HANERGY THIN FILM POWER GROUP LIMITED
漢能薄膜發電集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 566)

ANNOUNCEMENT OF 2016 RESULTS

The board of directors (the "**Board**") of Hanergy Thin Film Power Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** *HK$'000*	2015 *HK$'000*
REVENUE	*4*	**4,483,130**	2,814,668
Cost of sales		**(1,885,358)**	(1,441,439)
Gross profit		**2,597,772**	1,373,229
Other income and gains		**77,204**	362,675
Gain/(loss) on disposal of a subsidiary	*5*	**62,623**	(11,499)
Selling and distribution expenses		**(404,769)**	(629,129)
Administrative expenses		**(882,280)**	(1,843,873)
Research and development costs	*5*	**(567,165)**	(825,427)
Impairment of goodwill		—	(7,915,318)
Impairment of property, plant and equipment		—	(770,022)
Impairment of intangible assets		—	(969,727)
Other expenses		**(175,123)**	(786,259)
Finance costs		**(49,867)**	(72,063)
PROFIT/(LOSS) BEFORE TAX	*5*	**658,395**	(12,087,413)

	Notes	**2016** **HK$'000**	2015 HK$'000
Income tax expense	6	**(406,781)**	(146,129)
PROFIT/(LOSS) FOR THE YEAR		**251,614**	(12,233,542)
OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations		**(408,183)**	(523,533)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(408,183)**	(523,533)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(156,569)**	(12,757,075)
Profit/(loss) for the year attributable to:			
Owners of the parent		**251,620**	(12,233,564)
Non-controlling interests		**(6)**	22
		251,614	(12,233,542)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(156,563)**	(12,757,097)
Non-controlling interests		**(6)**	22
		(156,569)	(12,757,075)
		HK cents	*HK cents*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT	7		
Basic		**0.60**	(29.3)
Diluted		**0.59**	(29.3)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**606,111**	342,707
Goodwill		**—**	—
Intangible assets		**12,685**	16,597
Deposits paid for acquisition of items of property, plant and equipment		**28**	30
Deferred tax assets		**—**	—
Restricted cash		**1,878**	6,071
Other non-current assets		**137,685**	245,059
Total non-current assets		**758,387**	610,464
CURRENT ASSETS			
Inventories		**1,648,717**	2,358,290
Trade receivables	*8*	**6,813,364**	3,695,639
Tax recoverable		**2,571**	6,303
Gross amount due from contract customers	*9*	**1,547,405**	2,930,836
Other receivables	*10*	**703,550**	518,989
Bills receivable		**11,850**	2,805
Deposits and prepayments	*11*	**1,391,403**	1,688,108
Restricted cash		**36,179**	212,438
Cash and cash equivalents		**248,674**	447,826
		12,403,713	11,861,234
Assets of a disposal group classified as held for sale	*12*	**32,225**	—
Total current assets		**12,435,938**	11,861,234
CURRENT LIABILITIES			
Trade and bills payables	*13*	**1,295,630**	1,110,827
Other payables and accruals		**2,108,503**	1,606,923
Interest-bearing bank and other borrowings		**465,880**	279,385
Tax payable		**927,593**	647,611
Deferred income		**51,610**	18,780
Finance lease payables		**—**	8,147
		4,849,216	3,671,673

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Liabilities directly associated with the assets classified as held for sale	*12*	**13,850**	—
Total current liabilities		**4,863,066**	3,671,673
NET CURRENT ASSETS		**7,572,872**	8,189,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,331,259**	8,800,025
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**401,220**	417,406
Interest-bearing bank and other borrowings		**584,755**	903,573
Finance lease payables		**—**	28,769
Other non-current liabilities		**4,262**	2,675
Total non-current liabilities		**990,237**	1,352,423
Net assets		**7,341,022**	7,447,602
EQUITY			
Equity attributable to the owners of the parent			
Issued capital		**104,647**	104,367
Reserves		**7,235,772**	7,342,626
		7,340,419	7,446,993
Non-controlling interests		**603**	609
Total equity		**7,341,022**	7,447,602

NOTES:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. Assets of a disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

For the year ended 31 December 2016, the Group had net cash outflows used in operating activities of HK$507,058,000 and as at 31 December 2016, the current assets were in excess of the current liabilities of HK$7,572,872,000 which, as set out in notes 8, 9, 10 and 11, included trade receivables, gross amount due from contract customers and other receivables due from Hanergy Holding Group Limited ("Hanergy Holding") and its affiliates (collectively "Hanergy Affiliates") and prepayments made to Hanergy Affiliates with a total amount of HK$5,263,167,000 and trade receivables and gross amount due from contract customers from a third-party customer with a total amount of HK$3,332,949,000.

The directors of the Company are considering measures to monitor and improve the cash flows of the Group, including but not limited to the collection of trade receivables due from Hanergy Holding Group Limited ("Hanergy Holding") and its affiliates (collectively referred to as "Hanergy Affiliates") and third-party customers, the expansion to the downstream business and the execution of other manufacturing business with individual customers. The Group received RMB1,500 million from Hanergy Affiliates for the repayment of trade receivables on 10 March 2017, and received RMB650 million from the third-party customer during the first quarter of 2017. The Group has also put a lot of resources and efforts in the downstream photovoltaic applications. The Group has approximately one thousand and two hundred distributors, covering most of the markets at city and county level across Mainland China as at 31 December 2016 and has sold approximately thirty thousand sets of household photovoltaic systems during 2016.

In light of the measures of the Group described above and cash flow forecast prepared by the Company's management for the coming 12 months, the directors of the Company are of the view that the Group is able to meet with its liabilities as and when they fall due in the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Business combinations under common control are accounted for using the merger accounting method.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The adoption of the new and revised HKFRSs has had no significant financial impact on these financial statements.

3. OPERATING SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined according to the Group's major products and service lines.

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

— manufacture of equipment and turnkey production lines for the manufacture of both amorphous silicon based and Copper Indium Gallium Selenide ("CIGS") thin-film solar photovoltaic modules and the technological development and production of Gallium Arsenide ("GaAs") thin-film power turnkey production lines ("Manufacturing");

— construction of solar farms, rooftop power stations, household systems, small to medium-sized enterprises ("SME") commercial systems etc., and sale of power stations, operation of rooftop power stations, sale of solar photovoltaic panels, application products and electricity, and provision of engineering service ("Downstream")

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales is transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the year ended 31 December 2016

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Revenue			
Sales to external customers	**3,028,182**	**1,454,948**	**4,483,130**
Segment Results	**1,402,869**	**(584,682)**	**818,187**
Including:			
Interest income	**3,448**	**11,390**	**14,838**
Finance cost	**(31,348)**	**(6,577)**	**(47,551)**
Research and development cost	**(566,122)**	**(1,043)**	**(567,165)**
Reconciliation of segment results:			
Segment results			**818,187**
Interest income			**108**
Finance costs			**(2,316)**
Unallocated other income and gains			**4,689**
Corporate and other unallocated expenses			**(162,273)**
Profit before tax			**658,395**

As at 31 December 2016

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Assets	**12,930,268**	**3,031,997**	**15,962,265**
Reconciliation:			
Elimination of intersegment receivables			**(2,789,397)**
Corporate and other unallocated assets			**21,457**
Total assets			**13,194,325**
Segment Liabilities	**3,418,722**	**4,784,134**	**8,202,856**
Reconciliation:			
Elimination of intersegment payables			**(2,789,397)**
Deferred tax liabilities			**401,220**
Corporate and other unallocated liabilities			**38,624**
Total liabilities			**5,853,303**

For the year ended 31 December 2016

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Other Segment Information			
Reversal of impairment of trade receivables		**(28,830)**	**(28,830)**
Reversal of impairment of other receivables		**(110,188)**	**(110,188)**
Impairment of trade receivables		**18,211**	**18,211**
Impairment of prepayment	**20,231**		**20,231**
Write-down of inventories to net realizable value	**127,757**	**15,164**	**142,921**
Reversal of inventory provision	**(22,180)**		**(22,180)**
Depreciation and amortisation	**4,999**	**37,243**	**42,242**
Reconciliation:			
Corporate and other unallocated depreciation and amortisation			**470**
Total depreciation and amortisation			**42,712**
Capital expenditure*	**293,605**	**8,441**	**302,046**
Reconciliation:			
Corporate and other unallocated capital expenditure			**794**
Total capital expenditure			**302,840**

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

For the year ended 31 December 2015

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Revenue			
Sales to external customers	1,977,691	836,977	2,814,668
Segment Results	(9,400,801)	(2,539,842)	(11,940,643)
Including:			
Research and development costs	(824,199)	(1,228)	(825,427)
Reconciliation of segment results:			
Segment results			(11,940,643)
Interest income			63,709
Finance costs			(72,063)
Unallocated other income and gains			94
Corporate and other unallocated expenses			(138,510)
Loss before tax			(12,087,413)

As at 31 December 2015

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Assets	11,945,744	3,412,926	15,358,670
Reconciliation:			
Elimination of intersegment receivables			(2,970,595)
Corporate and other unallocated assets			83,623
Total assets			12,471,698
Segment Liabilities	2,958,595	4,574,250	7,532,845
Reconciliation:			
Elimination of intersegment payables			(2,970,595)
Deferred tax liabilities			417,406
Corporate and other unallocated liabilities			44,440
Total liabilities			5,024,096

For the year ended 31 December 2015

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Other Segment Information			
Impairment losses recognised in the statement of profit or loss	9,602,009	53,058	9,655,067
Depreciation and amortisation	236,171	76,357	312,528
Reconciliation:			
Corporate and other unallocated depreciation and amortisation			3,295
Total depreciation and amortisation			315,823
Capital expenditure*	422,400	308,781	731,181
Reconciliation:			
Corporate and other unallocated capital expenditure			622
Total capital expenditure			731,803

* Capital expenditure consists of additions to property, plant and equipment and intangible assets, including assets from acquisition of subsidiaries.

