The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in "Appendix I—Accountant's Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are a leading solar-grade polysilicon producer and PV project contractor, engaging primarily in the upstream and downstream segments of the PV industry in China. Our main business segments include:

- ***Polysilicon Production***: We produce and sell polysilicon, the main raw material for manufacturing PV products;
- ***Sales of Electricity***: We own a coal-fired power plant which supplies electricity to our polysilicon production and sell its surplus electricity to the local power grid;
- ***Engineering and Construction Contracting***: Operating under the EPC, PC or BT contracting models, we provide comprehensive energy solutions to PV and wind power projects, including engineering design, consultancy, construction, commissioning, as well as operations and maintenance;
- ***Inverter Manufacturing***: We manufacture and sell inverters, which is a key component used in PV projects; and
- ***PV Wafer and Module Manufacturing*****:** We manufacture PV wafers and sell them to PV cells manufacturers and we manufacture PV modules primarily for in-house consumption.

We experienced rapid revenue and profit growth during the Track Record Period. Our revenue increased from RMB2,239.8 million in 2012 to RMB7,402.5 million in 2014, while our profit for the year significantly improved from a loss of RMB191.0 million in 2012 to a profit of RMB653.4 million in 2014. In the six months ended June 30, 2015, our revenue increased to RMB3,950.6 million from RMB2,888.9 million in the same period in 2014, while our profit for the period decreased slightly to RMB270.8 million from RMB272.2 million in the same period in 2014.

BASIS OF PRESENTATION

Our financial statements have been prepared in accordance with IFRSs and include applicable disclosure requirements of the Hong Kong Listing Rules and the Companies Ordinance. We prepared our financial statements on the historical cost basis, except for certain financial instruments that are measured at their fair value, as explained in the accounting policies set out below. Our financial statements are presented in Renminbi, which is our functional currency.

The financial information incorporates our financial statements and financial statements of entities that we control (our subsidiaries). Control is achieved where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by our other members. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Non-controlling interests in subsidiaries are presented separately from our equity therein.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following are the key factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects:

Market demand for PV Products and Engineering and Construction Contracting Services for PV Projects

As we manufacture and sell polysilicon, the primary raw material for producing PV modules, and provide engineering and construction contracting services for PV projects, our business and revenue growth are mainly driven by the market demand for PV projects.

The PV market in China and around the world remains at a relatively early stage of development and it is uncertain whether solar energy will be widely adopted. Demand for PV products has grown significantly over the past decade, although the global PV industry experienced a decline in demand since late 2008 due to the reduced availability of financing for downstream buyers as a result of the global financial crisis and the rapid decline in petroleum and natural gas prices, which rendered solar energy less cost competitive and less attractive as an alternative source of energy. Demand for PV products and PV projects has recovered since the second half of 2013 in China, due to accelerated development of PV projects as called for by the PRC government, together with the NDRC announcement of tariff decrease for certain PV projects which started on-grid electricity generation after December 31, 2013. These policy changes prompted a surge in market demand for PV products and the construction of PV projects in China, which created significant business opportunities for us and helped improve our revenue and profit. Although the demand for PV products and PV projects has increased since 2013, there are still uncertainties for the sustainability of the growth in the PV market under the current macroeconomic environment, which could lead to fluctuations in the demand for our products and services.

Production Capacity and Utilization

Our sales volume and results of operations have been, and will continue to be, affected by our production capacity. Since 2012, we have implemented a production capacity expansion plan which increased our production and sales volumes of polysilicon significantly in line with the increasing market demand. In 2012, 2013 and 2014, average production capacity of our polysilicon production facility in Xinjiang was 3,000 tonnes, 7,000 tonnes and 15,000 tonnes, respectively. As a result, our production output of polysilicon increased from 2,681.8 tonnes in 2012 to 7,920.4 tonnes in 2013 to 17,504.9 tonnes in 2014. We expand our production capacity primarily based on our forecasts of demand for our products and market competition and judgment on the PV industry growth. If we are unable to respond to increased market demand by expanding our production capacity in time, our sales volume may not grow and we may lose market share.

Utilization also affects our production volume of polysilicon. In the past, we invested substantial capital and effort in research and development for improving our production efficiency so as to increase utilization. See "*Business—Our Products and Services—Polysilicon Production—Research and Development.*" In 2012, 2013 and 2014 and the six months ended June 30, 2015, annual utilization rate at our production facilities reached 89.4%, 113.1%, 116.7% and 121.8%, respectively. We strive to maintain an optimal utilization at our Xinjiang Plant, which we believe ranges between 120% and 140%, to realize economies of scale while maintaining production quality and safety. If we encounter significant impediments to our efforts to match our production volume with market demand for our products, we will be unable to increase our sales and profits and capture additional market share. If we do not generate sufficient revenue and profit to cover our substantial production costs, we will be faced with excess production capacities and our financial condition and results of operations will be adversely affected.

Pricing of Our Products and Services

Our polysilicon is priced based primarily on market prices and supply and demand conditions. We price our polysilicon on a per-kg basis and our prices for polysilicon have fluctuated significantly. While sales prices for our polysilicon are immediately affected by market prices, the costs of our products typically do not adjust with the same immediacy, and therefore any sudden drop in polysilicon sales prices will inevitably affect the gross margin of our Polysilicon Production business. In 2013 and 2014 and the six months ended June 30, 2015, the average selling price (excluding VAT) of our polysilicon was RMB106.1, RMB126.2 and RMB106.5/kg, respectively, and segment gross margin of our Polysilicon Production business was 11.5%, 40.9% and 32.4%, respectively. If polysilicon prices decline in the market and we are unable to lower our costs in line with the price decline, whether through more cost-effective manufacturing process or through technological advances, our profitability and financial condition will be adversely affected.

Our engineering and construction contracting services are priced primarily on our estimated cost of construction, which mainly include material costs and subcontracting costs, at the time when we submit our tenders for projects. Our estimates of the costs for completing a project are subject to a number of assumptions, which may prove to be inaccurate. To a certain extent, we are exposed to raw material price fluctuation risks in some projects. In addition, delays caused by inclement weather, technical issues and an inability to obtain the requisite permits and approvals may cause our actual overall risks and costs to differ substantially from our original estimates despite buffers we may build into our bids for increases in labor, raw materials and other costs. Cost overruns can result in a lower-than-expected profit or a loss on an EPC or BT contract.

Costs of Raw Materials, Manufacturing and Subcontracting

Cost of electricity represents a substantial portion of our cost of sales in Polysilicon Production. During the Track Record Period, our cost of electricity represented between 26% and 42% of our cost of sales in Polysilicon Production. Since February 2013, our coal-fired power plant has been able to meet all of our demand for electricity (although we still purchase a small portion of electricity from the local power grid from time to time) and before that our production was powered by electricity purchased from the local power grid at rates regulated by the PRC government. As our coal-fired power plant is intended to supply electricity exclusively to us (except that we can sell any surplus electricity generation to the power grid), our cost of electricity was much lower compared to the market rate. If our coal-fired power plant is unable to produce a sufficient amount of electricity due to unexpected equipment failures, industrial accidents or otherwise, we may have to purchase electricity from the open market at a much higher rate, which would increase our cost of sales and have an adverse effect on our profitability.

In 2012, 2013 and 2014 and the six months ended June 30, 2015, our cost of major raw materials in Polysilicon Production ranged from 13% to 22% of our cost of sales in Polysilicon Production. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our cost of raw materials in Engineering and Construction Contracting amounted to RMB1,043.5 million, RMB2,892.3 million, RMB2,702.5 million and RMB1,490.1 million, representing 76.2%, 78.7%, 73.7% and 70.2% of our cost of sales in Engineering and Construction Contracting, respectively. Among the raw materials we purchased, various power equipment, such as PV modules and wind turbines, and metallurgic-grade silicon were the most substantial part. The availability and prices of these equipment and raw materials were affected by the market demand in China and around the world for PV and wind power products. Any significant increase in the prices of our raw materials could increase our cost of sales and have an adverse effect on our profitability.

In addition, we have made continuous endeavors to reduce our manufacturing costs through increased production scale, improved production yield, technology upgrades and use of more skilled manufacturing personnel. Effective cost-reduction measures in our Polysilicon Production have become critical to our financial condition and results of operations. If we fail to continue to reduce our manufacturing costs, our profitability and competitiveness will be adversely affected.

In our Engineering and Construction Contracting business, we hire third-party subcontractors to provide labor resources for our construction work. Subcontracting costs are determined by factors such as costs of, among others, raw materials, parts and labor required and our negotiation power. Subcontracting costs represented 20.7%, 21.1%, 25.4% and 21.3% of the cost of sales of our Engineering and Construction Contracting business in 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Our profitability is partly subject to our control over our subcontracting costs. We select subcontractors based on factors such as our past experience with them and their reputation, track record and cost.

Government and Tax Incentives

PRC tax laws and regulations provide a number of preferential tax treatments to renewable energy operators and product manufacturers. Our Company and certain of our subsidiaries enjoy preferential income tax rate due to their business nature as high-technology enterprises. In addition, we are also entitled to deductions for the purchase of qualified environmental protection equipment and research and development expenses allowable for tax deduction. As a result, our effective income tax rate was 14.7%, 21.9%, 1.2% and 12.3% in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively, which was lower than the statutory income tax rate of 25% in China. Tax deduction obtained from the purchase of qualified environmental protection equipment before 2015 has been utilized in 2015. See "*—Results of Operations—Income tax.*" However, any reduction, discontinuation or unfavorable application of these preferential treatments could have a material adverse effect on our business, financial condition and results of operations.

Product and Service Mix

Engaged in both upstream and downstream segments of the PV industry, we manufacture and sell polysilicon products to PV product manufacturers; and we also provide engineering and construction contracting services to PV projects and wind power projects.

Gross margins of different grades of polysilicon products vary. Generally, the polysilicon of premium quality is priced higher than polysilicon products of standard quality. Gross margins of our engineering and construction contracting services vary by contracting models, including EPC, PC and BT contracts. BT contracts have the highest gross margin compared to EPC or PC contracts as we act as the project investor in BT contracts, undertaking the financing and development of the power project.

As part of our business strategy, we intend to actively develop BOO projects, in which we design, construct and operate PV and wind power projects and sell the electricity generated from these projects to the power grids. The gross margin of this new business depends on a variety of factors, including the on-grid tariff, economies of scale, power generation efficiency and utilization.

As our product and service mix changes over time, our revenues, gross margins and operating margins may change.

Interest Rate and Financing Arrangements

Apart from our operating cash flow and shareholders' contributions, our capital requirements are primarily financed by bank borrowings. As of June 30, 2015, our total borrowings amounted to RMB7,433.1 million. In 2012, 2013 and 2014 and the six months ended June 30, 2015, our finance expenses amounted to RMB53.8 million, RMB138.7 million, RMB389.0 million and RMB172.9 million, respectively. As most of our borrowings have floating interest rates, any significant increase in the prevailing interest rate in China will affect our financing expenses.

As of June 30, 2015, our backlog was valued at approximately RMB3,716.6 million. In addition, as part of our business strategy, we expect to develop our BOO projects by constructing and operating PV and wind power projects with a total estimated installed capacity of not less than 450MW in each of 2015 and 2016. We estimated, as of June 30, 2015, that we would incur approximately RMB2.5 billion and RMB3.1 billion of capital expenditures in the full year of 2015 and 2016, respectively. Of these capital requirements, we expect to borrow approximately RMB0.9 billion and RMB2.5 billion from PRC commercial banks in the second half of 2015 and 2016, respectively. As we expand our business, particularly BT and BOO projects, we expect to continue to require a significant amount of external financing in the foreseeable future.

We have entered into banking facilities with major commercial banks in China and our committed unutilized banking facilities was approximately RMB7,715.7 million as of October 31, 2015. See "*—Indebtedness.*"

The level of our borrowings and our ability to obtain additional external financing on the existing terms, as well as any interest rate fluctuations and other borrowing costs, have had and will continue to have a material effect on our finance costs and, consequently, our results of operations and financial condition.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in note 2 in Section II to the Accountant's Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Our management has formulated and implemented control measures with respect to estimates in accordance with our internal management manual. We have not experienced any material deviation between our management's estimates and actual results during the Track Record Period. Our management currently does not expect any changes in our accounting policies. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of goods, construction contracts and rendering of services, stated net of discounts, returns and value added taxes. We recognize revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of our activities, as described below. We base our estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Rendering of EPC services under construction contracts

A construction contract is defined by International Accounting Standard 11 as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs are recognized as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

We use the "percentage-of-completion method" to determine the appropriate amount to recognize in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, we report the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognized profits (less recognized losses) exceed progress billings; a contract represents a liability where the opposite is the case. The respective balance items are "Amounts due from customers for contract work" and "Amounts due to customers for contract work."

Rendering of Other Services

Our Engineering and Construction Contracting business provides technology development, design, consultation and supervision services to power plant owners/operators and other manufacturers. For sales of these services, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

Sales of Power Plant Projects

Under the normal operation of our Engineering and Construction Contracting business, we establish subsidiaries as the owners of power projects to be sold during or upon completion of the relevant construction ("project companies"). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognized as inventories in the consolidated balance sheet. These projects will be sold to third-party customers at different stages by way of transferring the equity interest in these subsidiaries. These subsidiaries have no other commercial operation than the holding of the relevant projects. In the opinion of our Directors, the disposal of equity interest in these project companies is in substance the sales of inventories held by the Group.

