information of subsidiaries (Continued)

- * English name for identification only
- \# Newly established in 2016.
- Δ Despite the Group indirectly hold less than 50% of the effective equity interest of these Companies, the Group considers to exercise control over these companies through GNE as GNE holds more than 50% of the equity interest.
- ^ Under the articles of association of these companies, GNE has the ability to direct the relevant activities at the time that decisions need to be made and accordingly the Group has control over board of directors of these companies, and therefore these companies are classified as subsidiaries of the Group.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

55b. Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
GNE	Bermuda and Hong Kong	**37.72%**	37.72%	**75,982**	8,402	**1,884,661**	1,007,313
Individually immaterial subsidiaries with non-controlling interests						**688,465**	697,999
						2,573,126	1,705,312

55. Particulars of Principal Subsidiaries (Continued)

55b. Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of GNE is set out below. The summarised financial information below represents amounts before intragroup eliminations and fair value adjustments arising from the acquisition of GNE.

	2016 RMB'000	2015 RMB'000
Current assets	**10,738,998**	6,555,796
Non-current assets	**30,739,180**	16,946,662
Current liabilities	**(18,017,373)**	(12,858,321)
Non-current liabilities	**(17,041,201)**	(8,202,098)
Equity attributable to owners of GNE	**(4,572,954)**	(2,441,234)
Non-controlling interests	**(1,846,650)**	(805)

55. Particulars of Principal Subsidiaries (Continued)

55b. Details of non-wholly owned subsidiaries that have material non-controlling interests

	For the year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
Revenue - continuing operations	**2,246,425**	688,009
Expenses - continuing operations	**(1,937,026)**	(612,285)
Loss for the year from discontinued operations	**(168,659)**	(91,196)
Profit (loss) for the year	**140,740**	(15,472)
Profit (loss) for the year attributable to owners of GNE		
— from continuing operations	**299,045**	75,967
— from discontinued operations	**(168,659)**	(91,196)
	130,386	(15,229)
Profit (loss) for the year attributable to non-controlling interests from continuous operations		
— owners of perpetual notes	**4,846**	—
— other non-controlling interests	**5,508**	(243)
Profit (loss) for the year	**140,740**	(15,472)
Other comprehensive (expense) income attributable to owners of GNE	**(10,959)**	32,550
Other comprehensive expense attributable to other non-controlling interests	**—**	(2)
Other comprehensive (expense) income for the year	**(10,959)**	32,548
Total comprehensive income attributable to owners of GNE	**119,427**	17,321
Total comprehensive income attributable to the owners of perpetual notes	**4,846**	—
Total comprehensive income (expense) attributable to other non-controlling interests	**5,508**	(245)
Total comprehensive income for the year	**129,781**	17,076
Dividends paid to non-controlling interests	**—**	—
Net cash inflow from operating activities	**450,154**	35,423
Net cash outflow from investing activities	**(9,714,424)**	(9,180,652)
Net cash inflow from financing activities	**11,154,682**	10,479,054
Net cash inflow	**1,890,412**	1,333,825

56. Statement of Financial Position and Reserves of the Company

Statement of financial position

	31 December 2016 RMB'000	31 December 2015 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**13,894,067**	13,444,212
Amounts due from subsidiaries	**12,493,539**	4,715,405
Deposits, prepayments and other non-current assets	**104,055**	—
Restricted bank deposits	**34,685**	32,848
	26,526,346	18,192,465
CURRENT ASSETS		
Prepayments and deposits	**6,826**	4,980
Amounts due from subsidiaries	**638,843**	11,304,356
Available-for-sale investments	**112,922**	38,726
Bank balances and cash	**1,720,396**	464,337
	2,478,987	11,812,399
CURRENT LIABILITIES		
Other payables	**53,289**	49,043
Bank borrowings — due within one year	**2,358,580**	3,810,368
	2,411,869	3,859,411
NET CURRENT ASSETS	**67,118**	7,952,988
TOTAL ASSETS LESS CURRENT LIABILITIES	**26,593,464**	26,145,453
NON-CURRENT LIABILITIES		
Bank borrowings — due after one year	**—**	2,233,664
Convertible bonds payable	**1,154,537**	1,285,616
	1,154,537	3,519,280
NET ASSETS	**25,438,927**	22,626,173
CAPITAL AND RESERVES		
Share capital (see note 40)	**1,631,804**	1,372,260
Reserves	**23,807,123**	21,253,913
TOTAL EQUITY	**25,438,927**	22,626,173