Geographical information

(a) Revenue from external customers

	2016	2015
	HK$'000	*HK$'000*
Mainland China	**4,412,827**	2,127,615
United Kingdom	**4,675**	92,671
United States	**33,055**	537,811
Europe	**32,083**	47,405
Others	**490**	9,166
	4,483,130	2,814,668

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2016	2015
	HK$'000	*HK$'000*
Mainland China	**337,077**	331,431
United States	**401,751**	259,955
Hong Kong	**963**	4,017
United Kingdom	**14,420**	4,430
Others	**4,176**	10,631
	758,387	610,464

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue of HK$2,091,900,000 (2015: HK$1,868,346,000) was derived from sales by the Manufacturing segment to Shandong Macrolink New Resources Technology Limited ("Shandong Macrolink").

Revenue of HK$903,659,000 (2015: HK$73,098,000) was derived from sales by the Manufacturing segment to Hanergy Affiliates.

4. REVENUE

Revenue, which is also the Group's turnover, mainly represents an appropriate proportion of contract revenue of construction contracts and the sale of solar power stations, rooftop power stations and solar photovoltaic panels and photovoltaic application products, electricity and engineering service to customers.

An analysis of revenue is as follows:

	2016	2015
	HK$'000	*HK$'000*
Contract revenue	**3,024,927**	1,934,115
Sale of solar power stations	**88,203**	458,385
Sale of solar photovoltaic panels	**111,883**	111,748
Sale of rooftop power stations	**1,234,999**	280,694
Sale of photovoltaic application products	**2,908**	5,866
Sale of electricity	**20,210**	12,161
Sale of engineering service	**—**	11,699
	4,483,130	2,814,668

5. PROFIT/(LOSS) BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**(2,444)**	(12,022)
Other interest income	**(12,502)**	(51,687)
Interest income on overdue trade receivable from Hanergy Affiliates	**—**	(194,394)
(Gain)/loss on disposal of a subsidiary *(note 14)*	**(62,623)**	11,499
Auditors' remuneration		
Audit service	**23,594**	13,083
Others	**7,673**	3,175
Amortisation of intangible assets	**1,885**	158,956
Depreciation of items of property, plant and equipment	**40,827**	156,867
Employee benefit expenses**:		
Salaries, allowances and benefits in kind	**628,465**	977,364
Employment termination benefits included in administrative expenses	**10,324**	39,682
Contributions to retirement benefit schemes	**31,567**	59,714
Equity-settled share option expenses	**31,358**	19,282
Sub-total	**701,714**	1,096,042

	2016	2015
	HK$'000	*HK$'000*
Research and development costs	**567,165**	825,427
Foreign exchange losses, net*	**62,645**	84,442
Impairment of goodwill	**—**	7,915,318
Impairment of property, plant and equipment	**—**	770,022
Impairment of intangible assets	**—**	969,727
Impairment of trade receivables* *(note 8)*	**18,211**	202,817
Impairment of prepayments*	**20,231**	—
Impairment of other receivables* *(note 10)*	**—**	247,454
Reversal of impairment of trade receivables* *(note 8)*	**(28,830)**	—
Reversal of impairment of other receivables* *(note 10)*	**(110,188)**	—
Write-down of inventories to net realisable value*	**142,921**	218,265
Reversal of inventory provision*	**(22,180)**	—
Write-off of leasehold improvement to profit or loss included in administrative expenses	**—**	115,506
Loss on disposal of items of property, plant and equipment*	**4,516**	6,837
Minimum lease payments under operating leases:		
Land and buildings	**184,714**	320,747
Equipment	**24,444**	29,431
Product warranty provision	**37,188**	—

* These items are included in "other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income of the Group.

** This item include the directors' and chief executive's remuneration and key management emolument of the Group.

6. INCOME TAX

The Company is incorporated in Bermuda and conducts its primary business through its subsidiaries in the PRC and other countries. The Company, under the current laws of Bermuda, is not subject to tax on income or capital gains. Hong Kong profits tax rate was 16.5% (2015: 16.5%) during the years reported. The Company's Hong Kong subsidiaries have both Hong Kong-sourced and non-Hong Kong-sourced income. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. For the Hong Kong-sourced income, no provision for Hong Kong profits tax was made as such operations did not generate any assessable profits arising from Hong Kong during the year. Furthermore, there are no withholding tax in Hong Kong on the remittance of dividends.

Effective from 1 January 2008, the PRC's statutory corporate income tax ("CIT") rate is 25%. Certain of the Group's subsidiaries in the PRC were designated as "High New Technology Enterprises" and were entitled to a preferential CIT rate of 15%. The Company's other PRC subsidiaries are subject to income tax at 25% on their respective taxable income as calculated in accordance with the CIT Law and its relevant regulations except for Apollo Precision (Kunming) Yuanhong Limited ("Apollo Kunming"). In 2013, the Company received written confirmations from the local tax bureau that Apollo Kunming was taxed on a deemed profit method based on the deemed profits at the 25% statutory tax rate. The deemed profit was determined at 10% of the sales of Apollo Kunming. The Company's subsidiary in Sweden is subject to income tax at a rate of 22%. The Company's subsidiary in the United Kingdom is subject to income tax at a rate of 20%. The Company's subsidiaries in the United States are subject to income tax at rates ranging 41% to 44%. The Company's subsidiaries in Germany are subject to income tax at a rate of 29%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. No provision for income tax was made for the overseas subsidiaries as there were no assessable profits during the current and prior years.

Under the prevailing CIT Law and the relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiary are subject to a 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty, PRC dividend withholding tax. For the Group, the historical applicable rate is 5%. The Group is therefore liable for withholding taxes on retained earnings distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
— The PRC		
Income tax expense for the year	**423,138**	217,717
Under provision in respect of prior years	**24**	2,560
	423,162	220,277
Deferred tax benefit — The PRC	**(16,381)**	(74,148)
Total tax charge for the year	**406,781**	146,129

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE OWNERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the year attributable to the owners of the parent, and the weighted average number of ordinary shares of 41,751,928,000 (2015: 41,718,070,000) in issue during the year.

The Group had share options and subscription rights outstanding which could potentially dilute basic earnings/(loss) per share in the future but these securities were excluded from the computation of diluted loss per share for the year ended 31 December 2015 as their effects would have been anti-dilutive. The calculation of the diluted earnings per share amount in 2016 is based on the profit for the year attributable to ordinary equity holders of the parent without any adjustment. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the calculation of basic earnings per share plus the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of subscription rights into ordinary shares. No adjustment has been made to the weighted average number of ordinary shares as the outstanding options had an anti-dilutive effect on the basic earnings per share amount presented.