Sales of power plant projects are recognized when the risks and rewards of the power plant projects are transferred to the customers, which occur when the relevant power plant projects have been delivered to the purchasers pursuant to the sales agreements.

Sales of Other Goods

Our Polysilicon Production business manufactures and sells polysilicon and related products. Sales of goods are recognized when significant risks and rewards of ownership of the goods are transferred to the customers and the customer has accepted the products and collectability of the related receivables is reasonably assured.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in the profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
Buildings	20-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Furniture and fixture	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "*Other gains—net*" in the consolidated statement of comprehensive income.

Research and Development

Research expenditures are recognized as expenses when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognized as intangible assets when the following criteria are fulfilled:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognized as expenses when incurred. Development costs previously recognized as expenses are not recognized as an asset in a subsequent period.

During the Track Record Period, research and development expenditures that were recognized as expenses arose from the Inverter Manufacturing segment and the Engineering and Construction Contracting segment. For the Inverter Manufacturing and Engineering and Construction Contracting segments, the research and development activities were carried out mainly for new products. The research phase is to obtain knowledge and search for alternatives for materials and devices, as well as getting the input from the manufacturing function for proof of feasibility. The development phase is mainly to construct and test of models and samples. Since the development phase is very short and the input for constructing and testing of samples is very minimum therefore not capitalized. For the Polysilicon Production segment, the core technologies were acquired externally and the subsequent expenditures on researching and testing for alternatives of catalyst, materials and processes as part of the efforts to lower the production cost and improve the production quality, which does not meet the criteria to be separately capitalized as such expenditures cannot be distinguished from the day-to-day operations.

Impairment of Non-financial Assets

Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill, that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

Provision for impairment of inventory is usually determined by the excess of cost over net realizable value on single item basis and recorded in the statement of comprehensive income. Net realizable value is determined based on the estimated selling price less estimated conversion costs, selling expenses and related taxes in the ordinary course of business. Provision for or reversal of impairment of inventory is recognized in the statement of comprehensive income.

Inventories

Inventories comprise raw materials, work in progress including power plants under development and finished goods. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the moving average method except for construction of a power plant, which is stated at accumulated construction cost. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Trade and Other Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired from suppliers in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue from Construction Contracts

Revenue from individual contracts is recognized under the percentage of completion method, which requires estimations by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in the construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. We review and revise the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

Income Tax and Deferred Tax

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will be reflected in the income tax expense and deferred tax provisions in the period in which such determination is made. In addition, the realization of future income tax assets is dependent on our ability to generate sufficient taxable income in future years to utilize income tax benefits and tax loss carry-forwards. Deviations of future profitability from estimates or in the income tax rate would result in adjustments to the value of future income tax assets and liabilities that could have a significant effect on the income tax expenses.

Impairment of Non-financial Assets

At each balance sheet date, we consider both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Management estimates value in use based on the estimated discounted future cash flows of the cash generating unit at the lowest level to which the asset belongs. Management uses a series of assumptions and estimations to determine the recoverable amount, including useful life of the asset, future market anticipation, future revenue, gross margin rate and discount rate.

Useful Lives and Residual Values of Property, Plant and Equipment

Our management determines the residual values, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where residual values or useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Revenue	2,239.8	5,907.3	7,402.5	2,888.9	3,950.6
Cost of sales	(2,320.5)	(5,292.6)	(5,974.0)	(2,311.5)	(3,297.6)
Gross (loss)/profit	(80.7)	614.7	1,428.5	577.4	653.0
Selling and marketing expenses	(76.8)	(152.6)	(189.0)	(70.6)	(86.3)
General and administrative expenses	(168.0)	(231.9)	(371.7)	(124.3)	(202.9)
Other income	123.1	128.5	138.5	66.7	105.2
Other gains—net	19.1	12.9	17.5	3.4	(3.0)
Operating (loss)/profit	(183.3)	371.6	1,023.8	452.6	466.1
Interest income	13.2	7.4	24.5	20.6	15.6
Finance expenses	(53.8)	(138.7)	(389.0)	(202.0)	(172.9)
Financial expenses—net	(40.6)	(131.4)	(364.5)	(181.4)	(157.3)
Share of profit of investments accounted for using the equity method	—	16.5	2.2	5.7	(0.1)
(Loss)/profit before income tax	(223.9)	256.7	661.5	276.9	308.7
Income tax (expense)/benefit	32.9	(56.3)	(8.1)	(4.7)	(37.9)
(Loss)/profit for the year/period	(191.0)	200.4	653.4	272.2	270.8

Revenue

We generate our revenue primarily from the following products and services:

- manufacture and sale of polysilicon;
- sale of surplus electricity generated by our coal-fired power plant;
- providing engineering and construction contracting services to PV and wind power projects;
- manufacturing and sale of inverters;
- manufacturing and sale of PV wafers and modules used primarily in our engineering and construction contracting services; and
- others, including primarily providing logistics and transportation services to our clients and trading of PV products sourced from third-party sources.

The following table sets forth a breakdown of our revenue by business segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
			(RMB in millions)		
Polysilicon Production	259.8	866.6	2,049.0	867.3	988.7
Sales of Electricity	—	328.8[1]	397.2	220.8	213.0
Engineering and Construction Contracting	1,539.5	4,026.3	4,143.7	1,486.3	2,371.8
Inverter Manufacturing	94.6	373.4	431.5	166.1	207.9
PV Wafer and Module Manufacturing	333.9	301.1	273.6	132.2	121.7
Others	12.0	11.1	107.5	16.2	47.5
Total	**2,239.8**	**5,907.3**	**7,402.5**	**2,888.9**	**3,950.6**

(1) For 2013 only, the calculation of the revenue excluded the electricity generated during the initial testing period of our coal-fired power plant from February 2013 to June 2013 where income attributable to the sales of electricity during this testing period is not included in the revenue of electricity sales, but is offset against the cost of our power plant.

Six months ended June 30, 2015 compared with June 30, 2014

Our total revenue increased by 36.8% from RMB2,888.9 million in the six months ended June 30, 2014 to RMB3,950.6 million in the same period in 2015. The increase was mainly attributable to the increased revenue from Engineering and Construction Contracting and Inverter Manufacturing.

- Our revenue generated from Engineering and Construction Contracting increased substantially by 59.6% from RMB1,486.3 million in the six months ended June 30, 2014 to RMB2,371.8 million in the same period in 2015. This was primarily due to our recognition of revenue from our increased BT projects and a large-scale EPC project in Pakistan in the first half of 2015.

- Our revenue generated from Inverter Manufacturing increased by 25.2%, from RMB166.1 million in the six months ended June 30, 2014 to RMB207.9 million in the same period in 2015. This was primarily due to an increase in our production output and selling volumes of inverters.

- Our revenue generated from Polysilicon Production increased by 14.0% from RMB867.3 million in the six months ended June 30, 2014 to RMB988.7 million in the same period in 2015. This was primarily due to an increase in our production output of polysilicon which amounted to 9,131.8 tonnes resulting from our production at an optimal utilization rate, partially offset by the decreasing average selling price of polysilicon in the first half of 2015.

- Our revenue generated from PV Wafer and Module Manufacturing decreased slightly from RMB132.2 million for the six months ended June 30, 2014 to RMB121.7 million in the same period in 2015. This was primarily due to a decrease in the market price of PV wafers. For circumstances which we would be required to source from external suppliers, see "*Business—Our Products and Services—PV Wafer and Module Manufacturing—PV Module Manufacturing*."

- Our revenue generated from Sales of Electricity decreased slightly from RMB220.8 million in the six months ended June 30, 2014 to RMB213.0 million in the same period in 2015, due primarily to an increase in power generation used by us in Polysilicon Production.

- Our revenue generated from others increased significantly to RMB47.5 million in the six months ended June 30, 2015 from RMB16.2 million in the same period in 2014. This was due primarily to our increased trading of third-party PV products.

2014 Compared with 2013

Our total revenue increased by 25.3% from RMB5,907.3 million in 2013 to RMB7,402.5 million in 2014. The increase was mainly attributable to the increased revenues from Polysilicon Production and Engineering and Construction Contracting in 2014.

- Our revenue generated from Polysilicon Production increased by 136.4% to RMB2,049.0 million in 2014 from RMB866.6 million in 2013. This was due to a combination of an increase in polysilicon sales volume and selling price. Our sales volume increased from 8,093.7 tonnes in 2013 to 16,165.6 tonnes in 2014, as a result of our substantially increased average production capacity, from 7,000 tonnes in 2013 to 15,000 tonnes in 2014. In line with the market trends, our average selling price of polysilicon (excluding VAT) increased to RMB126.2/kg in 2014 from RMB106.1/kg in 2013.
- Our revenue generated from Sales of Electricity increased from RMB328.8 million in 2013 to RMB397.2 million in 2014, due primarily to an increase in gross electricity generation and surplus power generation sold to the local power grid.
- Our revenue generated from Engineering and Construction Contracting increased by 2.9%, to RMB4,143.7 million in 2014 from RMB4,026.3 million in 2013. The increase was mainly attributable to an increase of our completed installed capacity from 617.7MW in 2013 to 822.3MW in 2014.
- Our revenue generated from Inverter Manufacturing increased by 15.6% from RMB373.4 million in 2013 to RMB431.5 million in 2014. The increase was mainly attributable to an increase in our sales volume of inverters, as a result of our increased average production capacity, from 1,200MW in 2013 to 1,500MW in 2014. However, in line with the market trends, our increased sales volume was partially offset by a decrease in our average selling price (excluding VAT) of inverters from RMB0.47/watt in 2013 to RMB0.36/watt in 2014.
- Our revenue generated from others increased significantly from RMB11.1 million in 2013 to RMB107.5 million in 2014. This was mainly attributable to our increased provision of logistics and transportation services and our expanded trading of third-party PV products.

The foregoing increases in revenues was partially offset by the decrease in revenue from PV Wafer and Module Manufacturing from RMB301.1 million in 2013 to RMB273.6 million in 2014. This decrease was mainly attributable to the decreased sales volume of our PV modules.

2013 compared with 2012

Our total revenue increased by 163.7%, from RMB2,239.8 million in 2012 to RMB5,907.3 million in 2013. The increase was mainly attributable to the increased revenues from Polysilicon Production and Engineering and Construction Contracting in 2013.

- Our revenue generated from Polysilicon Production increased significantly to RMB866.6 million in 2013 from RMB259.8 million in 2012. The increase was mainly attributed to an increase in polysilicon sales volume and utilization. Our polysilicon sales volume increased from 2,223.1 tonnes in 2012 to 8,093.7 tonnes in 2013, as a result of our substantially increased designed capacity from 3,000 tonnes in 2012 to 7,000 tonnes in 2013. As a result of our technology upgrades, our utilization rate increased from 89.4% in 2012 to 113.1% in 2013.

- Our revenue generated from Engineering and Construction Contracting increased significantly to RMB4,026.3 million in 2013 from RMB1,539.5 million in 2012. This was mainly attributed to an increase in our completed installed capacity, from 186.2MW in 2012 to 617.7MW in 2013.
- Our revenue generated from Inverter Manufacturing increased significantly, from RMB94.6 million in 2012 to RMB373.4 million in 2013. The increase was mainly attributable to an increase in our sales volume of inverters as a result of our increased average production capacity from 200.0MW in 2012 to 1,200.0MW in 2013. However, in line with market trends, our increased sales volume was partially offset by a decrease in our average selling price (excluding VAT) of inverters, from RMB0.57/watt in 2012 to RMB0.47/watt in 2013.
- Our coal-fired power plant commenced operation in February 2013 and generated revenue amounted to RMB328.8 million in 2013, exclusive of income attributable to the sales of electricity during the initial testing period from February 2013 to June 2013 which is offset against the cost of our power plant.

The foregoing increases in revenues were partially offset by the decrease in our revenue from PV Wafer and Module Manufacturing from RMB333.9 million in 2012 to RMB301.1 million in 2013. This decrease was mainly attributable to decreased selling prices of our PV wafers, which was in line with the market trend.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature of the cost of sales for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Changes in inventories of finished goods and work in progress	95.3	(742.0)	(381.5)	(722.2)	(108.9)
Raw materials and consumables used and finished goods	1,299.4	4,322.3	3,959.0	2,198.2	2,137.8
Subcontract cost	330.6	802.8	982.4	221.8	454.8
Depreciation and amortization	119.4	211.6	481.0	232.0	241.5
Staff costs	87.7	151.5	396.6	137.4	152.0
Fuel and heating expenditure	183.8	346.5	182.4	84.8	67.4
Repair charge	5.8	26.6	134.3	60.4	86.9
Tax fee	5.5	10.6	15.3	3.9	4.6
Impairment	112.4	38.8	23.7	0.5	19.0
Others	80.6	123.9	180.8	94.7	242.8
Total	**2,320.5**	**5,292.6**	**5,974.0**	**2,311.5**	**3,297.6**

In line with our expanded Engineering and Construction Contracting business and our increased production capacity and volumes of polysilicon and inverters during the Track Record Period, principal items of our cost of sales, such as raw materials and consumables, subcontracting costs, staff costs, as well as depreciation, have generally increased.