56. Statement of Financial Position and Reserves of the Company (Continued)

Movement in the Company's reserves

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2015	1,372,226	29,414,996	19,206	194,112	(11,004,811)	19,995,729
Profit and total comprehensive income for the year	—	—	—	—	3,731,373	3,731,373
Dividend paid	—	(1,120,000)	—	—	—	(1,120,000)
Exercise of share options (note 51a)	34	363	—	(113)	—	284
Recognition of share-based payment expenses in respect of share options (note 51a)	—	—	—	18,787	—	18,787
Forfeitures of share options	—	—	—	(21,940)	21,940	—
At 31 December 2015	1,372,260	28,295,359	19,206	190,846	(7,251,498)	22,626,173
Loss and total comprehensive expense for the year	**—**	**—**	**—**	**—**	**(59,657)**	**(59,657)**
Issue of new shares through Rights Issue (as defined in note 40)	**259,544**	**2,647,352**	**—**	**—**	**—**	**2,906,896**
Transaction costs attributable to the issuance of Right Issue	**—**	**(61,541)**	**—**	**—**	**—**	**(61,541)**
Recognition of share-based payment expenses in respect of share options (note 51a)	**—**	**—**	**—**	**27,056**	**—**	**27,056**
Forfeitures of share options	**—**	**—**	**—**	**(5,647)**	**5,647**	**—**
At 31 December 2016	**1,631,804**	**30,881,170**	**19,206**	**212,255**	**(7,305,508)**	**25,438,927**

Note: Differences between the reserves of the Company and of the Group, as disclosed in the consolidated statement of changes in equity, represented the consolidation adjustments arising from the reverse acquisition by GCL Solar in 2009. For more details, please refer to 2009 annual report of the Group.

Chairman

Zhu Gongshan

Executive Directors

Zhu Gongshan
Zhu Zhanjun *(CEO)*
Ji Jun
Zhu Yufeng
Sun Wei
Yeung Man Chung, Charles *(CFO & Company Secretary)*
Jiang Wenwu
Zheng Xiongjiu

Independent Non-Executive Directors

Ho Chung Tai, Raymond
Yip Tai Him
Shen Wenzhong
Wong Man Chung, Francis

Composition of Board Committees

Audit Committee

Yip Tai Him *(Chairman)*
Ho Chung Tai, Raymond
Shen Wenzhong

Remuneration Committee

Ho Chung Tai, Raymond *(Chairman)*
Yip Tai Him
Zhu Yufeng

Nomination Committee

Yip Tai Him *(Chairman)*
Ho Chung Tai, Raymond
Yeung Man Chung, Charles

Corporate Governance Committee

Ho Chung Tai, Raymond *(Chairman)*
Yip Tai Him
Yeung Man Chung, Charles

Strategy & Investment Committee

Ho Chung Tai, Raymond *(Chairman)*
Zhu Gongshan
Yip Tai Him
Shen Wenzhong
Wong Man Chung, Francis
Zhu Zhanjun
Ji Jun
Yeung Man Chung, Charles

Company Secretary

Yeung Man Chung, Charles

Authorized Representatives

Zhu Zhanjun
Yeung Man Chung, Charles

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Registered Office

Cricket Square, Hutchins Drive
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Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Unit 1703B–1706, Level 17
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman, KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers to the Company

As to Hong Kong law

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11th Floor,
Two Exchange Square
Hong Kong

Hebert Smith Freehills
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Gloucester Tower
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Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman
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Grand Cayman, KY1-1111
Cayman Islands

As to PRC law

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Chaoyang District
Beijing, 100026
PRC

Company's Website

www.gcl-poly.com.hk

INFORMATION FOR INVESTORS

Listing information

Listing: Main Board of the Hong Kong Stock Exchange Limited
Stock Code: 3800

Share Information

Board Lot Size: 1,000 shares
Shares Outstanding as at 31 December 2016: 18,587,564,721 shares

Financial Calendar

29 March 2017	:	Announcement of 2016 Annual Results
20 April 2017	:	Publication of Annual Results
24 May 2017	:	Annual General Meeting

Enquiries Contact

IR Department

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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

GCL

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