For calculating the diluted earnings per share, an estimated share price of 2016 was used which was calculated by market value of 100% equity interest of the Company (the "Market Value") divided by total outstanding shares as at each valuation date. The Market Value was appraised by an independent valuer (the "Valuer") as the trading of the Company's shares had been suspended since 20 May 2015. The Valuer adopted the market approach, which is basically a comparison method which estimates market value from analysing sales and financial data and ratios of comparable public companies. The Market Value was derived after a discount of lack of marketability

The calculations of basic and diluted earnings/(loss) per share are based on:

	2016	2015
	HK$'000	*HK$'000*
Profit/(loss) attributable to the owners of the parent, used in the basic earnings/(loss) per share calculation	**251,620**	(12,233,564)
Profit/(loss) for the purpose of diluted earnings/(loss) per share calculation	**251,620**	(12,233,564)

	Number of shares	
	2016	2015
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**41,751,928**	41,718,070
Deemed exercise of subscription rights	**920,004**	—
Weighted average number of ordinary shares in issue during the year used in diluted earnings/(loss) per share calculation	**42,671,932**	41,718,070

8. TRADE RECEIVABLES

		2016	2015
	Notes	***HK$'000***	*HK$'000*
Trade receivables:			
— Due from Hanergy Affiliates	*(i)*	**3,913,807**	2,596,781
— Due from third parties	*(ii)*	**2,957,487**	1,296,078
		6,871,294	3,892,859
Less: Impairment of amounts due from third parties		**(57,930)**	(197,220)
		6,813,364	3,695,639

Notes:

(i) Trade receivables from Hanergy Affiliates

The balances are mainly related to contracts with Hanergy Affiliates, settled in accordance with the terms of the respective contracts which are generally from 3 to 10 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Based on the invoice date, the ageing analysis of the Group's trade receivables from Hanergy Affiliates is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**1,394,950**	247,705
3 to 6 months	**54,146**	236,740
6 months to 1 year	**68,857**	462,089
More than 1 year	**2,395,854**	1,650,247
	3,913,807	2,596,781

The ageing analysis of the trade receivables from Hanergy Affiliates that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,394,950**	7,751
Less than 3 months past due	**—**	239,954
3 to 6 months past due	**54,146**	639,534
6 months to 1 year past due	**68,857**	1,709,542
More than 1 year past due	**2,395,854**	—
	3,913,807	2,596,781

During this year, Hanergy Affiliates paid HK$451,660,000 down payment of a construction contract and repaid a total of HK$211,571,000 for the previous construction contracts to the Group. The Group issued certain payment request letters and legal letters to Hanergy Affiliates requiring repayment of the rest of the trade receivables and reserved rights to take further legal actions against Hanergy Affiliates.

Trade receivables of HK$2,395,854,000 as at 31 December 2016 (2015: Nil) were past due for more than 1 year. Trade receivables of HK$123,003,000 as at 31 December 2016 (2015: HK$2,589,030,000) were past due for less than 1 year. Subsequent to 31 December 2016 and up to 30 March 2017 (when the financial statements were approved for issuance), Hanergy Affiliates repaid HK$1,692,449,000 (translated from RMB by using the exchange rate at the beginning of March 2017) to the Group.

Furthermore, pursuant to the relevant sales contracts, the Group is entitled to claim Hanergy Affiliates interest penalty on the overdue progress payments. Interest penalty is calculated at 0.04% per day of the overdue trade receivables. No interest penalty was recognised due from Hanergy Affiliates for the year ended 31 December 2016 (2015: HK$194,394,000). The balance of interest penalty due from Hanergy Affiliates that included in the other receivables was HK$194,394,000 as at 31 December 2016 (2015: HK$194,394,000). Up to 30 March 2017 (when the financial statements were approved for issuance), Hanergy Affiliates did not settle any of the interest penalty of HK$194,394,000.

(ii) Trade receivables from third parties

a. Trade receivables from Shandong Macrolink

The balances are mainly related to contracts with Shandong Macrolink, settled in accordance with the terms of the contracts which is generally from 3 to 7 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Shandong Macrolink is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**—**	—
3 to 6 months	**—**	—
6 months to 1 year	**1,599,964**	995,194
More that 1 year	**936,781**	—
	2,536,745	995,194

The ageing analysis of the trade receivables from Shandong Macrolink that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**—**	—
Less than 3 months past due	**—**	—
3 to 6 months past due	**980,186**	332,597
6 months to 1 year past due	**619,778**	662,597
More than 1 year past due	**936,781**	—
	2,536,745	995,194

During this year, Shandong Macrolink paid HK$587,443,000 down payment of the construction contract and repaid a total of HK$59,032,000 to the Group. Subsequent to 31 December 2016 and up to 30 March 2017 (when the financial statements were approved for issuance), Shandong Macrolink repaid HK$734,685,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

b. ***Trade receivables from other third parties***

The credit period is generally one month, extending up to three months for major customers. Based on the invoice date, the ageing analysis of the Group's trade receivables from other third parties is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 3 months	**66,549**	22,556
3 to 6 months	**119,537**	107,843
6 months to 1 year	**142,741**	36,070
More than 1 year	**91,915**	134,415
	420,742	300,884
Less: Impairment	**(57,930)**	(197,220)
	362,812	103,664

The ageing analysis of the trade receivables from other third parties that are not individually nor collectively considered to be impaired is as follows:

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**65,979**	66,866
Less than 3 months past due	**119,525**	898
3 to 6 months past due	**148,555**	4,975
6 months to 1 year past due	**3,601**	30,925
More than 1 year past due	**25,152**	—
	362,812	103,664

The movements in provision for impairment of trade receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**197,220**	—
Impairment losses recognised *(note 5)*	**18,211**	202,817
Disposal of a subsidiary	**(125,150)**	—
Reversal of impairment *(note 5)*	**(28,830)**	—
Exchange realignment	**(3,521)**	(5,597)
At 31 December	**57,930**	197,220

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$57,930,000 (2015: HK$197,220,000) with a carrying amount before provision of HK$57,930,000 (2015: HK$197,220,000).

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

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The directors of the Company considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

9. GROSS AMOUNT DUE FROM CONTRACT CUSTOMERS

The Group's gross amount due from customers for contract work was related to contracts with Hanergy Affiliates and Shandong Macrolink and construction of solar power stations for certain small to medium-sized enterprises ("SME"). The movement of gross amount due from contract customers is as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**2,930,836**	3,278,508
Contract costs incurred plus recognised profits less recognised losses	**3,280,988**	2,196,443
Progress billings	**(4,196,857)**	(2,092,041)
Exchange realignment	**(467,562)**	(452,074)
At 31 December	**1,547,405**	2,930,836

As at 31 December 2016, the Group's gross amount due from Hanergy Affiliates and Shandong Macrolink for contract work were HK$745,928,000 (2015: HK$2,031,902,000) and HK$796,204,000 (2015: HK$898,934,000) respectively.

10. OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Other receivables:		
— Due from the ultimate holding company	**194,820**	194,820
— Due from Hanergy Affiliates	**2,621**	6,015
— Due from third parties	**529,032**	555,253
	726,473	756,088
Less: Impairment	**(22,923)**	(237,099)
	703,550	518,989

The movements in provision for impairment of other receivables are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**237,099**	—
Impairment losses recognised *(note 5)*	**—**	247,454
Reversal during the year *(note 5)*	**(110,188)**	—
Disposal of a subsidiary	**(94,416)**	—
Exchange realignment	**(9,572)**	(10,355)
At 31 December	**22,923**	237,099

The balances of other receivables due from the ultimate holding company represented the interest penalty on the overdue progress payments of the contract work. As disclosed in note 8 to the announcement, pursuant to the relevant sales contracts, the Group is entitled to claim Hanergy Affiliates interest penalty on the overdue progress payments. Interest penalty of HK$194,394,000 at a rate of 0.04% per day of the overdue trade receivables was included in other receivables due from the ultimate holding company as at 31 December 2016 (2015: HK$194,394,000). Up to 30 March 2017 (the date of approval of the financial statements), the ultimate holding company did not settle any of the interest penalty of HK$194,394,000.

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$22,923,000 (2015: HK$237,099,000) with a carrying amount before provision of HK$22,923,000 (2015: HK$237,099,000).

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

Except for those other receivables that are already impaired and the interest penalty due from the ultimate holding company, the financial assets included in the above balance are related to receivables for which there was no recent history of default and with no fixed term of repayment.

The directors of the Company considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

11. DEPOSITS AND PREPAYMENTS

		2016	2015
	Notes	***HK$'000***	*HK$'000*
Deposits		**47,768**	47,729
Prepayments paid to:			
— Hanergy Affiliates	*(i)*	**405,991**	663,943
— Third parties		**981,683**	982,661
		1,387,674	1,646,604
Less: impairment		**(44,039)**	(6,225)
		1,391,403	1,688,108

Included in the above assets, HK$1,100,740,000 (2015: HK$356,868,000) of the prepayments has an ageing over 1 year, whereas all the remaining deposits and prepayments have an ageing less than 1 year.

Except for those prepayments already impaired, assets included in the above balance are related to prepayments for certain uncompleted purchase contracts which the Group is currently kept communicating with the suppliers for settlement of these contracts.

Note:

(i) The balances mainly represented the prepayments for the purchase of photovoltaic ("PV") modules under the master agreement signed with Hanergy Holding on 11 April 2012. The master agreement is effective for three years from 1 January 2012 to 31 December 2014. During 2013, the Company's subsidiaries entered into several photovoltaic module purchase subcontracts ("Subcontracts") with Hanergy Affiliates, nominees of Hanergy Holding, to purchase photovoltaic modules with a total capacity of 677.9 MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2013. As of 31 December 2013, a total of 58.5 MW photovoltaic modules have been delivered by Hanergy Affiliates.