The following table sets forth a breakdown of our cost of sales by business segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Polysilicon Production	370.1	766.7	1,210.2	496.2	668.1
Sales of Electricity	—	203.7	338.1	183.6	159.1
Engineering and Construction Contracting	1,368.8	3,676.2	3,665.0	1,348.9	2,121.7
Inverter Manufacturing	73.3	286.4	344.9	133.1	161.2
PV Wafer and Module Manufacturing	497.8	349.5	324.6	138.4	143.9
Others	10.5	10.2	91.2	11.3	43.6
Total	**2,320.5**	**5,292.6**	**5,974.0**	**2,311.5**	**3,297.6**

Six months ended June 30, 2015 compared with June 30, 2014

Our cost of sales increased by 42.7% from RMB2,311.5 million in the six months ended June 30, 2014 to RMB3,297.6 million in the same period in 2015, due to the combination of the following:

- Our cost of sales in Engineering and Construction Contracting increased by 57.3% from RMB1,348.9 million for the six months ended June 30, 2014 to RMB2,121.7 million for the six months ended June 30, 2015, due to our significantly increased undertaking of contracting projects in the first half of 2015 and the resulting increase in our raw materials and consumables used, primarily PV modules, wind turbines and other related equipment, and increased subcontracting cost.

- Our cost of sales in Polysilicon Production increased by 34.6% from RMB496.2 million in the six months ended June 30, 2014 to RMB668.1 million in the same period in 2015, due to our increased use of raw materials and consumables, principally metallurgic-grade silicon, electricity and coal, to support our increasing production volume of polysilicon in the first half of 2015.

- Our cost of sales in Inverter Manufacturing increased by 21.1% from RMB133.1 million in the six months ended June 30, 2014 to RMB161.2 million in the same period in 2015, due primarily to our increased raw materials and consumables as a result of our increased production volumes of inverters in the first half of 2015.

- Our cost of sales in Sales of Electricity decreased slightly by 13.3% from RMB183.6 million in the six months ended June 30, 2014 to RMB159.1 million in the same period in 2015, which was in line with our decrease in sales of electricity.

2014 compared with 2013

Our cost of sales increased by 12.9% from RMB5,292.6 million in 2013 to RMB5,974.0 million in 2014, due to the combination of the following:

- Our cost of sales in Sales of Electricity increased significantly from RMB203.7 million in 2013 to RMB338.1 million in 2014, due primarily to the increase in surplus power generation sold to the local power grid.

- Our cost of sales in Polysilicon Production increased by 57.8% from RMB766.7 million in 2013 to RMB1,210.2 million in 2014. The increase was mainly due to our increased use of raw materials and consumables, principally metallurgic-grade silicon, electricity and coal, to support our increasing production capacity and volume of polysilicon in 2014 as well as our increased depreciation due to the completion of additional polysilicon production facilities in September 2013.
- Our cost of sales in Inverter Manufacturing increased by 20.4% from RMB286.4 million in 2013 to RMB344.9 million in 2014. The increase was mainly due to our increased raw materials and consumables as a result of our increased production capacity and volumes of inverters in 2014.
- Our cost of sales in Engineering and Construction Contracting remained stable at RMB3,676.2 million and RMB3,665.0 million in 2013 and 2014, respectively, due to stable demand for our contracting services in 2014.

In line with our decreased sales of PV modules in 2014, our cost of sales in PV Wafer and Module Manufacturing decreased from RMB349.5 million in 2013 to RMB324.6 million in 2014.

2013 compared with 2012

Our cost of sales increased by 128.1% from RMB2,320.5 million in 2012 to RMB5,292.6 million in 2013, due to the combination of the following:

- Our cost of sales in Polysilicon Production increased significantly from RMB370.1 million in 2012 to RMB766.7 million in 2013. The increase was mainly due to our increased use of raw materials and consumables, principally metallurgic-grade silicon and coal, to support our increasing production capacity and volume of polysilicon in 2013 as well as our increased depreciation due to the construction and completion of additional polysilicon production facilities in September 2013.
- Our cost of sales attributed to Inverter Manufacturing increased significantly from RMB73.3 million in 2012 to RMB286.4 million in 2013. The increase was mainly due to our increased raw materials and consumables as a result of our increased production capacity and volumes of inverters in 2013.
- Our cost of sales in Engineering and Construction Contracting increased significantly from RMB1,368.8 million in 2012 to RMB3,676.2 million in 2013. The increase was mainly due to our significantly increased undertaking of contracting projects in 2013, in line with the substantial growth of market demand for installing new PV projects in China, and the resulting increase in our raw materials and consumables used, primarily PV modules, wind turbines and other related equipment, and increased subcontracting cost.
- Our coal-fired power plant commenced operation in February 2013 and incurred cost of sales of RMB203.7 million in 2013.

Our cost of sales in PV Wafer and Module Manufacturing decreased by 29.8% from RMB497.8 million in 2012 to RMB349.5 million in 2013 due primarily to the decrease in raw material costs for wafer production, principally polysilicon.

Gross profit and gross margin

The following table sets forth a breakdown of our gross profit and gross margin by segment for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions, except for percentage)				
Gross profit					
Polysilicon Production	(110.3)	99.9	838.9	371.1	320.6
Sales of Electricity	—	125.1	59.2	37.2	53.9
Engineering and Construction Contracting	170.7	350.0	478.7	137.4	250.1
Inverter Manufacturing	21.3	87.0	86.6	33.0	46.7
PV Wafer and Module Manufacturing	(163.9)	(48.4)	(51.0)	(6.2)	(22.2)
Others	1.5	1.0	16.3	4.9	3.9
Total	**(80.7)**	**614.7**	**1,428.5**	**577.4**	**653.0**
Gross margin					
Polysilicon Production	(42.5%)	11.5%	40.9%	42.8%	32.4%
Sales of Electricity	—	38.0%	14.9%	16.9%	25.3%
Engineering and Construction Contracting	11.1%	8.7%	11.6%	9.2%	10.5%
Inverter Manufacturing	22.5%	23.3%	20.1%	19.9%	22.5%
PV Wafer and Module Manufacturing	(49.1%)	(16.1%)	(18.6%)	(4.7)%	(18.2)%
Total	**(3.6%)**	**10.4%**	**19.3%**	**20.0%**	**16.5%**

According to Frost & Sullivan, in 2014, gross profit margin of the leading market players in China in the industry of polysilicon production ranged from 15% to 25%. We have enjoyed a higher gross profit margin in our polysilicon production, due primarily to more advanced technology including, (i) our development of an efficient reduction technology in-house, which has greatly increased our TCS conversion ratio and production volume while lowering electricity consumption per unit; (ii) our chlorosilane recycling technology helps further lower the consumption of silicon and chlorine during production; (iii) collaboration with Tianjin University in relation to a method known as the "Thermally Coupled Distillation Technology" which reduces the overall consumption of distilled steam by 40%; and (iv) the acquisition of hydrochlorination technology developed by GT Advanced Technologies Limited which substantially lower the cost of STC/TCS conversion compared to that of the traditional thermal hydrogenation method. Such advanced technologies have enhanced production efficiency, lowered our energy consumption and increased economies of scale.

Six months ended June 30, 2015 compared with June 30, 2014

Our gross profit increased by 13.1% to RMB653.0 million in the six months ended June 30, 2015 from RMB577.4 million in the same period in 2014, due to a combination of the following:

- Segment margin of our Engineering and Construction Contracting increased from 9.2% in the six months ended June 30, 2014 to 10.5% in the same period in 2015, due primarily to our undertaking of a large-scale EPC project in Pakistan which contributed a high profit margin.
- Segment margin of Inverter Manufacturing increased from 19.9% in the six months ended June 30, 2014 to 22.5% in the six months ended June 30, 2015, due primarily to our increased cost reduction measures as a result of technology advancements and our research and development efforts.

- Segment margin of our Polysilicon Production decreased from 42.8% in the six months ended June 30, 2014 to 32.4% in the same period in 2015, due to decrease in average selling price of our polysilicon.
- Segment margin of PV Wafer and Module Manufacturing decreased from negative 4.7% in the six months ended June 30, 2014 to negative 18.2% in the six months ended June 30, 2015, due to the continued decrease in selling price of PV wafers.

Segment margin of our Sales of Electricity, increased from 16.9% in the six months ended June 30, 2014 to 25.3% in the same period in 2015, due primarily to an increase in electricity generation which in turn led to economies of scale and lowered cost of raw materials in our power generation plants in the first half of 2015.

2014 compared with 2013

Our gross profit increased significantly to RMB1,428.5 million in 2014 from RMB614.7 million in 2013, due to the substantial expansion of our principal business lines.

Our gross margin increased from 10.4% in 2013 to 19.3% in 2014, due to the improved segment margins of our Polysilicon Production and Engineering and Construction Contracting businesses:

- Segment margin of our Polysilicon Production increased from 11.5% in 2013 to 40.9% in 2014, due primarily to our increased economies of scale, reduced production cost per unit, enhanced production efficiency and utilization rate in 2014 and change in settlement method in Sales of Electricity. In 2013, we sold all of our on-grid power output from our coal-fired power plant to the local power grid company and purchased electricity for our polysilicon production from such power grid. Since 2014, there was a change in settlement method and we only sell surplus on-grid power output, after meeting our electricity needs for polysilicon production, to the local grid company at on-grid tariffs of RMB200/MWh. Cost of internal consumption of electricity is accounted as cost of polysilicon production in 2013, resulting in an improvement in our cost of sales in our Polysilicon Production in 2014.
- Segment margin of our Engineering and Construction Contracting increased from 8.7% in 2013 to 11.6% in 2014 due to our increased undertaking of BT projects in 2014, which generally command higher margins compared to EPC or PC contracting projects.

The foregoing increases in segment margins were partially offset by the following:

- Segment margin of Inverter Manufacturing decreased from 23.3% in 2013 to 20.1% in 2014, due primarily to the reduction in our average selling price of inverters, which was in line with the market trend. Segment margin of our PV Wafer and Module Manufacturing worsened from a negative 16.1% in 2013 to a negative 18.6% in 2014, due to decreases in the sales volume of, and revenue from, our PV modules.
- Segment margin of our Sales of Electricity decreased from 38.0% in 2013 to 14.9% in 2014, due primarily to the change in settlement method. In 2013, we sold all of our on-grid power output from our coal-fired power plant to the local power grid company and purchased electricity for our polysilicon production from such power grid. The selling price of electricity to the power grid and the purchase price of electricity for our polysilicon production were identical, both at on-grid tariffs of RMB0.25/kWh and sales of surplus electricity, being our purchase of electricity deducted from all of our on-grid power output, at on-grid tariffs of RMB0.2/kWh, which resulted in an increase in average selling price of electricity sold and a high gross margin. Since 2014, there was a change in

settlement method and we only sell surplus on-grid power output, after meeting our electricity needs for polysilicon production, to the local grid company at on-grid tariffs of RMB0.2/kWh. Cost of self-use electricity is accounted as cost of polysilicon production, resulting in the lower gross margin in our sales of electricity in 2014 compared to that of 2013.

2013 compared with 2012

Our gross profit increased significantly to a positive RMB614.7 million in 2013 from a loss of RMB80.7 million in 2012, due to the substantial expansion of our three principal business lines.

Our gross margin increased from negative 3.6% in 2012 to positive 10.4% in 2013, due to the improved segment margins of our three principal business lines:

- Segment margin of our Polysilicon Production was negative 42.5% in 2012 due to the substantial decrease in the market price of polysilicon in 2012. Segment margin of our Polysilicon Production improved substantially to 11.5% in 2013, due primarily to our increased production capacity and improvement in economies of scale in 2013, as well as our increased cost reduction measures and enhanced production efficiency.
- Segment margin of our Inverter Manufacturing increased from 22.5% in 2012 to 23.3% in 2013 due primarily to our increased production capacity of inverters in 2013 which resulted in enhanced economies of scale, and our reduced production cost per unit as a result of more advanced design technology, partially offset by the decrease in average selling prices of inverters.
- Segment margin of our PV Wafer and Module Manufacturing improved from a negative 49.1% in 2012 to a negative 16.1% in 2013, due to a decrease in raw material costs for manufacturing wafers.

Segment margin of our Engineering and Construction Contracting decreased from 11.1% in 2012 to 8.7% in 2013 due primarily to the lower procurement costs in 2012 which yielded a greater gross profit in our construction contracts compared to 2013.

Selling and marketing expenses

The following table sets forth a breakdown of our selling and marketing expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Staff costs	17.1	49.5	68.3	30.1	37.7
Freight charges	13.3	23.5	33.3	11.4	14.5
Travel expenses	7.8	14.3	26.5	6.7	9.6
Business development	6.4	20.9	19.0	6.0	7.7
Warranty provisions	14.9	12.2	10.8	4.9	5.8
Rental expenses	2.0	5.0	9.3	3.2	3.3
Office expenses	3.1	4.9	4.3	1.3	1.6
Bidding fees	1.5	6.1	4.0	2.7	0.8
Professional fees	6.6	7.3	4.9	0.8	1.1
Depreciation	0.2	0.5	1.1	0.5	0.3
Other	3.9	8.4	7.5	3.0	3.9
Total	**76.8**	**152.6**	**189.0**	**70.6**	**86.3**

Our selling and marketing expenses consist principally of costs of staff working at sales and marketing functions, freight and port charges as well as warranty provision. In line with the expansions in our three principal business lines, our selling and marketing expenses increased throughout 2012, 2013 and 2014.

Our selling and marketing expenses increased from RMB70.6 million in the six months ended June 30, 2014 to RMB86.3 million in the same period in 2015, due primarily to an increase in our staff costs as a result of the increased headcount of our selling and marketing personnel working for our Engineering and Construction Contracting business.

General and administrative expenses

The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Staff costs	64.3	78.4	121.4	44.8	89.5
Impairment of receivables	2.2	16.7	54.1	6.0	4.3
Depreciation and amortization	25.3	40.3	48.3	19.6	25.1
Materials	6.6	9.6	25.1	3.5	17.1
Taxes	13.8	16.6	21.4	8.7	13.6
Trademarks fee	1.3	4.0	16.6	8.3	—
Bank charge	1.5	10.1	10.2	7.7	11.9
Travel expenses	9.4	9.3	13.0	4.2	6.1
Business development expenses	4.9	5.8	6.6	3.2	2.6
Rental expenses	1.6	2.5	5.8	3.8	2.8
Office expenses	7.7	6.1	5.7	2.3	3.2
Professional fees	5.2	7.5	5.6	1.7	5.3
Others	22.3	24.8	36.8	10.6	21.4
Total	**168.0**	**231.9**	**371.7**	**124.4**	**202.9**

Our general and administrative expenses consist principally of staff costs, depreciation and impairment of receivables. In line with our business expansions and the resulting increases in management headcount and management activities, our general and administrative expenses increased during 2012, 2013 and 2014. In addition, we also impaired certain amount of receivables from time to time as our management believed that it was unlikely for us to recover them and we impaired certain property, plant and equipment relating to our manufacturing of PV wafers and modules.

Our general and administrative expenses increased from RMB124.4 million in the six months ended June 30, 2014 to RMB202.9 million in the same period in 2015. This was primarily due to a substantial increase in our staff costs as a result of the increased salary and bonus for our general and administrative personnel, a reflection of our increased revenue and profit in 2014.

Other income

Our other income mainly consists of government grants and sales of raw materials. The following table sets forth a breakdown of our other income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Government grants	113.9	100.9	124.5	62.4	83.8
—Research and development	105.7	90.1	79.0	36.0	56.4
—The construction or improvement of production facilities for polysilicon, inverter and PV wafer	8.2	10.8	45.5	26.4	27.4
Sales of raw materials	8.4	15.2	12.2	2.8	8.8
Commission	0.8	12.4	1.8	1.5	12.6
Total	**123.1**	**128.5**	**138.5**	**66.7**	**105.2**

During the Track Record Period, we received government grants from central or local PRC government authorities, mainly in relation to our research and development activities and the construction or improvement of our production facilities for polysilicon, inverter and PV wafer. The latter type of asset-related grants is deferred government grants that are conditional upon the completion of the facility or its improvements and are credited to us on a straight-line basis over the expected lives of these assets and projects.

Although government grants are generally awarded to us every year, they are not recurring in nature and the grant itself and the amount of the grant are made on a case-by-case basis by the relevant government authorities in accordance with the applicable national or local policies, depending on the nature and extent of our engagement in the encouraged activities. For government grants in relation to the fixed assets, we will not be able to receive such benefits if we cease to expand or upgrade our production facilities for polysilicon, inverters and PV wafers in the future. Based on our past experience and the fact that a certain portion of our government grants are deferred, our Directors expect that we will continue to carry out various encouraged activities and be able to enjoy government grants in the foreseeable future.

Sales of raw materials refer to our resale of surplus equipment, consumables and spare parts used in our Engineering and Construction Contracting business.

Six months ended June 30, 2015 compared with June 30, 2014

Other income increased by 57.7% to RMB105.2 million in the six months ended June 30, 2015 from RMB66.7 million in the six months ended June 30, 2014, due to an increase in government grants and our receipt of a one-off consultancy and testing fee from an equipment manufacturer.

2014 compared with 2013

Other income increased by 7.8% to RMB138.5 million in 2014 from RMB128.5 million in 2013, due primarily to the decrease of RMB3.0 million in sales of raw materials, partially offset by the increase in government grants in 2013.

2013 compared with 2012

Other income increased slightly from RMB123.1 million in 2012 to RMB128.5 million in 2013, due primarily to an increase of RMB6.8 million in sales of raw materials, as a result of our increased availability of surplus consumables and spare parts in 2013. Such increase was partially offset by the decrease of government grants.

Other gains, net

The following table sets forth a breakdown of our other net gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Gains/(losses) on disposal of property, plant and equipment	4.5	(0.8)	1.0	0.4	0.2
Gains on compensation and penalties	14.7	13.7	17.8	2.4	7.6
Donations	—	—	(10.0)	—	(10.0)
Others	(0.1)	—	8.7	0.7	(0.8)
Other net gains	**19.1**	**12.9**	**17.5**	**3.4**	**(3.0)**

During the Track Record Period, we received compensation arising from legal proceedings or due to breach of contracts by other parties. Our gains or losses on disposal of property, plant and equipment were related to our disposals of office equipment and corporate vehicles that have reached the end of their useful lives.

Six months ended June 30, 2015 compared with June 30, 2014

Other net gains decreased significantly to negative RMB3.0 million in the six months ended June 30, 2015 from RMB3.4 million in the six months ended June 30, 2014, due primarily to our receipt of a RMB6.6 million compensation from subcontractors for breach of subcontracting contract.

2014 compared with 2013

Other net gains increased by 35.6% to RMB17.5 million in 2014 from RMB12.9 million in 2013, due primarily to an increase in gains on compensation and penalties from RMB13.7 million in 2013 to RMB17.8 million in 2014.

2013 compared with 2012

Other net gains decreased by 32.5% from RMB19.1 million in 2012 to RMB12.9 million in 2013, due primarily to a decrease in gains on compensation and penalties from RMB14.7 million in 2012 to RMB13.7 million in 2013 and losses on disposal of property, plant and equipment in 2013.

Finance expenses, net

Our net finance expenses represent the combined effect of interest income from our bank deposits and finance expenses on bank loans and other borrowings. The following table sets forth a breakdown of our net finance expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Interest income	13.2	7.3	24.5	20.6	15.6
Finance expenses	(53.8)	(138.7)	(389.0)	(202.0)	(172.9)
Finance expenses, net	**(40.6)**	**(131.4)**	**(364.5)**	**(181.4)**	**(157.3)**

Six months ended June 30, 2015 compared with June 30, 2014

Our interest income decreased by 24.3% to RMB15.6 million in the six months ended June 30, 2015 from RMB20.6 million in the six months ended June 30, 2014, due to a decrease in our average balance of bank deposits and a decrease in the prevailing interest rate.

Our finance expenses decreased by 7.5% to RMB172.9 million in the six months ended June 30, 2015 from RMB202.0 million in the six months ended June 30, 2014 as an increased amount of our interest expenses on borrowings was capitalized during the period.

2014 compared with 2013

Our interest income increased by 231.1% to RMB24.5 million in 2014 from RMB7.4 million in 2013 due primarily to an increase in our average balance of bank deposits in 2014 as a result of our increased cash inflow.

Our finance expenses increased by 180.5% to RMB389.0 million in 2014 from RMB138.7 million in 2013 due to an increase in our average balance of our total borrowings in 2014. See "*—Indebtedness.*"

2013 compared with 2012

Our interest income decreased by 44.7% to RMB7.4 million in 2013 from RMB13.2 million in 2012 due primarily to a decrease in our average balance of bank deposits in 2013 as a result of increased cash outflow.

Our finance expenses increased significantly to RMB138.7 million in 2013 from RMB53.8 million in 2012 due to a significant increase in our average balance of our total borrowings in 2013 and the cessation of interest capitalization in connection with our Xinjiang Plant after the completion of its construction in September 2013. See "*—Indebtedness.*"

Investment accounted for using the equity method

Our investment accounted for using the equity method represents investment in our associates, all of which are incorporated and operated in the PRC. An associate is an entity in which we have significant influence, but not control or joint control, over its management, including participation in its financial and operating policy decisions. As part of the operation of our BT projects, we establish various subsidiaries, also known as project companies, as the owner of the power project. Before a buyer is identified, all construction costs in progress pertaining to these projects are recognized as inventories in our consolidated balance sheet. These projects will be sold to third-party customers at different stages or upon completion by way of transferring the equity interest in the project companies. Our project companies have no other commercial operation other than holding the relevant BT projects.

During the Track Record Period, we sold a number of BT projects to third-party customers by way of transferring equity interest in the relevant project companies. In general, we retain equity interest between 20% and 49% in certain of these disposed project companies and continue to exercise influence by virtue of our contractual right to appoint at least one director to the board giving us the right to participate in business decisions. Accordingly, these project companies are accounted for as associates, after partial disposals.

Six months ended June 30, 2015 compared with June 30, 2014

Our share of profit of investments accounts for using the equity methods decreased from a profit of RMB5.7 million in the six months ended June 30, 2014 to a loss of RMB0.05 million for the same period in 2015 as there was a decrease in our number of associates and decreased profit in our associates during the period.

2014 compared with 2013

Our share of profit of investments accounts for using the equity methods decreased to RMB2.2 million in 2014 from RMB16.5 million in 2013, due to the effect of elimination of transaction with associates amounted to RMB20.9 million, partially offset by the share of profits of our equity interest in our associates of RMB6.6 million.

2013 compared with 2012

We had RMB16.5 million share of profit of investments accounts for using the equity methods in 2013 as we had nine associates, while in 2012 we did not have any associate during the year.

Income tax

Our income tax expense consists principally of current income tax expense and deferred income tax expense. Our average effective tax rate was lower than the statutory rate of 25% because our Company and most of our principal subsidiaries are entitled to a preferential income tax rate of 15%, due to their designation as the "high and new technology" enterprises in China. In addition, we are entitled to deductions for the purchase of qualified environmental-friendly equipment and research and development expenses allowable for tax deduction. As of the Latest Practicable Date, we had paid or made provisions for paying all relevant taxes and we did not have any material disputes with the relevant tax authorities.

Six months ended June 30, 2015 compared with June 30, 2014

Our income tax expense increased from RMB4.7 million in the six months ended June 30, 2014 to RMB37.9 million in the six months ended June 30, 2015 and our effective tax rate increased to 12.3% in the six months ended June 30, 2015 from 1.7% in the same period in 2014, due to the gradual depletion of our tax credits accumulated in the previous years from the purchase of qualified equipment.

2014 compared with 2013

Our income tax expense decreased significantly from RMB56.3 million in 2013 to RMB8.1 million in 2014, and our effective tax rate was reduced from 21.9% in 2013 to 1.2% in 2014. Both our income tax expense and effective tax rate decreased significantly in 2014 compared to 2013 due to the large amount of tax deduction obtained from our purchase of qualified equipment, principally used to produce polysilicon and electricity, as compared to 2013. As a result, our entitlement to tax credits in 2014 largely offset our statutory income tax expenses.

2013 compared with 2012

In 2012, we had a tax benefit of RMB32.9 million as we recognized deferred tax assets of accumulated tax losses and other temporary differences, which amounted to RMB36.2 million, partially offset by income tax of RMB3.3 million. In 2013, our income tax expense was RMB56.3 million and effective tax rate was 21.9%, which was higher than the preferential income tax rate of 15%, mainly due to certain deemed taxable items from tax perspective which were not recognized as income in profit or loss.

Profit and net profit margin

As a result of the foregoing, our profit for the period decreased from RMB272.2 million for the six months ended June 30, 2014 to RMB270.8 million for the six months ended June 30, 2015. Our net profit margin decreased to 6.9% for the six months ended June 30, 2015, from 9.4% for the six months ended June 30, 2014.

As a result of the foregoing, our profit for the year increased significantly to RMB653.4 million in 2014 from RMB200.4 million in 2013. Our net profit margin increased to 8.8% in 2014 from 3.4% in 2013.

As a result of the foregoing, we had a profit for the year of RMB200.4 million in 2013 while we had a loss for the year of RMB191.0 million in 2012. Our net profit margin in 2013 was 3.4%.

LIQUIDITY AND CAPITAL RESOURCES

Historically we have financed our capital requirements through a combination of cash flows generated from our operations and bank loans, as well as capital contributions from shareholders. As we continue to grow our business, we expect our working capital requirements to increase. We expect to finance our operations and our debt service requirements with net cash flows generated from our operations and, if required, additional debt or equity financing.

We seek to manage our working capital to monitor collection and deployment of our funds. We use annual budget, supplemented by monthly cash flow projections, to forecast and manage our cash inflows and outflows. In particular, we prepare cash flow and funding summaries on a monthly basis to monitor our cash flow. We seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. Furthermore, we intend to continue to utilize existing capital, and to seek new sources of funding, to maintain and grow our business on a cost-effective basis.