The delay of delivery of the PV modules was mainly due to the production arrangement by Hanergy Affiliates, which has caused the delay in the construction of the photovoltaic power generation projects by the Group. Accordingly, the Group reached mutual agreement with Hanergy Affiliates to return the prepayments of HK$1,262,629,000 before 31 December 2014 in relation to a total capacity of 459.4 MW PV modules and terminate these Subcontracts simultaneously.

During 2014, the Company's subsidiaries also entered into several new PV module purchase subcontracts with Hanergy Affiliates to purchase PV modules with a total capacity of 558 MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2014.

A total of 28.8 MW PV modules have been delivered by Hanergy Affiliates in 2014. As of 31 December 2014, the total capacity of 689.2 MW PV modules have not been delivered by Hanergy Affiliates.

The Company and Hanergy Holding entered into a PV module supply agreement on 30 April 2015 for purchase of PV modules for the year ended 31 December 2015.

On 20 January 2015, the Company entered into a supplemental agreement to the 150 MW PV modules supply contract signed on 23 December 2013 with Hanergy Holding on the settlement of the prepayments made in 2013 by offsetting this with the payables of delivered photovoltaic modules under the 150MW PV modules supply contract, and the original total capacity of 150 MW was reduced to 80.9MW.

During 2015, the Company's subsidiaries entered into several new Subcontracts with Hanergy Affiliates under the PV modules supply agreement to purchase PV modules with a total capacity of 57.7 MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract sum have been paid by the Company's subsidiaries on the placement of the orders in 2015.

A total of 315 MW PV modules have been delivered by Hanergy Affiliates in the year 2015. As of 31 December 2015, a total capacity of 362.8 MW PV modules have not been delivered by Hanergy Affiliates.

During 2016, the Company signed certain new purchase orders with Hanergy Affiliates for a total capacity of 1.2 MW PV modules. A total capacity of 136.0 MW PV modules have been delivered by Hanergy Affiliates in 2016. As at 31 December 2016, a total capacity of 228.0 MW PV modules have not been delivered by Hanergy Affiliates.

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

The Group entered into a sales agreement with a third party to sell the entire equity interests in Jiang Men Qingyuan New Energy Power Investment Limited ("Jiang Men Qingyuan") on 15 October 2016 with a total consideration of HK$31,530,000. Up to 31 December 2016, the Group has received HK$20,120,000 as down payment. The disposal of Jiang Men Qingyuan is due to be completed in 2017. As at 31 December 2016, the sale transaction was still in progress and Jiang Men Qingyuan was classified as a disposal group held for sale as at the end of the reporting period. The information of Jiang Men Qingyuan is included in the "Downstream" segment for the year ended 31 December 2016.

The major classes of assets and liabilities of Jiang Men Qingyuan classified as held for sale as at 31 December 2016 are as follows:

	HK$'000
Assets	
Property, plant and equipment	28,902
Trade receivables	182
Other receivables	3,135
Deposits and prepayments	1
Cash and bank balances	5
Assets classified as held for sale	32,225
Liabilities	
Trade and bills payables	(13,791)
Other payables and accruals	(59)
Liabilities directly associated with the assets classified as held for sale	(13,850)
Net assets directly associated with the disposal group	18,375
Exchange equalisation reserve	904

13. TRADE AND BILLS PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade and bills payables due to:		
— Related parties	**409,469**	235,223
— Third parties	**886,161**	875,604
	1,295,630	1,110,827

Based on the invoice date, the ageing analysis of the Group's trade and bills payables is as follows:

	2016	2015
	HK$'000	*HK$'000*
0 — 30 days	**372,940**	222,423
31 — 60 days	**53,963**	94,328
61 — 90 days	**73,741**	177,637
Over 90 days	**794,986**	616,439
	1,295,630	1,110,827

The trade payables are non-interest-bearing and the credit terms are normally 60 days.

14. DISPOSAL OF A SUBSIDIARY

On 25 October 2016, Hanergy Thin Film Solar Investment (Beijing) Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Beijing Heng Run Xiang Da Investment Limited, to sell all the equity interests of Qinghai Hanergy Thin Film Solar Investment Limited ("Qinghai Hanergy") with a selling price of RMB200,000.

The following table summarises the carrying value of net assets of Qinghai Hanergy as at the date of disposal:

	HK$'000
Net assets disposal of:	
Cash and cash equivalents	5,899
Property, plant and equipment	387
Other receivables	11,189
Other payables and accruals	(79,869)
	(62,394)
Gain on disposal of a subsidiary	62,623
	229
Satisfied by cash	229

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	229
Cash and bank balances disposed of	(5,899)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(5,670)

15. EVENTS AFTER THE REPORTING PERIOD

(i) Amount due from Hanergy Holding to the Group

With respect to the overdue trade receivables and interest penalty owed by Hanergy Holding and its subsidiaries to the Group, as disclosed in the Company's announcement dated 27 July 2016, the Group has been negotiating with Hanergy Holding and its subsidiaries (the "Hanergy Holding Group") for the repayment arrangements. As at 31 December 2016, the total amount of trade receivables (due and not yet due) owed by Hanergy Holding and/or its subsidiaries to the Group, the gross amount due from the contract with Hanergy Affiliates, other receivables and interest penalty due from Hanergy Affiliates ("Secured Indebtedness") amounted to approximately HK$4,857,176,000.

As at the date of this announcement, Mr. Li Hejun, Hanergy Holding and its subsidiaries, have made the following arrangement for the Secured Indebtedness:

- On 10 March 2017, Hanergy Holding and its subsidiaries made the repayment of RMB1,500,000,000 (equivalent to approximately HK$1,692,449,000, based on the exchange rate at the beginning of March 2017) to the Group.

- After deducting the repayment of RMB1,500,000,000 (equivalent to approximately HK$1,692,449,000) from Hanergy Holding and its subsidiaries to the Group, the amount of Secured Indebtedness was reduced from approximately HK$4,857,176,000 to approximately HK$3,164,727,000 ("Remaining Secured Indebtedness").

- On 20 March 2017, Mr. Li Hejun (the "Guarantor") entered into a deed of guarantee (the "Deed of Guarantee") with the Company, pursuant to which the Guarantor agreed to provide personal guarantee in favour of the Company in respect of the Secured Indebtedness owed to the Group. The Guarantor undertook to procure Hanergy Holding and its subsidiaries to repay the Remaining Secured Indebtedness owed to the Group within 24 months after the resumption of trading in the shares of the Company ("Resumption of Trading") in accordance with the following timetable:

  (i) within 12 months after Resumption of Trading, repay 20% of Remaining Secured Indebtedness;

  (ii) within 18 months after Resumption of Trading, repay 30% of Remaining Secured Indebtedness; and

  (iii) within 24 months after Resumption of Trading, repay 50% of Remaining Secured Indebtedness.

- On 20 March 2017, Hanergy Option Limited (the "Chargor", a company owned by Mr. Li Hejun) and the Company (as beneficiary) entered into a deed of share charge (the "Share Charge"), pursuant to which the Chargor agreed to mortgage and pledge, by way of first fixed charge, the 1,367,000,000 ordinary shares in the issued share capital of the Company held by the Chargor to the Company (the "Charged Shares"), as a continuous security for the due and punctual payments, performance and discharge of all present and future obligations and liabilities of the Hanergy Holding Group to the Company, and the observance by the Guarantor of all other obligations indicated in the Deed of Guarantee. Upon the occurrence of any events of default (such as, all the responsible individuals are unable to pay any sums mentioned in the deed of guarantee, the Guarantor is unable to fully and timely perform or fulfill any obligations or undertakings under the Deed of Guarantee), the Share Charge shall become immediately enforceable. That is, the Company may enforce the Charged Shares, by any suitable means, in whole or in part, and sell or otherwise dispose of all or part of the security assets, without prior notice to the Chargor or authorization by any court or person, at such time, in such manner, on such terms as it thinks fit.

(ii) Amount due from Shandong Macrolink

As at 31 December 2016, trade receivables from Shandong Macrolink amounted to HK$2,536,745,000, which were all past due. During the period from January to March 2017, Shandong Macrolink repaid RMB649,980,000 (equivalent to approximately HK$734,685,000, based on the respective spot rates at the dates of the payments made).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its auditor's report on the Group's consolidated financial statements for the year ended 31 December 2016, an extract of which is as follows:

Qualified opinion

We have audited the consolidated financial statements of Hanergy Thin Film Power Group Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

As at 31 December 2016, the amounts due from Hanergy Holding Group Limited ("Hanergy Holding") and its affiliates (collectively referred to as "Hanergy Affiliates") included in trade receivables, other receivables and gross amount due from contract customers amounted to HK$3,913,807,000 (2015: HK$2,596,781,000), HK$197,441,000 (2015: HK$200,835,000) and HK$745,928,000 (2015: HK$2,031,902,000) respectively. The Group also made prepayments to Hanergy Affiliates for the purchase of photovoltaic modules and the prepayments made to Hanergy Affiliates outstanding as at 31 December 2016 were HK$405,991,000 (2015: HK$663,943,000). Also included in the Group's trade receivables and the gross amount due from contract customers as at 31 December 2016 were amounts due from a third-party customer amounting to HK$2,536,745,000 (2015: HK$995,194,000) and HK$796,204,000 (2015: HK$898,934,000) respectively. Subsequent to 31 December 2016, the Group received HK$1,692,449,000 and HK$734,685,000 from Hanergy Affiliates and the aforesaid third-party customer, respectively. We were unable to obtain sufficient appropriate audit evidence about the recoverability of the Group's remaining trade receivables and gross amount due from contract customers for contract works due from Hanergy Affiliates and the aforesaid third-party customer of HK$5,565,550,000, the other receivables due from Hanergy Affiliates of HK$197,441,000 and prepayments made to Hanergy Affiliates of HK$405,991,000. Consequently, we were unable to determine whether any provisions are required for these amounts. Any provision for recoverability of these balances would reduce the net assets of the Group as at 31 December 2016 and decrease the Group's net profit for the year ended 31 December 2016.