Our Directors expect that we will require an aggregate amount of approximately RMB6,983.8 million in 2016 to finance our capital expenditures, research and development, debt repayments and other foreseeable cash requirements. Our available and expected sources of funding to meet our working capital requirements for 2016 include the following:

Cash and cash equivalents	RMB962.7 million as of December 31, 2014, increased to RMB1,326.2 million as of October 31, 2015
Unutilized banking facilities	RMB2,246.2 million as of December 31, 2014, increased to RMB7,715.7 million as of October 31, 2015
Estimated net proceeds from the Global Offering (assuming an Offer Price of HK$9.04 per H Share and the Over-allotment Option is not exercised)	HK$1,239.4 million (equivalent to RMB1,025.7 million)
Total	RMB4,234.6 million as of December 31, 2014 (RMB10,067.6 million as of October 31, 2015)

Taking into account our existing cash and cash equivalents, anticipated cash flow from our operating activities, unutilized banking facilities and the estimated net proceeds from the Global Offering, our Directors are satisfied that, after due and careful inquiry, we have sufficient working capital available to meet or refinance our working capital requirements for at least 12 months following the date of this prospectus. After due consideration and discussions with our senior management and based on the above, the Joint Sponsors have no reason to believe that we are unable to meet the working capital requirements for the 12-month period from the date of this prospectus.

We do not anticipate any change to the availability of financing to fund our operations in the future. However, our ability to obtain additional funding required for increased capital expenditures in the future on favorable terms and beyond our anticipated cash needs for the next 12 months following the date of this prospectus is subject to a variety of uncertainties, including the future results of our operations; our financial condition and cash flows; and economic, political and other conditions in China.

CASH FLOW

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
	(RMB in millions)				
Net cash (used in)/generated from operating activities	(1,042.2)	114.7	50.0	(495.1)	1,035.8
Net cash generated from/(used in) investing activities	(3,270.8)	(985.4)	(457.1)	(213.5)	84.9
Net cash generated from financing activities	4,368.8	927.8	282.2	583.4	751.8
Net increase/(decrease) in cash and cash equivalents	55.8	57.1	(124.9)	(125.2)	1,872.5
Cash and cash equivalents at end of the year/period	**1,030.8**	**1,087.7**	**962.7**	**962.4**	**2,835.2**

Cash Flow Used in Operating Activities

Our cash from operating activities consists primarily of cash generated or paid in relation to our Polysilicon Production, Engineering and Construction Contracting and Inverter Manufacturing. Cash flow from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortization and impairment allowances; (ii) the effects of movements in working capital, such as changes in inventories, trade and notes receivable, prepayments and other receivables, receivables/payables on construction contracts or value-added tax recoverable; and (iii) other cash items such as income tax paid.

Our cash flow from operating activities was negative in 2012 and the six months ended June 30, 2014 principally because, as we significantly expanded our business, we used a substantial amount of cash to purchase raw materials, equipment and consumables and to engage subcontractors, had increased inventories as a result of our increased construction contracting work as well as accumulated increased receivables from our clients due largely to our increased business scale.

In the six months ended June 30, 2015, our net cash generated from operating activities was RMB1,035.8 million, which was mainly attributable to profit before income tax of RMB308.7 million, adjusted for non-cash and non-operating items, such as depreciation and amortization, and movements in working capital. Changes in working capital were due primarily to (i) an increase of inventories of RMB355.6 million as a result of our increased EPC/BT projects under construction, polysilicon production and inverter manufacturing; (ii) an increase of net amount due from customers for contract work of RMB414.4 million. These adjustments were partially offset by (i) a decrease of trade and notes receivable of RMB367.5 million due to our enhanced measures to manage receivables; (ii) an increase of trade and notes payable of RMB353.1 million due to our increased engineering and construction contracting work and the resulting increase in our purchases of raw materials and equipment and engagement of subcontractors; and (iii) an increase in advances from customers other payables of RMB267.8 million due to the increase of advances and deposits from customers.

In 2014, our net cash generated from operating activities was RMB50.0 million, which was mainly attributable to profit before income tax of RMB661.5 million, adjusted for non-cash and non-operating items, such as depreciation and amortization, and negative movements in working capital. Cash outflows in working capital were due primarily to (i) an increase of inventories of RMB2,313.8 million as a result of our increased EPC/BT projects under construction, polysilicon production and inverter manufacturing; (ii) an increase of trade and notes receivable of RMB201.2 million as certain customers were late in their bill payments in accordance with the contract terms; and (iii) an increase of value-added tax recoverable of RMB73.5 million due to our increased purchase of raw materials and equipment, which entitled us to additional VAT tax credit. These cash outflows were partially offset by (i) a decrease of prepayments and other receivables of RMB395.6 million due to settlement of prepayments to suppliers for purchase of raw materials and equipment from third parties; and (ii) an increase of trade and notes payable of RMB360.0 million due to our increased engineering and construction contracting work and the resulting increase in our purchases of raw materials and equipment and engagement of subcontractors.

In 2013, our net cash generated from operating activities was RMB114.7 million, which was mainly attributed to profit before income tax of RMB256.7 million, adjusted for non-cash and non-operating items, such as depreciation and amortization, and negative movements in working capital. Cash outflows in working capital were due primarily to (i) an increase of prepayments and other receivables of RMB1,390.9 million due to our substantially increased engineering and construction contracting work in 2013 and the resulting increase in procurement items; (ii) an increase of trade and notes receivables of RMB1,142.6 million, due primarily to the increased use of bills (in lieu of cash) by our polysilicon customers and as certain customers were late in their bill payments in accordance with the contract terms; (iii) an increase in inventories of RMB489.2 million as a result of our increased engineering and construction contracting work; and (iv) an increase in receivables on construction contracts of RMB854.5 million as a result of the increase in the expenditure for construction projects towards the end of 2013. These cash outflows were partially offset by (i) an increase in trade and notes payable of RMB2,901.9 million due to our increased engineering and construction contracting work and the resulting increase in our purchases of raw materials and equipment and engagement of subcontractors; and (ii) an increase in advances from customers and other payables of RMB388.9 million in line with the increase in our polysilicon sales volume in 2013.

In 2012, our net cash used in operating activities was RMB1,042.2 million. We had net loss before income tax of RMB223.9 million in 2012, adjusted for non-cash and non-operating items, such as depreciation and amortization, and negative movements in working capital. Cash outflows in working capital were due primarily to (i) an increase of trade and notes receivable of RMB1,020.8 million due primarily to the increased use of notes (in lieu of cash) by our polysilicon customers and as certain customers were late in their bill payments in accordance with the contract terms; (ii) an increase in value-added tax recoverable of RMB309.2 million due to our increased purchases of raw materials and equipment which entitled us to additional VAT tax credit; (iii) an increase in inventories of RMB194.5 million as a result of our increased purchases of raw materials for polysilicon production and equipment for construction contracting.

Cash Flow Used in Investing Activities

In the six months ended June 30, 2015, our net cash flow generated from investing activities was RMB84.9 million, consisting mainly of a decrease in restricted cash of RMB366.0 million as a result of decreased deposit use for applying for bank acceptance notes and letters of credit for financing our purchases. These cash inflow was partially offset by the purchase of property, plant and equipment of RMB274.6 million, mainly for upgrading our polysilicon production facilities.

In 2014, our net cash flow used in investing activities was RMB457.1 million, consisting primarily of (i) purchase of property, plant and equipment of RMB432.4 million mainly for expanding our polysilicon production capacity; and (ii) an increase in restricted cash of RMB128.5 million as a result of increased deposit used for applying for bank acceptance notes and letters of credit for financing our purchases. These cash outflows were partially offset by (i) receipt of government grants related to assets of RMB106.1 million; and (ii) proceeds from disposal of investments accounted for using the equity method of RMB90.4 million.

In 2013, our net cash flow used in investing activities was RMB985.4 million, consisting primarily of (i) purchase of property, plant and equipment of RMB738.5 million mainly for expanding our polysilicon production capacity; (ii) an increase in restricted cash of RMB280.1 million as a result of increased deposit used for applying for bank acceptance notes and letter of credit; and (iii) additional investments accounted for using the equity method of RMB110.7 million. These cash outflows were partially offset by receipt of government grants related to assets of RMB157.5 million.

In 2012, our net cash flow used in investing activities was RMB3,270.8 million, consisting primarily of (i) purchase of property, plant and equipment of RMB2,995.7 million for constructing our new production facilities for polysilicon production; and (ii) an increase in restricted cash of RMB286.2 million as a result of increased deposit used for applying for bank acceptance notes and letter of credit.

Cash Flow Generated from Financing Activities

In the six months ended June 30, 2015, our net cash generated from financing activities was RMB751.8 million, primarily consisting of proceeds from borrowings of RMB4,357.0 million and proceeds from pre-IPO investors of RMB1,400.0 million, which was offset by the repayment of borrowings of RMB4,768.6 million.

In 2014, our net cash generated from financing activities was RMB282.2 million, primarily consisting of (i) proceeds from borrowings of RMB4,525.3 million; and (ii) capital contributions from our shareholders of RMB620.0 million, which was offset by the repayment of borrowings of RMB4,419.4 million.

In 2013, our net cash generated from financing activities was RMB927.8 million, mainly consisting of proceeds from borrowings of RMB5,476.1 million, which was offset by the repayment of borrowings of RMB4,162.5 million.

In 2012, our net cash generated from financing activities was RMB4,368.8 million, mainly consisting of (i) proceeds from borrowings of RMB9,586.0 million; and (ii) capital contributions from our shareholders of RMB313.8 million, which was offset by the repayment of borrowings of RMB5,288.4 million.

NET CURRENT ASSETS AND LIABILITIES

The following table sets forth a breakdown of our current assets and current liabilities as of the dates indicated below:

	As of December 31,			As of June 30,	As of October 31,
	2012	2013	2014	2015	2015
					(unaudited)
	(RMB in millions)				
Current assets					
Inventories	497.7	897.9	2,873.6	3,264.1	4,184.3
Amounts due from customers for contract work	101.6	934.2	693.4	1,208.5	1,119.3
Other current assets	272.4	421.8	490.1	289.4	317.9
Trade and notes receivables	1,717.3	2,843.1	2,992.7	2,622.0	3,290.1
Prepayments and other receivables	277.9	1,329.6	916.9	1,031.0	1,351.9
Restricted cash	443.4	723.5	852.1	486.0	1,094.6
Cash and cash equivalents	1,030.8	1,087.7	962.7	2,835.2	1,326.2
Total current assets	4,341.0	8,237.8	9,781.5	11,736.2	12,684.3
Current liabilities					
Trade and notes payable	1,737.5	4,466.3	4,427.0	4,780.1	6,335.2
Provisions and other payables	1,144.3	1,924.9	1,566.4	1,659.1	1,714.6
Amounts due to customers for contract work	44.7	24.7	139.3	239.7	223.0
Current income tax liabilities	—	28.5	40.8	12.1	1.5
Borrowings	1,864.2	2,562.6	4,150.7	4,248.9	4,126.4
Total current liabilities	4,790.7	9,007.0	10,324.2	10,939.9	12,400.7
Net current (liabilities)/assets	(449.6)	(769.2)	(542.7)	796.3	283.6

We had net current liabilities as of December 31, 2012, 2013 and 2014, primarily due to the expansion of our production capacity of polysilicon and inverters and our engineering and construction contracting services. In addition to long-term bank borrowings, we also used a combination of short-term borrowings (including receivable financing and current portion of long-term borrowings) and related-party borrowings to finance a substantial portion of our purchase or construction of additional property, plant and equipment, which are treated as non-current assets. In addition, as we expanded our Polysilicon Production and Engineering and Construction Contracting businesses, our payables also increased substantially in 2013 and 2014. After the Global Offering, we intend to improve our net current assets and liabilities position by repaying certain bank borrowings and increasing our cash and cash equivalents.

As of October 31, 2015, the latest practicable date for which such information was available, our net current assets decreased to RMB283.6 million from RMB796.3 million as of June 30, 2015 primarily due to an increase in trade and notes payable as a result of our continued business growth, which was partially offset by the increase in our inventories.

As of June 30, 2015, our net current assets increased significantly to RMB796.3 million from net current liabilities of RMB542.7 million as of December 31, 2014. This improvement in our net current liabilities was mainly attributable to (i) the significant increase in amounts due from customers for contract work as a result of a large-scale EPC project in Pakistan; and (ii) the substantial increase in cash and cash equivalents as a result of cash inflow from our pre-IPO investments, bank loans for our BOO projects and the transfer of BT projects in the first half of 2015. The increase in our total current assets was partially offset by an increase in our total current liabilities, principally borrowings, which we incurred to finance our expansion.

As of December 31, 2014, our net current liabilities decreased to RMB542.7 million from RMB769.2 million as of December 31, 2013 as our total current assets had a greater increase compared to that of our total current liabilities. The increase in our total current assets was mainly attributable to the significant increase in our inventories as a result of our substantially expanded Polysilicon Production and Engineering and Construction Contracting businesses in 2014. The increase in our total current liabilities was mainly attributable to the increase in our borrowings, principally related-party borrowings to finance our working capital.

As of December 31, 2013, our net current liabilities increased to RMB769.2 million from RMB449.6 million as of December 31, 2012 as our total current liabilities had a greater increase compared to that of our total current assets. The increase in our total current liabilities was mainly attributable (i) a RMB2,728.8 million increase in our trade and notes payable for raw materials as a result of our expanded business; (ii) a RMB780.6 million increase in provisions and other payables as result of our significantly increased purchases for property, plant and equipment in Engineering and Construction Contracting; and (iii) an increase in our short-term and other borrowings for financing our production capacity expansion in 2013. The increase in our total current assets was mainly attributable to (i) a RMB400.2 million increase in our inventories as a result of our expanded Polysilicon Production and Engineering and Construction Contracting businesses in 2013; and (ii) an increase in our trade and notes receivables and repayments and other receivables as a result of our increased sales of polysilicon and completed installed capacity under our Engineering and Construction Contracting business.

INVENTORY

During the Track Record Period, our inventories primarily consisted of raw materials, finished goods, work in progress and spare parts. The following table sets forth a summary of our total inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Raw materials	62.3	105.5	510.4	878.9
Finished goods	136.1	160.3	419.8	321.8
Work in progress	332.2	641.7	1,953.3	2,087.6
Spare parts	3.7	5.1	5.3	5.2
	534.3	912.6	2,888.7	3,293.5
Less: provision for impairment	(36.6)	(14.7)	(15.1)	(29.4)
Total	**497.7**	**897.9**	**2,873.6**	**3,264.1**

Our raw materials consist primarily of silicon and other chemical products used in our Polysilicon Production and power equipment, such as PV cells and wind turbines, in our Engineering and Construction Contracting. Our finished goods consist primarily of finished polysilicon and inverters. Our work in progress consists primarily of BT projects under construction and polysilicon under production. Spare parts are those used to replace certain key parts of our polysilicon production facilities.

Our inventories increased from RMB497.7 million as of December 31, 2012 to RMB897.9 million as of December 31, 2013 to RMB2,873.6 million as of December 31, 2014 and further to RMB3,264.1 million as of June 30, 2015, due to substantial increases in our raw materials, finished goods and work in progress. These increases were mainly attributable to our increased production capacity and volumes for polysilicon and inverters, as well as our increased undertaking of PV and wind power projects in Engineering and Construction Contracting during the Track Record Period. Our work in progress remained relatively stable as of December 31, 2014 and June 30, 2015 due to the revenue recognition of the transfer of BT projects and increased undertaking of contracting work in BT projects.

As of October 31, 2015, the latest practicable date for which such information is available, the subsequent utilization and sales of our inventories as of June 30, 2015 was RMB672.5 million.

We assess whether to provide for impairment against our inventories based primarily on our production costs and prevailing selling prices of our products (polysilicon, inverters and PV wafers), and the construction costs of BT project. Our provision for impairment during the Track Record Period was primarily made in relation to our PV Wafer and Module Manufacturing, a part of our non-essential business, given the depressed market price of PV products.

The following table sets forth our average turnover days[(1)] for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Polysilicon Production	77	23	39	57
Sales of Electricity	—	23	31	26
Engineering and Construction Contracting	142	72	94	243
Inverter Manufacturing	78	66	137	181
PV Wafer and Module Manufacturing	78	34	101	205

(1) The adjusted average turnover days for a certain period is the average of opening and closing inventory balances divided by the cost of sales for that period and multiplied by the number of days in that period.

Average turnover days of our Polysilicon Production decreased from 77 days in 2012 to 23 days in 2013 due to the substantial increase in market demand for polysilicon and our low inventory levels in 2013. Turnover days increased to 39 days in 2014, due to a more stabilized demand for polysilicon and our higher levels of inventories in 2014.

Average turnover days of our Sales of Electricity increased from 23 days in 2013 to 31 days in 2014 due to the settlement method in 2013 which we sold all of our on-grid power output from our coal-fired power plant before purchasing back for our Polysilicon Production and resulted in high cost of sales. For the six months ended June 30, 2015, average turnover days decreased to 26 days because of the better implementation of inventory control which maintained our low levels of inventory.

Average turnover days in our Engineering and Construction Contracting business decreased substantially in 2013 compared to 2012 due to a surge in market demand for the construction of PV projects in China in 2013. Turnover days increased to 94 days in 2014 due to a stable demand for our contracting services in 2014 and the increase in our number of BT projects under construction which are generally associated with a longer turnover period following PRC regulatory changes that mandated a BT PV project to be transferred to the buyer only after it is completed and started on-grid power generation. Average turnover days increased significantly to 243 days in the first half of 2015 as our cost of sales in this segment is usually much lower during the first half of a year compared to the second half of that year because our equipment procurement and recognition of major cost items for construction contracting projects usually occur in the second half of the year.

Average turnover days in our Inverter Manufacturing business decreased to 66 days in 2013 compared to 78 days in 2012 due to the increased market demand for the construction of PV projects in China and the resulting increase in our sales of inverters. Turnover days increased substantially to 137 days in 2014 due to our increased production capacity and the associated longer raw materials procurement period as well as our decision to increase inventory of finished inverters by the end of 2014, as a result of increased customer orders.

Average turnover days in our PV Wafer and Module Manufacturing decreased to 34 days in 2013 from 78 days in 2012 due to greater market demand for PV products in 2013. Turnover days increased to 101 days in 2014 and 205 days in the first half of 2015, due primarily to our lower sales volume of PV modules in a depressed market.

TRADE AND NOTES RECEIVABLES

Our trade receivables are mainly attributed to term payment for our engineering and construction contracting. Our notes receivables are bank acceptance notes and trade acceptance notes, typically with maturity dates of six months, which we received from our clients for our Polysilicon Production business and Engineering and Construction Contracting business. The following table sets forth our trade and notes receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Trade receivables	1,475.9	2,024.0	1,904.6	1,751.7
Notes receivables	258.5	852.3	1,142.6	925.5
	1,734.4	2,876.3	3,047.2	2,677.2
Less: provision for impairment	(17.1)	(33.2)	(54.5)	(55.2)
Total	**1,717.3**	**2,843.1**	**2,992.7**	**2,622.0**

For our Engineering and Construction Contracting business, most of our EPC construction contracts require our customers to make a prepayment ranging from 10% to 30% of the total contract value to us. Customers generally pay by installments according to our construction progress, with a summary of the construction progress we prepared or approved by supervising engineers engaged by the clients. Final payment (after deducting the retention funds) is usually made to us within three to six months after relevant certificates are sent to clients. During the Track Record Period, we have not experienced any material default by our clients in making payments.

Our trade receivables increased from RMB1,475.9 million as of December 31, 2012 to RMB2,024.0 million as of December 31, 2013, slightly decreased to RMB1,904.6 million as of December 31, 2014 and RMB1,751.7 million as of June 30, 2015, primarily due to the substantial increase in our construction contracts in 2013 and the stable growth of our Engineering and Construction Contracting business in 2014 and the first half of 2015.

Our notes receivables increased from RMB258.5 million as of December 31, 2012 to RMB852.3 million as of December 31, 2013, to RMB1,142.6 million as of December 31, 2014 and decreased to RMB925.5 million as of June 30, 2015, due primarily to the increased amount of payments by our clients using bank acceptance notes and trade acceptance notes (in lieu of cash payment) in 2013 and 2014 and the discounted bills sold for early payment in the first half of 2015 to improve cash flow which resulted in the decrease.

As of October 31, 2015, the latest practicable date for which such information was available, we had settled trade receivables of RMB513.1 million of the trade receivables as of June 30, 2015.

The table below sets forth an aging analysis of our gross trade receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Within three months	905.7	1,143.7	1,012.9	668.5
Three months to six months	353.9	321.9	202.4	170.3
Six months to one year	94.9	139.5	456.8	696.1
One year to two years	108.6	398.6	182.5	165.8
Two years to three years	4.2	12.3	39.3	40.0
Over three years	8.6	8.0	10.7	11.0
Trade receivables	**1,475.9**	**2,024.0**	**1,904.6**	**1,751.7**

Most of our trade receivables are due upon issuance of the invoices, except for the retention funds which would normally be collected in one to three years after the completion of our construction contracts.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our retention money included in trade receivables of RMB180.9 million, RMB177.6 million, RMB202.5 million and RMB343.0 million, respectively, were neither past due nor impaired. As of the same dates, our trade receivables that were past due but not impaired were RMB1,075.9 million, RMB1,255.0 million, RMB1,314.3 million and RMB184.2 million, respectively, which were related to a number of independent customers whom we believe are not experiencing significant financial difficulties but otherwise became late in payment. These were trade receivables with recourse clauses according to the factoring agreement with the relevant banks that did not qualify for de-recognition and were accounted for as secured short-term bank borrowings as the substantial risks and rewards associated with the trade receivables were not transferred. Our policy for impairment on trade receivables is based on an evaluation of collectability and aging analysis of the receivables that requires judgment and estimates of our management. Provisions would apply to the receivables when there are events or changes in circumstances which indicate that the balances may not be fully collectible. For those receivables with indications of impairment, after considering the credit history and subsequent settlement on a case-by-case basis, we have made provisions for the impairment to the extent of the estimated uncollectible amount. Given the above and based on our past experiences, we believe that the overdue amounts can be fully recovered and therefore no provision for impairment is necessary.

We generally enter into factoring arrangement (i) at preliminary stages after obtaining information for a potential tender to provide funding solutions to customers; or (ii) when trade receivables are incurred or within one month after they are incurred, based on our understanding of financial condition of our customers, their willingness to bear costs of factoring arrangement and whether an agreement on the factoring period can be reached, which is typically 12 months or less. We take into account various factors, before entering into factoring arrangement, including (i) the customer's track record of business relationship with us and its credibility, with priority over state-owned enterprises or listed companies; (ii) the willingness of customer to enter into factoring arrangement and to bear associated costs; (iii) the repayment plan of customer, some of which may have applied for its own project loan with financial institution; (iv) the subject of trade receivables of which has to be without any encumbrance and transfer restriction and a confirmed amount; and (v) the customer must be an independent third party. When we enter into the factoring agreement with the bank, our customer who is responsible for such repayment, enter into an agreement with us and create a factoring account accordingly. The customer, when the payment under the factoring agreement is due, pays into the factoring account which the bank will then debit automatically. To monitor closely our factoring arrangement, we hold monthly meetings to individually sort out and issue plans for payment collection. During the Track Record Period, we have made corresponding arrangement for all of our trade receivable that expire repayment period under our internal policy and the Company is of the view that factoring arrangement can improve our cash flow and provide funding to our capital needs in production.

We had certain trade receivables that were partially impaired and we believe that a portion of these receivables will not be recovered.

The table below sets forth the aging analysis of the trade receivables that were impaired as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Less than one year	172.0	372.4	267.6	1,132.6
One year to two years	35.3	202.0	110.6	75.1
Two years to three years	3.6	9.7	2.4	14.1
Over three years	8.2	7.3	7.2	2.7
	219.1	**591.4**	**387.8**	**1,224.5**
Provision for impairment	(17.1)	(33.1)	(54.5)	(55.2)

The following table sets forth our average trade receivables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Average trade receivables turnover days (1)	166	107	96	83

(1) The average turnover days for a certain period is the average of opening and closing balances of trade receivables divided by our revenue for that period and multiplied by the number of days in that period.

Our average trade receivables turnover days decreased from 166 days in 2012 to 107 days in 2013, to 96 days in 2014. This was mainly attributable to our enhanced measures to manage receivables and the general improvement in the availability of financing or cash flow available to our customers.

PREPAYMENTS AND OTHER RECEIVABLES

The following table sets forth details of our prepayments and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Staff advances	16.8	24.1	30.2	61.3
Deposits as guarantee for contract execution	42.4	55.6	37.0	92.1
Consideration receivable from disposal of associates	—	—	20.6	20.6
Others	6.6	8.7	32.7	43.9
Total other receivables	**65.8**	**88.4**	**120.5**	**217.9**
Less: provision for impairment	(4.3)	(5.2)	(11.8)	(12.6)
	61.5	**83.2**	**108.7**	**205.3**
Prepayments to suppliers	216.4	1,246.4	834.8	852.3
Less: provision for impairment	—	—	(26.6)	(26.6)
	216.4	1,246.4	808.2	825.7
Total	**277.9**	**1,329.6**	**916.9**	**1,031.0**

Our other receivables relate primarily to our advances and deposits in our daily business operations. Our other receivables increased from RMB6.6 million as of December 31, 2012 to RMB8.7 million as of December 31, 2013, further to RMB32.7 million as of December 31, 2014 and to RMB43.9 million as of June 30, 2015 due primarily to our growing business activities during the Track Record Period and our other receivables from disposals of our project companies in 2014.

Our prepayments to suppliers relate primarily to our Engineering and Construction Contracting business. Our prepayments to suppliers increased from RMB216.4 million as of December 31, 2012, to RMB1,246.4 million as of December 31, 2013 due to a significant increase in our uncompleted construction contracts in 2013, especially towards the end of 2013, compared to that in 2012 as a result of a surge in market demand. Our prepayments to suppliers reduced to RMB834.8 million as of December 31, 2014 and RMB852.3 million as of June 30, 2015. This reflects a stable growth of our uncompleted construction contracts in 2014 and the first half of 2015.