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

DIVIDEND

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM to be held on Thursday, 8 June 2017, the register of members of the Company will be closed from Monday, 5 June 2017 to Thursday, 8 June 2017 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 2 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model

Hanergy Thin Film Power Group Limited is a high-tech energy enterprise listed on the Hong Kong Stock Exchange. Its principal activities include (i) the development and design of turnkey production lines for thin film power generation, as well as (ii) the development, operation and sales of downstream thin film power generation projects and application products.

Since entering into the thin film power generation industry in 2009, the Group has been actively involved in the investment and research of the most advanced thin film solar energy technology which was adopted as the Group's core business. Through continual acquisition of overseas thin film technologies, including Solibro in Germany, MiaSolé in the U.S., Global Solar Energy in the U.S., and Alta Devices in the U.S., the Group has acquired copper indium gallium selenium ("CIGS") and gallium arsenide ("GaAs") technologies which are currently the most advanced in the world, and at the same time has mastered the globally advanced equipment production line manufacturing technology and its R&D capabilities. These technologies have become the main sources of competitive advantage for the Group. Meanwhile, the Group deploys teams of scientists at various locations around the globe, including Beijing and Sichuan in China, the United States, Germany and Sweden, etc, for continuous improvement in the performance of thin film power generation technology, which enables the Group to provide customers with the most advanced, cost effective solutions in turnkey production lines.

Apart from manufacturing in the upstream production lines, the Group has committed enormous resources and energy to the area of downstream photovoltaic applications in recent years, and has now achieved satisfactory results. The unique end-to-end business model of dealership developed by the Group is becoming mature. During the year, after rounds of optimization and screening, the Group has already accumulated approximately one thousand and two hundred dealers and achieved market coverage at the city and county levels nationwide, laying a solid foundation for the Group's development.

For the Group's strategy on future development, we will continue to maintain our position as the world's most advanced thin film power generation and high-tech energy enterprise and adopt the "One Base and Two Fronts" as our long term strategic deployment. That is, we base ourselves on the continuous innovation of thin film solar technology. On the one hand, we deliver "turnkey solutions" for high-end equipment and production lines as one of the fronts, and on the other hand, we provide distributed energy and mobile energy "one-stop" solutions as the other front. The upstream equipment production line business will be maintained as our core, and the downstream distributed energy business will be our strategic direction, with an aim to vigorously fostering mobile energy as the Group's main direction.

Financial Review

For the financial year ended 31 December 2016, the Group recorded a revenue of HK$4,483,130,000, representing a sharp increase of approximately 59% as compared with HK$2,814,668,000 in 2015. Gross profit increased to HK$2,597,772,000, representing an increase of approximately 89% as compared with previous year's HK$1,373,229,000.

The Group has successfully turned from loss to profit for the year with annual profit of HK$251,614,000, representing a great improvement over the loss of HK$12,233,542,000 recorded in the financial year ended 31 December 2015. There are a number of factors contributing to the turn from loss to profit, including but not limited to the following:

1. Due to the success of the Household Power Generation Unit through dealer channels, approximately thirty thousand sets of household photovoltaic system were sold during the period. Sales revenue for the year recorded a strong surge, which increased sharply from HK$280,694,000 in 2015 to HK$1,234,999,000; and

2. The revenue for the Group's delivered production lines business under the manufacturing business increased to HK$2,995,559,000 during the period, representing approximately 55% increase as compared with the revenue of HK$1,934,115,000 in the same period last year.

In regard of the Group's receivables due from Hanergy Holding's affiliates, as at 31 December 2016, total contracted work receivables amounted to approximately HK$745,928,000, while trade receivables amounted to approximately HK$3,913,807,000, among which approximately HK$2.52 billion was overdue. On 10 March 2017, the Group received RMB1.5 billion (equivalent to approximately HK$1,692,449,000) from Hanergy Holding and its affiliates for the repayment of trade receivables.

During the period, the Group sold production line equipments and provided services to Shandong Macrolink which brought to the Group a revenue of HK$2,091,900,000. As at 31 December 2016, trade receivables due from Shandong Macrolink was HK$2,536,745,000, all of which was overdue. From January to March 2017, Shandong Macrolink has repaid RMB650 million (equivalent to approximately HK$734,685,000) to the Group.

Business Review

A. Connected Transactions with Hanergy Holding Group — New Connected Transaction During the Period

In January 2016, Apollo Precision (Fujian) Limited entered into a procurement contract of automated integrated production lines for CIGS thin film solar panels with Shandong Zibo Hanergy PV Company Limited, a subsidiary to Hanergy Holding. Shandong Zibo has made an advance payment of RMB380 million (about HK$452 million) to Apollo Precision (Fujian) in January 2016, and the recognised after tax income, calculated according to the percentage of completion, was HK$395 million (the tax-inclusive amount was HK$437,748,267). Since the amount of advance payment exceeded the recognised income, the balance of the receivables was not increased by this connected transaction.

B. Delivery of Production Lines to Hanergy Holding Group

The Group entered into two master sales contracts with Hanergy Holding for the sale of equipment and turnkey production lines for the manufacture of thin film solar photovoltaic modules to Hanergy Holding in 2010 and 2011, respectively. The table below shows an analysis of the related purchase capacity committed and contract revenue recognized in the Group's financial statements:

			2010 Sales Contracts	**2011 Sales Contracts**
1.	Total purchase capacity as stipulated in the sales contracts		3,000MW	7,000MW
2.	Purchase capacity of module equipment and production lines committed by Hanergy Holding as at 31/12/2016		1,300MW	7,000MW
			HK$'mil	*HK$'mil*
3.	Total contract sum		25,800	61,270
4.	To the extent purchase capacity Committed by Hanergy Holding:			
	(i)	Contract sum attributed to the purchase capacity committed	25,800	61,270
	(ii)	Total cumulative down payment made by Hanergy Holding as at 31/12/2016	1,922	1,562
	(iii)	Contract revenue (net of VAT and relevant taxation) recognized in:		
		Year ended 31/12/2010	2,310	0
		Year ended 31/12/2011	1,446	1,009
		Year ended 31/12/2012	0	2,756
		Year ended 31/12/2013	0	3,243
		Year ended 31/12/2014	3,102	2,853
		Year ended 31/12/2015	134	(88)
		Year ended 31/12/2016	39	865

Pursuant to the two master sale contracts, production lines delivered by the Group to Hanergy Holding will undergo several phases for move-in and installation, followed by the Start of Production ("SOP") and then the End of Ramping ("EOR"), before the production lines can begin mass production.

During the period under review, the production lines delivered to Hanergy Holding did not undergo SOP or EOR.

C. Solar Modules Supply Agreement

In 2014, pursuant to the master agreement in relation to the supply of solar modules from 2012 to 2014, the Company's subsidiary entered into a number of new solar modules ancillary purchase agreements with Hanergy Affiliates to purchase photovoltaic modules, with total production capacity of 558MW, for developing downstream photovoltaic power generation projects. Pursuant to the terms of such ancillary agreements, the Company's subsidiary had settled approximately 50% of the contract sum when placing the order in 2014. In 2016, Hanergy Affiliates had delivered photovoltaic modules with total production capacity of 136 MW. The capacity of the undelivered photovoltatic modules is 228 MW.