We believe that a significant proportion of these receivables will not be recovered due to the financial difficulty faced by certain suppliers and therefore, we had a provision for impairment amounting to RMB26.6 million at the same date.

AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

The table sets forth a summary of our receivables or payables on construction contracts as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Contract costs incurred plus recognized profits (less recognized losses)	1,417.3	4,055.6	4,557.2	6,488.4
Less: progress billings	(1,360.3)	(3,146.1)	(4,003.0)	(5,519.6)
Net balance sheet position for ongoing contracts	**57.0**	**909.5**	**554.2**	**968.8**

The net balance sheet position for ongoing contracts represents the combined effect of the receivables on construction contracts and payables on construction contracts as below:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Amount due from customers for contract work	101.6	934.2	693.4	1,208.5
Amount due to customers for contract work	(44.6)	(24.7)	(139.2)	(239.7)
Net balance sheet position for ongoing contracts	**57.0**	**909.5**	**554.2**	**968.8**

Our contract revenue from construction projects is recognized based on the percentage of completion of the projects. There is normally a timing difference between the completion of site works and the issuance of progress billings to our customers. Amounts due from customers for contract work are recognized where the contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, and amounts due to customers for contract work are recognized where the contract costs incurred to date plus recognized profits less recognized losses are less than the accumulated progress billings. As a result, the balance of the contract work-in-progress is determined case by case, and thus varies from period to period. Our net receivables on construction contracts increased substantially from RMB57.0 million as of December 31, 2012 to RMB909.5 million as of December 31, 2013 due primarily to the surge in market demand for the construction of PV projects by the end of 2013. Such net receivables on construction contracts increased substantially from RMB554.2 million as of December 31, 2014 to RMB968.8 million as of June 30, 2015, due to the rapid growth of our Engineering and Construction Contracting business.

OTHER CURRENT ASSETS

Other current assets consist mainly of value-added tax recoverable, which represents the input VAT relating to the purchases of property, plant and equipment in our Polysilicon Production and Engineering and Construction Contracting businesses, which are allowed to be deducted from the output VAT arising from the sales of polysilicon and inverters in the future. In 2012, 2013 and 2014 and as of June 30, 2015, we had value-added tax recoverable of RMB252.4 million, RMB401.7 million, RMB441.9 million and RMB281.1 million, respectively.

RESTRICTED CASH

As of December 31, 2012, 2013 and 2014 and June 30, 2015, we had restricted cash of RMB443.4 million, RMB723.5 million, RMB852.1 million and RMB486.0 million, respectively, which were bank deposits held as security for letters of credit, letters of guarantee and bank acceptance notes. The general increase in our bank deposits during the Track Record Period reflects our increased use of letters of credit, letters of guarantee and bank acceptance notes to finance our purchases of raw materials for Polysilicon Production and equipment used in the Engineering and Construction Contracting business.

TRADE AND NOTES PAYABLES

The following table sets forth our trade and notes payables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Trade payables	1,226.5	2,081.5	2,036.5	2,573.1
Notes payables	511.0	2,384.8	2,390.4	2,207.0
Trade and notes payables	**1,737.5**	**4,466.3**	**4,427.0**	**4,780.1**

Our trade and notes payables represent primarily our payables to raw material suppliers in our Polysilicon Production and payables to equipment suppliers and subcontractors in our Engineering and Construction Contracting business.

Our trade and notes payables increased significantly from RMB1,737.5 million as of December 31, 2012 to RMB4,466.3 million as of December 31, 2013. This was due primarily to the substantial increase in notes payables to equipment suppliers and subcontractors in our expanded Engineering and Construction Contracting business and increased trade payables for financing raw materials in our fast growing Polysilicon Production business in 2013. Our trade and notes payables remained stable at RMB4,427.0 million and RMB4,780.1 million as of December 31, 2014, and June 30, 2015, respectively, compared to that of the previous year-end.

As of October 31, 2015, the latest practicable date for which such information is available, we had settled trade payables of RMB1,351.9 million of the trade payables as of June 30, 2015.

The table below sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Within one year	1,160.1	1,960.8	1,894.4	2,376.5
One year to two years	39.3	88.2	92.4	158.3
Two years to three years	9.0	24.5	20.4	18.8
Over three years	18.1	8.0	29.3	19.5
Trade payables	**1,226.5**	**2,081.5**	**2,036.5**	**2,573.1**

A substantial portion of our trade and notes payables are due within one year as they relate to our payables to suppliers of raw materials and equipment. Based on commercial negotiations, our suppliers generally grant us a credit period from 90 days to 200 days, which varies by contract and product type. The remainder of our trade and notes payable due over one year relates to equipment warranties given by our suppliers, which amount we have the right to retain for one to three years.

The following table sets forth our average trade payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2012	2013	2014	2015
Average trade payables turnover days(1)	184	113	124	126

(1) The average turnover days for a certain period is the average of opening and closing balances of trade payables divided by our costs of sale for that period and multiplied by the number of days in that period.

Our average trade payables turnover days decreased from 184 days in 2012 to 113 days in 2013 due primarily to the surge in market demand for the construction of PV projects in 2013 which resulted in a much faster payment to our suppliers. Such turnover days increased to 124 days in 2014 due to a more stabilized demand for the construction of PV projects in 2014.

Our Directors confirm that we did not have material defaults in payment of trade and notes payable, during the Track Record Period.

PROVISIONS AND OTHER PAYABLES

The table below sets forth a breakdown of our provisions and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	(RMB in millions)			
Payables related to purchases of property, plant and equipment	926.6	1,328.2	893.8	718.6
Advances from customers and deposits	164.0	529.6	601.2	834.3
Warranty provisions	20.8	18.5	18.9	19.4
Accrued wages and other benefits	16.2	36.1	43.7	53.4
Tax payable other than income taxes	8.8	2.7	3.0	7.6
Others	7.9	9.8	5.8	25.8
Total	**1,144.3**	**1,924.9**	**1,566.4**	**1,659.1**

Our payables related to purchases of property, plant and equipment represent our payables for the expansion of production capacity and facilities in our Polysilicon Production business. As our average polysilicon production capacity increased from 3,000 tonnes in 2012 to 7,000 tonnes in 2013 and further to 15,000 tonnes in 2014, we incurred substantial payables related to the purchase of property, plant and equipment in 2012, 2013 and 2014.

Advances from customers and deposits are received in our Engineering and Construction Contracting business. As this business expanded and our construction contracts increased during the Track Record Period, our advances from customers and deposits also increased. Our advances from customers and deposits increased to RMB834.3 million as of June 30, 2015, due primarily to increase in customers prepayments and deposits.

INDEBTEDNESS

As of October 31, 2015, the latest practicable date for determining our indebtedness, our bank and other borrowings were RMB7,649.7 million. On the same date, our total bank facilities amounted to approximately RMB17,789.2 million, of which RMB7,715.7 million was undrawn and unrestricted. Our Directors confirm that we will be able to utilize these bank facilities by following the customary procedures of the relevant lending banks. During the Track Record Period, we did not experience any significant difficulties in obtaining or renewing our bank loans.

The following table sets forth our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2012	2013	2014	2015	2015
					(unaudited)
	(RMB in millions)				
Short-term borrowings					
Bank borrowings:					
—secured	1,075.9	1,255.0	1,370.4	896.1	1,155.5
—unsecured	458.3	530.0	560.0	2,382.0	2,030.0
	1,534.2	1,785.0	1,930.4	3,278.1	3,185.5
Other borrowings:					
—unsecured	—	240.4	1,494.2	—	—
Current portion of long-term borrowings	330.0	537.2	726.1	970.8	940.9
Total current borrowings	**1,864.2**	**2,562.6**	**4,150.7**	**4,248.9**	**4,126.4**
Long-term borrowings					
Bank borrowings:					
—secured	4,283.0	4,917.0	4,405.4	3,857.6	4,181.3
—unsecured	28.8	—	—	—	—
	4,311.8	4,917.0	4,405.4	3,857.6	4,181.3
Other borrowings:					
—secured	—	—	—	297.4	282.9
—unsecured	780.2	780.0	—	—	—
	780.2	780.0	—	297.4	282.9
Less: current portion of long-term borrowings	(330.0)	(537.2)	(726.1)	(970.8)	(940.9)
Total non-current borrowings	**4,762.0**	**5,159.8**	**3,679.3**	**3,184.2**	**3,523.3**
Total borrowings	**6,626.2**	**7,722.4**	**7,830.0**	**7,433.1**	**7,649.7**

Short-term borrowings

We incur short-term bank borrowings to finance our working capital. As of December 31, 2012, 2013 and 2014 and June 30, 2015, RMB1,075.9 million, RMB1,255.0 million, RMB1,314.3 million and RMB314.2 million, respectively, of our short-term bank borrowings were bank loans secured by our trade receivables. In the past, certain of our trade receivables have been discounted to PRC commercial banks with recourse under the factoring agreements entered into between us and the relevant banks. See "*—Trade and notes receivables.*" We also incurred unsecured short-term bank borrowings to finance our working capital and repay a portion of our other short-term borrowings.

As of December 31, 2013 and 2014, our other short-term borrowings represented borrowings we received from our Controlling Shareholder. We settled these related-party borrowings before the end of June 2015.

In June 2015, we entered into a short-term loan agreement with each of China Development Bank and Industrial and Commercial Bank of China for bank loans amounted to RMB500 million and RMB400 million, respectively. As a collateral to such loans, we also pledged a portion of the share capital of Xinjiang New Energy (equivalent to approximately RMB1,368.6 million in aggregate) in favor of the borrowing banks.

Long-term borrowings

We incur long-term bank borrowings to finance our capital expenditures, primarily for our acquisition of land-use rights, property, plant and equipment. Substantially all of our long-term bank borrowings during the Track Record Period were secured by our property, plant, equipment and land-use rights and guaranteed by our Controlling Shareholder. In June 2015, we released our parent guarantees to retain a higher degree of financial independence.

In addition, we received other long-term borrowings from our Controlling Shareholder as of December 31, 2012 and 2013. We repaid all of our long-term borrowings with related parties in 2014.

The table below sets forth the maturity profile of our borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
		(RMB in millions)		
Within one year	1,864.2	2,562.6	4,150.7	4,248.9
One year to two years	97.5	547.5	623.0	735.4
Two years to five years	1,219.5	2,761.8	1,843.8	1,507.4
Over five years	3,445.0	1,850.5	1,212.5	941.5
	6,626.2	**7,722.4**	**7,830.0**	**7,433.2**

As of December 31, 2012, 2013 and 2014 and June 30, 2015, the interest rate of our borrowings ranged from 5.5% to 7.2%, 5.2% to 7.2%, 5.5% to 6.9% and 5.1% to 6.6%, respectively.

During the Track Record Period, substantially all of our borrowings were denominated in Renminbi with the remainder in US dollars, which amounted to, after translating into Renminbi, RMB213.7 million, RMB208.4 million, RMB178.6 million and RMB160.1 million as of December 31, 2012, 2013, 2014 and June 30, 2015, respectively. We incurred US dollar borrowings to finance our purchase of equipment for polysilicon production made outside of China.

Other Information

As of the Latest Practicable Date, we were not subject to any material restrictive covenant in our borrowings. Our Directors confirm that we did not have any material defaults in payment of bank borrowings and other debt financing obligations or breaches of any restrictive covenants during the Track Record Period.

We expect our total indebtedness (mainly bank borrowings) to increase as a result of our future capital expenditures and business expansion. However, except for incurring additional bank borrowings, our Directors confirm that we currently have no material external debt financing plan before or shortly after the Global Offering.

As of October 31, 2015, being the latest practicable date for the purpose of the indebtedness statement, save as disclosed in this sub-section headed "—*Indebtedness*", we did not have any other debt securities, borrowings, indebtedness, mortgages or guarantees. Since October 31, 2015, there has been no material adverse change in our indebtedness.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily composed of expenditures on property, plant and equipment as well as land use rights. The following table sets forth our expenditures on property, plant and equipment and land use rights for the periods indicated:

	Year ended December 31,			Six months ended June 30,	Ten months ended October 31,
	2012	2013	2014	2015	
					(unaudited)
	(RMB in millions)				
Acquisition of property, plant and equipment as well as land use rights	3,037.0	758.6	500.1	284.1	1,198.4

Our capital expenditures in the Track Record Period were mainly used to finance the expansion of our polysilicon production capacity and inverter manufacturing capacity.

We expect to incur approximately RMB3,117.5 million of additional capital expenditures in 2016 to principally finance our construction of BOO projects.

RELATED-PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related-party transactions set out in note 36 to the Accountant's Report in Appendix I to this prospectus were conducted in the ordinary course of business at an arm's-length basis between the relevant parties and were entered into on normal commercial terms. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

During the Track Record Period, a substantial portion of our related-party transactions were borrowings and repayments, and provision of services to our associates that are essential to our business. Also see "*Connected Transactions*" for our connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

As of June 30, 2015, all of our balances with related parties were trade in nature.

CAPITAL COMMITMENTS

The following table sets forth our capital commitments with respect to capital expenditure of property, plant and equipment for the periods indicated:

	As of December 31,			As of June 30,	As of October 31,
	2012	2013	2014	2015	
					(unaudited)
	(RMB in millions)				
Contracted but not yet incurred	390.1	0.5	87.9	990.8	516.4

Our capital commitments mainly relate to our acquisitions of property, plant and equipment. Changes in our capital commitments during the Track Record Period are mainly related to the progress of our expansions of production capacities for polysilicon and inverters.

As of June 30, 2015 and October 31, 2015, our capital commitments were RMB990.8 million and RMB516.4 million, respectively, which related primarily to the remaining balance on our payments for our polysilicon production facilities and capital expenses for the construction of our BOO projects. We expect to fund our capital commitments using a combination of net proceeds from this Global Offering, bank loans and our cash flow generated from our operation.

OPERATING LEASE COMMITMENTS

We have leased certain offices and warehouses under non-cancellable operating leases. The following table sets forth our total future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2012	2013	2014	2015	2015
					(unaudited)
	(RMB in millions)				
Within one year	1.8	1.7	1.3	7.8	5.7
Between one year to five years	—	0.3	—	1.4	1.1
Total	1.8	2.0	1.3	9.2	6.8

CONTINGENT LIABILITIES

In June 2013, Jiangsu Zhongneng initiated a legal proceeding against us with the People's Court in Jiangsu for our alleged infringements of certain IP rights and commercial secrets, seeking total damages (including court fees) of RMB62 million. In December 2014, after our appeals, the Supreme People's Court in China ruled in our favor that the People's Court in Jiangsu lacked jurisdiction and this case should be heard in a court based in Xinjiang. As of the Latest Practicable Date, this legal proceeding is being moved to another jurisdiction (Xinjiang) and therefore no trial has begun. After considering the opinion of an independent legal counsel, our Directors believe that it is premature to estimate the outcome and contingent obligation associated with this litigation with sufficient reliability. Accordingly, we did not make any provision for this claim as of December 31, 2014 and June 30, 2015.

Apart from the foregoing, we did not have any material contingent liabilities or guarantees as of the Latest Practicable Date. However, we may be involved in claims or other legal procedures arising from our ordinary course of business from time to time. Our Directors confirmed that since June 30, 2015 until the date of this prospectus, there has been no material adverse change in our contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had no material off-balance sheet arrangements.

KEY FINANCIAL RATIOS

The following table sets out a summary of our certain financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2012	2013	2014	2015
Current ratio (times)	0.9	0.9	0.9	1.1
Debt ratio	76.9%	82.3%	76.6%	70.4%
Net gearing ratio	192.4%	213.4%	156.5%	75.9%
Return on equity	(4.7)%	6.5%	15.5%	10.4%(1)
Gross profit margin	(3.6)%	10.4%	19.3%	16.5%
Net profit margin	(8.5)%	3.4%	8.8%	6.9%

(1) This figure has been annualized.

Current ratio

Current ratio is calculated by dividing current assets by current liabilities at the end of each period. Our current ratio has been relatively stable during the Track Record Period.

Debt ratio

Debt ratio is calculated by dividing total liabilities by total assets at the end of each period. Our debt ratio increased from 76.9% as of December 31, 2012 to 82.3% as of December 31, 2013 due to the gradual growth of both of our assets and liabilities in 2013 in similar absolute amount. Our debt ratio decreased to 76.6% as of December 31, 2014 and 70.4% as of June 30, 2015 due to our assets growth, which was in line with our continued business expansion in 2014 and the first half of 2015.

Net gearing ratio

Net gearing ratio is our total borrowings net of cash and cash equivalents as a percentage of total equity at the end of each period. Our net gearing ratio increased from 192.4% as of December 31, 2012 to 213.4% as of December 31, 2013 due primarily to our increased borrowings to support our growth. Such ratio decreased to 156.5% as of December 31, 2014 and 75.9% as of June 30, 2015 due to the growth of our total equity as a result of our expanded business and accumulated profits.

Return on equity

Return on equity is calculated as our profit or loss attributable to owners of the Company divided by the average balance of equity attributable to the owners of the Company at the beginning and end of each period. Our return on equity was negative in 2012 as we had a net loss for the year. Our return on equity increased to 6.5% in 2013 and 15.5% in 2014 due to the stable growth of our business and profit during those years. Our return on equity decreased to 10.4% in the first half of 2015 which was affected by a substantial increase in our equity due to pre-IPO investments.

Gross profit margin and net profit margin

See "—*Results of Operations*" above for a discussion of our gross profit margin and net profit margin.

MARKET RISK DISCLOSURE

Foreign Exchange Risk

We purchase certain raw materials from overseas and receive some payments in foreign currency. As a result, we are exposed to foreign exchange rate changes, primarily with the US dollar. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Renminbi, our functional currency.

Our operations are substantially located in the PRC and our transactions are substantially denominated in Renminbi. As of December 31, 2012, 2013 and 2014 and June 30, 2015, if Renminbi had weakened or strengthened by 1% against the US dollar with all other variables held constant, loss before tax for 2012 would have been RMB2.4 million higher or lower, profit before tax for 2013 and 2014 and the six months ended June 30, 2015, would have been RMB2.3 million, RMB1.9 million and RMB1.7 million lower or higher, respectively.

Interest Rate Risk

Our interest rate risk arises from long-term borrowings. All borrowings are obtained at variable rates and expose us to cash flow interest rate risk which is partially offset by cash held at variable rates.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, if the interest rates on our long-term borrowings had been 50 basis points higher or lower, with all other variables held constant, our loss before tax for 2012 would have been RMB23.8 million higher or lower, profit before tax for 2013 and 2014 and six months ended June 30, 2015 would have been RMB25.8 million, RMB18.4 million and RMB15.9 million lower or higher, respectively.

Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including restricted cash), as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each of our subsidiaries is responsible for managing and analyzing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, 95.7%, 88.3%, 78.2% and 89.7%, respectively, of our restricted cash, term deposits and cash and cash equivalents were held in state-owned/controlled PRC banks, which our management believes are of high credit quality. Our management does not expect any losses from non-performance by these banks.

We assess the credit worthiness of our customers taking into account various factors including their financial position, past experience and other factors. Our management does not expect any losses from non-performance by these counterparties, except for those recognized.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of committed credit facilities.

The table below sets forth an analysis of our financial liabilities under relevant maturity based on the remaining period from the dates indicated to the contractual maturity dates (the amounts disclosed below are the contractual undiscounted cash flows):

	Less than one year	Between one year and two years	Between two years and five years	Over five years	Total
			(RMB in millions)		
As of December 31, 2012					
Borrowings	2,010.4	458.4	2,257.0	4,565.0	9,209.8
Trade payables	1,226.5	—	—	—	1,226.5
Notes payables	511.0	—	—	—	511.0
Other payables	989.5	—	—	—	989.5
	4,737.4	**458.4**	**2,257.0**	**4,565.0**	**12,017.8**
As of December 31, 2013					
Borrowings	2,989.8	897.2	3,589.1	2,192.2	9,668.3
Trade payables	2,081.5	—	—	—	2,081.5
Notes payables	2,384.8	—	—	—	2,384.8
Other payables	1,452.7	—	—	—	1,452.7
	8,908.8	**897.2**	**3,589.1**	**2,192.2**	**15,587.3**
As of December 31, 2014					
Borrowings	4,514.3	870.3	2,459.1	1,378.0	9,221.7
Trade payables	2,036.5	—	—	—	2,036.5
Notes payables	2,390.4	—	—	—	2,390.4
Other payables	1,006.5	—	—	—	1,006.5
Borrowings	**9,947.7**	**870.3**	**2,459.1**	**1,378.0**	**14,655.1**
As of June 30, 2015					
Borrowings	4,636.7	952.1	1,989.4	1,025.8	8,604.0
Trade payables	2,573.1	—	—	—	2,573.1
Notes payables	2,207.0	—	—	—	2,207.0
Other payables	844.1	—	—	—	844.1
	10,260.9	**952.1**	**1,989.4**	**1,025.8**	**14,228.2**

Price Risk

As the average selling price of polysilicon is highly volatile and our Polysilicon Production accounts for a considerable revenue contribution to our business as a whole, we are subject to price risks of polysilicon.

Assuming all other factors remains constant, the following analysis shows how changes in the average selling price of polysilicon will have a hypothetical impact on our net profit/(loss) during the Track Record Period.

For the year ended December 31, 2012

Our base case scenario is calculated using the historical sales volume of 2,223.1 tonnes and average selling price (excluding VAT) of RMB116.1/kg for the year ended December 31, 2012:

Percentage increase/(decrease) in average selling price	Net profit/(loss) for the year ended December 31, 2012
(%)	**(RMB in millions)**
(20)	(52)
(15)	(39)
(10)	(26)
(5)	(13)
5	13
10	26
15	39
20	52

For the year ended December 31, 2013

Our base case scenario is calculated using the historical sales volume of 8,093.7 tonnes and average selling price (excluding VAT) of RMB106.1/kg for the year ended December 31, 2013:

Percentage increase/(decrease) in average selling price	Net profit/(loss) for the year ended December 31, 2013
(%)	**(RMB in millions)**
(20)	(172)
(15)	(129)
(10)	(86)
(5)	(43)
5	43
10	86
15	129
20	172

For the year ended December 31, 2014

Our base case scenario is calculated using the historical sales volume of 16,165.6 tonnes and average selling price (excluding VAT) of RMB126.2/kg for the year ended December 31, 2014:

Percentage increase/(decrease) in average selling price	Net profit/(loss) for the year ended December 31, 2014[1]
(%)	**(RMB in millions)**
(20)	(408)
(15)	(306)
(10)	(204)
(5)	(102)
5	94
10	181
15	267
20	354

(1) There is a disproportionate change in net profit for the year ended December 31, 2014 due primarily to the tax reduction from the environment protection equipment.

For the six months ended June 30, 2015

Our base case scenario is calculated using the historical sales volume of 9,257.3 tonnes and average selling price (excluding VAT) of RMB106.5/kg for the six months ended June 30, 2015:

Percentage increase/(decrease) in average selling price	Net profit/(loss) for six months ended June 30, 2015
(%)	(RMB in millions)
(20)	(197)
(15)	(148)
(10)	(84)
(5)	(42)
5	42
10	84
15	128
20	168

(1) There is a disproportionate change in net profit for the six months ended June 30, 2015 due primarily to the tax reduction from the environment protection equipment.

DIVIDEND POLICY

We may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be determined by our Board and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important. According to PRC law and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory common reserve fund equivalent to 10% of our after-tax profit, as determined under PRC GAAP; and
- allocations that are approved by the shareholders in a shareholders' meeting, if any, to any common reserve fund.

The minimum allocations to the statutory common reserve funds are 10% of our profit after tax, as determined under the Company Law. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory common reserve fund will be required. In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRSs, whichever is lower.

Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. In 2012, 2013 and 2014 and the six months ended June 30, 2015, we did not declare any dividend in cash. After the Global Offering, we expect to distribute no less than 10% of our annual distributable earnings as dividends. There is, however, no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year.

DISTRIBUTABLE RESERVES

Our Company's distributable reserves as of June 30, 2015 amounted to approximately RMB601.9 million.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2015 and based on the audited consolidated net tangible assets attributable to equity owners of the Company as of June 30, 2015 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This statement of unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2015, or at any future date.

	Audited consolidated net tangible assets attributable to shareholders of the Company as of June 30, 2015[(1)]	Estimated net proceeds from the Global Offering[(2)]	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share[(3)]	
	(RMB in millions)			(RMB)[(4)]	(HK$)
Based on the Offer Price of HK$8.80 per Offer Share	5,968.1	997.5	6,965.6	6.80	8.22
Based on the Offer Price of HK$9.28 per Offer Share	5,968.1	1,053.9	7,022.0	6.86	8.29

(1) The audited consolidated net tangible assets attributable to shareholders of the Company as of June 30, 2015, is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net assets attributable to shareholders of the Company as of June 30, 2015, of RMB6,020.6 million with an adjustment for the intangible assets as of June 30, 2015, of RMB52.5 million.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$8.80 and HK$9.28 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company, as adjusted by the amount of about RMB7.9 million which was incurred in year 2014 and six months ended June 30, 2015, and do not take into account of any Shares that may be issued pursuant to the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note (2) above and on the basis that 1,024,228,362 Shares are in issue, assuming the Global Offering had been completed on June 30, 2015, but takes no account of any shares which may fail to be issued upon the exercise of the Over-allotment Option.

(4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.8276. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

DISCLOSURE REQUIRED UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that there has been no event which could materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this prospectus since June 30, 2015 (being the latest date of our audited consolidated financial statements), and as of the date of this prospectus, there has been no material adverse change in our financial, operational or trading position.

LISTING EXPENSES

As of June 30, 2015, we incurred RMB7.9 million of listing expenses for the Global Offering, which was charged to our consolidated statements of comprehensive income. We expect to incur approximately RMB70.2 million of additional listing expenses (assuming an offer price of HK$9.04 per H Share, which is the mid-point of the stated range of the Offer Price between HK$8.80 and HK$9.28 per H Share) until the completion of the Global Offering, of which RMB11.6 million is expected to be charged to our consolidated statements of comprehensive income and RMB58.6 million is expected to be accounted for as a deduction from our equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations for the year ending December 31, 2015.