D. Group Structure

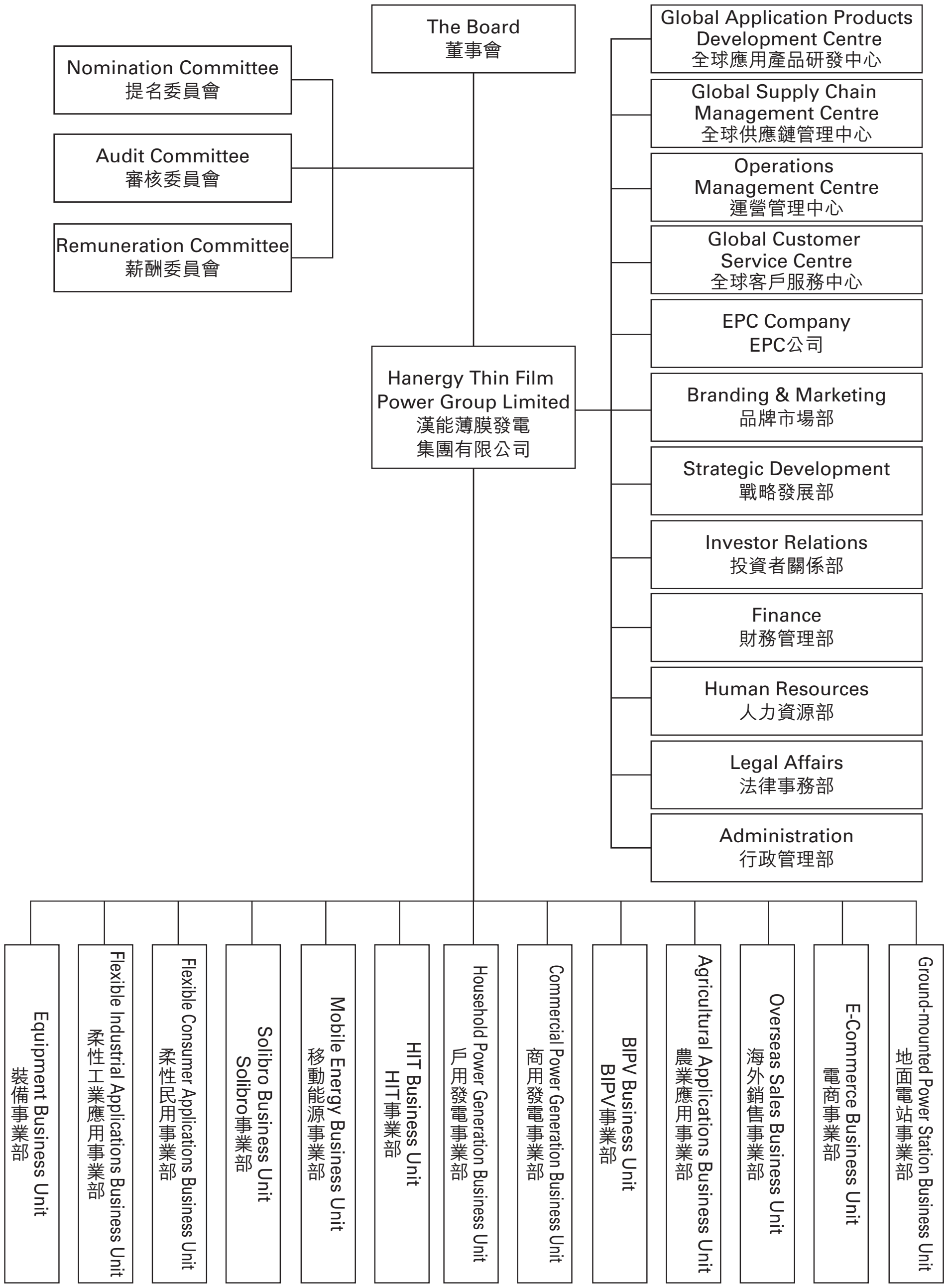
To facilitate the Group's business development, the Group carried out organizational restructuring during the period. After the restructuring, there are in total 13 business units covering the upstream and downstream core businesses, including:

(i) Six upstream business units:

1) Equipment Business Unit
2) Flexible Industrial Applications Business Unit
3) Flexible Consumer Applications Business Unit
4) Solibro Business Unit
5) Mobile Energy Business Unit
6) HIT Business Unit

(ii) Seven downstream business units:

1) Household Power Generation Business Unit
2) Commercial Power Generation Business Unit
3) BIPV Business Unit
4) Agricultural Applications Business Unit
5) Overseas Sales Business Unit
6) Ground-mounted Power Station Business Unit
7) E-commerce Business Unit



Group Structure (as at 31 December 2016)

Upstream Business Units

(1) Equipment Business Unit

The unit is mainly engaged in the design and manufacture of turnkey production lines for large-scale thin film solar cells, and the provision of assembling, installation and testing services for production lines, including the independently developed plasma-enhanced chemical vapor deposition (PECVD) equipment which is used for producing silicon-based thin film cells, and the physical vapor deposition (PVD) equipment. Since 2011, the Equipment Business Unit has provided in total more than 2GW (2 million KW) silicon-based thin film solar cell production lines, and will gradually realize self-design and manufacturing of CIGS and HIT production lines. As a platform company, the Equipment Business Unit provides three sets of services for other business units, including Original

Equipment Manufacturing (OEM), Original Design Manufacturing (ODM), and Onsite Field Services (OFS). Leveraged on the worldly advanced thin film solar cell technologies, the Equipment Business Unit will independently self-develop and continue to innovate, so as to promote the domestic development and manufacturing of solar cell manufacturing equipment and hence gradually realise the landing of advanced thin film solar energy turnkey production lines in China.

(2) Flexible Industrial Applications Business Unit (MiaSolé)

Based on MiaSolé's magnetron sputtering technology, the unit focused on the development of CIGS flexible thin film solar cell turnkey production lines and set up the MiaSolé Hi-Tech R&D Center in Silicon Valley, the U.S. The business unit adopts the "One Base and Two Fronts" as business model, fully utilizing MiaSolé's advantages on equipment R&D and delivery: adopting production line R&D, manufacture, sales and delivery as its foundation business; adopting the development and sales of CIGS target and core raw material as the one of the business fronts, and adopting the development and sales of high-end flexible CIGS application system as the business for another front; based on the basic business, both fronts jointly support the business unit's development. The advantage of MiaSolé's flexible CIGS technology are its stable, reliable production process and high production efficiency. It has lower energy consumption and does not produce any heavy metal wastewater when compared with the traditional production of crystalline silicon cells. It is regarded by a number of foreign institutions as the next generation large-scale application products in the photovoltaic industry. This technology is also important for the mobilization and civilianization of photovoltaic.

(3) Flexible Consumer Applications Business Unit (GSE)

The unit is engaged in the product R&D, production, sales and delivery of photovoltaic equipment by use of the flexible co-evaporation CIGS technology from Global Solar Energy (GSE) based in Arizona, the U.S.. It possesses advanced flexible product packaging technology which is widely applicable to a variety of civilian mobile energy markets. The GSE production line covers 6 out of the 7 major strategic emerging industries, including energy efficiency and environmental protection, high-end equipment, new energies, new materials, new energy vehicles and information technology.

(4) Solibro Business Unit

The unit is mainly engaged in the delivery of CIGS solar energy modules production lines which are based on Solibro technology, as well as the provision of engineering and technical support for turnkey projects. Today, the 21.1% efficiency rate for the laboratory chip and the 16.97% efficiency rate for the champion module achieved by the business unit's Sweden R&D centre, are at the top rank globally and enjoying technical advantage in the industry.

(5) Mobile Energy Business Unit (Alta Devices)

Based on the technology of the U.S. subsidiary Alta Devices, the unit is mainly engaged in the R&D and industrialization of the gallium arsenide ("GaAs") thin film cell technology and equipment. Currently, Alta Devices is one of the very few photovoltaic enterprises in the industry which considers the mobile energy as its major target market, and the conversion efficiency rates of the GaAs thin film single junction cell and double junction cell produced by Alta Devices have both broken the world record. In addition, the product's unique and excellent characteristics, including its flexibility, lightness, high performance under weak light condition, and good temperature functionality, making it the ideal material for the mobile energy application. It can be applied to the high value-added market, like the Aerospace (high-altitude and long-endurance (HALE) unmanned aerial vehicles, low earth orbit satellite etc), ground transportation (new energy vehicle), drone and daily application (internet-of-things, wearable devices, e-commerce) etc. Apart from that, the major strategic clients of this business unit are mainly enterprises producing high altitude long-endurance aerial vehicles, with significant gross margin. The products produced by the Mobile Energy Business Unit are flexible, which is precisely the distinctive nature of GaAs products. The Group will capitalize firmly on the current advantages in these fields, expand the production scale and application fields so as to meet the anticipated explosive growth of the market.

(6) HIT Business Unit

As a newly established department, the business unit is engaged in the production of Hetero-junction with Intrinsic Thin-layer (HIT) solar cells turnkey production lines. According to the "Guidelines from the State Council on Encouraging Healthy Solar Industry Developments" (《國務院關於促進光伏產業健康發展的若干意見》), it was proposed that new photovoltaic manufacturing projects should fulfill the industry requirement in which a-Silicon photovoltaic cells should achieve a conversion efficiency rate not less than 20%. Today, only three technological paths can achieve the efficiency of more than 20% conversion rate and at the same time are suitable for commercial mass production. These are the Interdigitated Back Contact (IBC) Cell, the Passivated Emitter Rear Cell (PERC) and the HIT Cell. Compared with the first two technologies, HIT technology has better product controllability, lower production cost and brighter development prospect, and will become the best photovoltaic product for distributed and household solar power station.

Compared with the ordinary crystalline silicon solar cell modules, HIT solar cell module's unit area has 20% more power generation capacity. Because of the HIT cell module's lower temperature coefficient, its reduction of efficiency and output power is comparatively less, and hence it is capable to generate 8% to 10% more electricity than ordinary crystalline silicon solar cell modules per day. As such, the adoption of the highly efficient HIT solar cell module can fully conserve land and rooftop resources.

Downstream Business Units

(1) Household Power Generation Business Unit

The business unit focuses on household solar power generation system and small-scale industrial and commercial distributed power generation projects. It realized over HK$1 billion sales revenue in 2016, positioning itself comfortably at the top of the household market. After development of more than two years, the Group has developed a huge network of channel dealers, a system of product series and a complete after-sales services system. It is planned that the service can cover more than 90% of 2,000 franchise dealers across cities, regions and counties in 2017, hence establishing an integrated service system of sales, installation and after-sales services, and forging a top brand in household power generation in China.

(2) Commercial Power Generation Business Unit

The Commercial Power Generation Business Unit is a new energy solution provider encapsulating large- to middle-scale power station projects in development, sales of power stations, investment and financing, construction and operation. While it focuses on the five major sectors including industrial and commercial distributed power generation, centralized power station, county-level photovoltaic poverty alleviation, new energy city and special solar energy equipment, etc. Currently the Commercial Power Generation Business Unit is divided into six regional sales departments and four industry sales departments, basically covering all regions across the nation and major industry markets. In 2017 the unit will enter a joint venture and cooperate with major clients and major partners to build a new energy project development company which focuses on China's major domestic new energy market and actively explores in new energy projects under the "Belt and Road' initiative. It is expected that the industrial and commercial distributed generation projects will demonstrate a fast growth trend in 2017.

(3) BIPV Business Unit

This business unit is a system solution provider mainly for construction-related photovoltaic power generation products and services. Its scope of products and services include the provision of construction-related products and services such as photovoltaic building materials and photovoltaic module system, in particular, photovoltaic curtain wall, skylight, photovoltaic sunshade panel system, etc., for clients of public structures, large-scale industrial and commercial structures and high-end urban gardens. Currently, the Group's BIPV products possess multiple functions including light permeation, power generation under weak light condition, UV reduction, soundproof and thermal insulation, etc. The business unit is involved in a wide range of businesses, including photovoltaic curtain wall, skylight, sun-shading wing and car shed etc., with a complete coverage on a variety of applications in building-integrated photovoltaics.

(4) Agricultural Applications Business Unit

Agricultural Applications Business Unit is mainly engaged in the development and construction of agricultural photovoltaic applications, providing quality agricultural power generation products and thin film solar greenhouse system solutions, quality photovoltaic agricultural products and agricultural park solutions to the customers. The products integrate perfectly with agricultural facilities without affecting the growth of agricultural produce underneath the greenhouse panels. The target markets include photovoltaic agricultural greenhouses, photovoltaic agricultural parks and photovoltaic agricultural poverty alleviation, etc. In 2017, the Agricultural Application Business Unit plans to upgrade the existing solutions for photovoltaic agricultural greenhouses, reducing the overall costs and difficulties in installation of the systems, as well as to develop high-efficiency light permeating modules and application products like standardized photovoltaic pest control light, etc. Through the Public-Private Partnership (PPP) regional investment and financing platform model, the Agricultural Business Unit has established jointly with the government a PPP investment and financing platform as the regional marketing center, initiated and set up the Agricultural Photovoltaic Industrial Fund and Photovoltaic Poverty Alleviation Special Program Fund to undertake regional projects on photovoltaic poverty alleviation projects and agricultural parks projects, and develop small to medium scale distributed and agricultural greenhouse projects through the professional partnership model.

(5) Overseas Sales Business Unit

The business unit is engaged in the provision of directional development, design, finance, construction, grid connection, sale of one-stop exclusive energy total solutions, and flexible forms of supporting sales for overseas clients. Through establishing a stable cooperation mechanism for overseas sale channels and constructing an overseas sales terminal platform, the business unit has also laid a solid development foundation for the deployment of Hanergy's global strategy. The business unit's current businesses cover regions including America, Europe, Asia-Pacific, and the Middle East. Through cooperation with industry partners like local project developers, installers, EPC etc., the business unit has established a network for sales and installation services, and developed a cooperation mechanism for the sales of solar PV metal rooftop and new power generation building materials, in an effort to increase sales by the expansion of sales channels in new product developers.

(6) E-commerce Business Unit

The business unit is mainly engaged in online sales of Hanergy consumer solar products, such as thin film solar charging paper, charging pack, thin film solar cell backpack, etc. The target customers are outdoor groups in general, for whom solutions are provided to help handle charging of mobile phones and small electronic devices when they are going outdoors. Through online and O2O sales channels, the unit has set up the official Hanergy Shop, Tmall Flagship Store, JD Flagship Store, Chinese and English webpages in Alibaba, and it is planning to set up Amazon store and Suning store as well.

(7) Ground-mounted Power Station Business Unit

The business unit is engaged mainly in the management of the Group's ground-mounted power stations. With the Group's strategic adjustment and shift of business focus, ground-mounted power station is not the current focus of the Group's business development. The business unit is focused on identifying buyers for the existing ground-mounted power stations so that the sales proceeds can be used in supporting the development of other core businesses.

E. Information On Key Projects For The Year

Upstream Business:

(1) Delivery of Production Lines to Shandong Macrolink

During the year, the Group's production lines business of the upstream manufacturing business was a key source of revenue for the Group. The total revenue of approximately HK$2,092 million from the transaction with Shandong Macrolink, calculated based on the percentage of completion, was recognized. Of which, HK$137 million was derived from the first production line and HK$1,955 million from the second production line. Macrolink Group is mainly engaged in various industries including real estate, mining, petroleum, chemical and finance, and has become our customer and embarked on solar energy business since 2015.

Downstream Business:

(1) The Largest Commercial Rooftop in Netherlands — Plantion Flowers Trading Center

With the cooperation with Rooftop Energy, the Group installed a total of 2.3MW of Solibro thin-film power generation modules on the rooftop of Plantion, the largest national flowers and plants trading center in Ede in central Netherlands. Netherlands is a major greenhouse country with greenhouse gross floor area of approximately 110 million square meters, accounting for one quarter of total glass greenhouse area in the world. The agricultural PV market has enormous capacity, and is believed to have considerable marketing potential. 37% of the electricity demand of the trading center will be provided in Phase I of the Plantion project, which ingeniously utilizes the non-lighting space of the building, and represents a demonstration for the prospective agricultural photovoltaic consumer groups.

(2) Solar Bicycle Path in Krommenie, Netherlands

The project used the Group's PowerFlex modules of GSE, which were laid in the solar bicycle path in Krommenie, the Netherlands. PowerFlex modules are characterized by high conversion rate, lightness, super-thinness and flexibility, and are very suitable for the marine climate of the Netherlands. This modules which absorbs solar energy in the daytime and emits light for the bicycle path during night time is considered a groundbreaking attempt in the application of thin film power generation technology in daily life.

(3) The 1.2MW Ground Power Station in Portugal

With the close cooperation between Hanergy's European Company and well-known companies in Portugal, another lighthouse project was completed in southern Europe. The project has applied Solibro's CIGS thin film modules. Hanergy provided a series of services from signing the contract to final completion, including supply of modules, engineering design and process delivery, establishing a good example for Hanergy's brand building in the southern European market.

(4) The Complete Solar Powered Boat Contributing to the Development of the Amazon Basin

The project was jointly developed by KARA SOLAR in Ecuador and the Company. Hanergy's flexible CIGS thin film solar modules is used in this complete solar-powered boat by laying flexible solar modules on the rooftop of boat shed. It was completed and successfully launched in The Amazon River in South America. It is a boat fully powered by solar modules for batteries charging, characterized by its environmental friendly, light-weight, flexible, wind-proofed, heat resistant, humidity resistant and stable power generating features. The solar powered boat has a daily power generation capacity of 19 kWh, and its estimated power generation per year is up to approximately 7,000 kWh, which satisfies the requirements for a boat to travel in the waters for 67 km, servicing 9 local districts.

(5) Provision of Clean Electricity for the World Cup in Qatar

MiaSolé, a subsidiary of the Group in the United States, entered into a cooperation agreement with ClearWorld, pursuant to which, it became the exclusive supplier of flexible thin film power generation modules for the ClearWorld RetroFlex LED lighting system. ClearWorld is a supplier of renewable energy systems solutions and will be the official supplier of 2022 World Cup in Qatar. According to the company's design for the World Cup in Qatar, the ClearWorld RetroFlex system will provide upward lighting for palm trees surrounding the football field.

(6) Installation of Miasolé Flexible Cells on the Truck Roofs for Logistics Vendors

The Group benefited from the regulations promulgated by 23 states in the United States that the ignition must be turned off when a diesel powered vehicle is parked. As such, some well-known logistics vendors have their trucks installed with MiaSolé flexible cells on roof tops to provide electricity, instead of diesel, for refrigeration trucks, cold chain logistics and cold stores when the trucks are parked, thereby reducing operating costs. In

October 2016, the Group entered into an installation contract for more than 30 trucks with a logistics vendor as a pilot project. If the results are satisfactory, formal agreements will be signed, which will expand the sources of revenue of the Group for the coming year.

(7) The 1.2MW Solar Photovoltaic Ranch in Bangkok, Thailand

The Group cooperated with a local EPC company in Thailand, to provide an overall design of solar PV solution for a ranch in Bangkok, Thailand, and to supply the 1.2MW Oerlikon modules. The PV project's successful completion and connection to grid within a short period of time helped enhance the awareness of Hanergy's thin film products in Thailand and Southeast Asia markets.

(8) The 90MW Distributed PV Poverty Alleviation Power Generation Project in Qitaihe City, Heilongjiang Province

In response to the National Poverty Alleviation Program, the Group provided suitable modules according to the local conditions, sunshine conditions and building structures. During the year, it undertook the 90MW distributed PV poverty alleviation generation project in Qitaihe, Heilongjiang Province, the largest government PV poverty alleviation project in the province, by providing EPC service for the installation of 12MW distributed power generation modules in the first phase of the project. The contract value amounted to approximately RMB66 million. The project will help the local poor community get rid of poverty and increase their income as well as uplifting revenue of the Group, thus achieving a win-win result.

(9) Sales of the 10MW PV Power Generation System to Tianjin Yipu Electric

The PRC government strongly encourages enterprises to use new energy sources to mitigate the intensifying pollution issues. During the year, Tianjin Yipu Electric Co., Ltd. entered into an agreement with the Group in relation to the sales of PV system, with the contract amount of approximately RMB34 million for the projects of agriculture and solar power integration and poverty alleviation, respectively.

(10) The 3MW Distributed Thin Film Solar Power Plant in Zoucheng Industrial Park in Shandong Province

The Group installed a distributed copper indium gallium selenide (CIGS) thin film solar power plant in Zoucheng Industrial Park, Shandong Province, which was successfully connected to the grid during the year. The project has installed capacity of 3 MW and applied more than 20,000 pieces of Solibro's CIGS thin film modules, featureing high conversion rate, excellent performance under high temperature and low light conditions, easy installation and easy maintenance. It is expected that the annual power generation capacity of the power plant will exceed 4 million kWh.

(11) The 1MW Rooftop Thin Film Power Station for a Pesticide Company in Yancheng, Jiangsu Province

The Group successfully installed a 1MW rooftop thin film power station within two months in the facilities of Huifeng Agrochemical Co., Ltd. (輝豐農化股份有限公司), a pesticide company located in Dafeng District, Yancheng City, Jiangsu Province. Solibro's thin-film power generation technology of Hanergy was used in this project. It serves to cut the high electricity bill for the customer and at the same time represents a response to the call for use of environmental friendly energies. After the successful grid connection of the project, the customer was satisfied with the Group's technical ability, execution, professionalism and after-sales service, and showed the intention to further invest in building larger PV power stations for its remaining facilities.

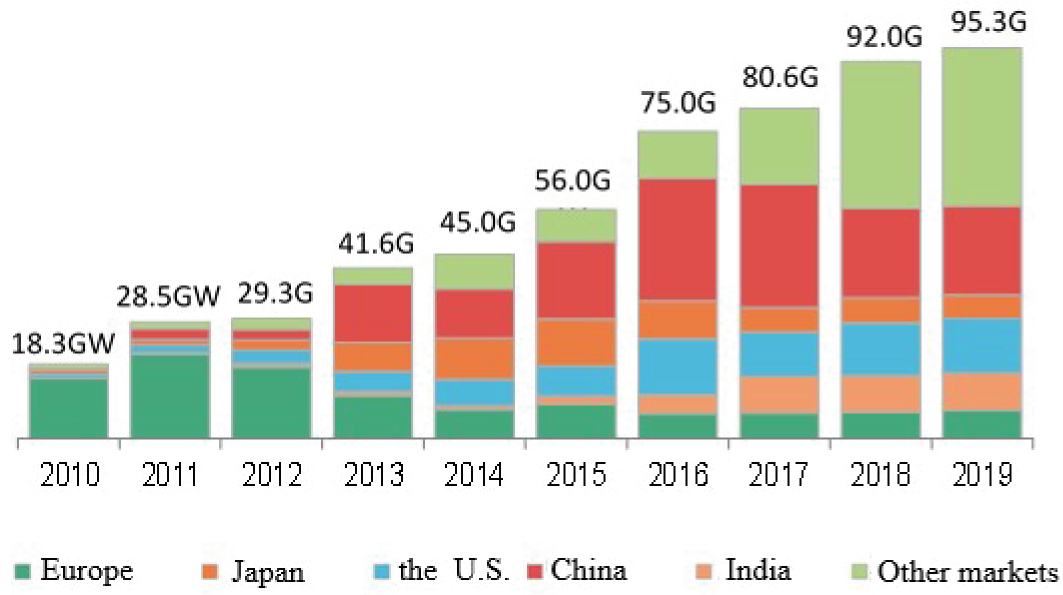
(12) The Extensive Mobile Energy Market

The Group designs and manufactures a series of portable thin-film solar products based on MiaSolé's thin film chips, providing quality products for mobile energy usage solutions in the areas such as mobile communications, outdoor sports, tourism, photography, professional scientific research, field operations and emergency rescue. By bringing flexible thin film solar energy power generation technology into life, the Group will provide users with mobile power usage experience which is more portable and satisfactory.

FUTURE OUTLOOK

A. Global Solar PV Market

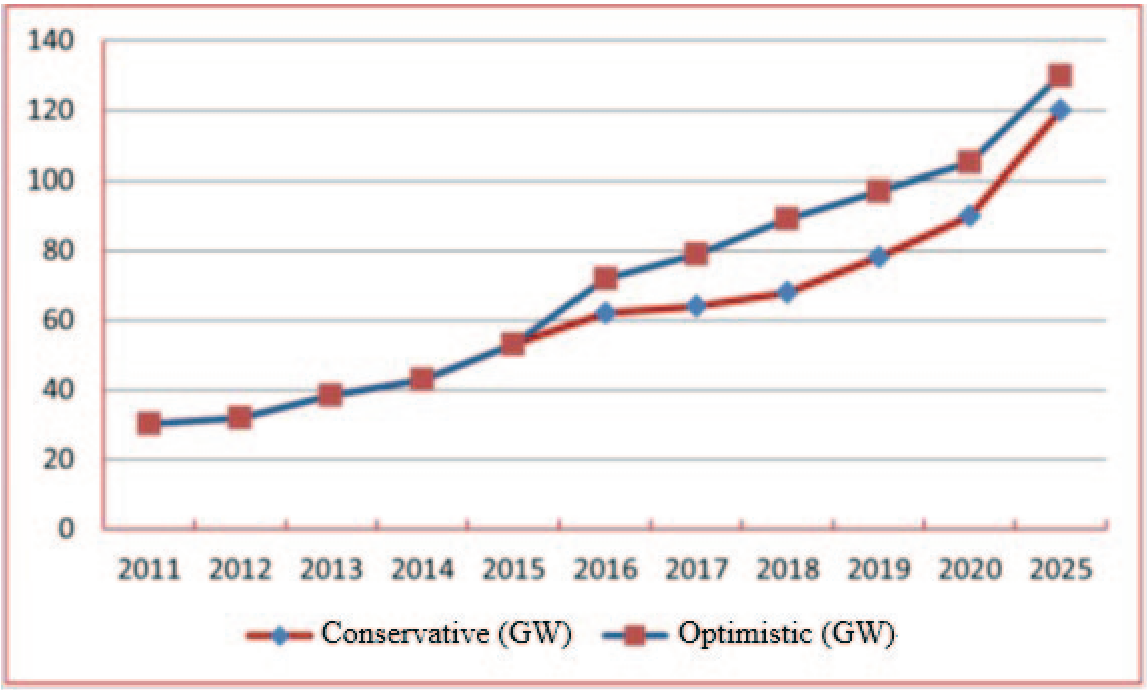
Over the past few years, the global solar PV market saw an explosive growth. In 2016, the demand in the international photovoltaic power generation market continued to rise, which was led by China, Japan and the United States. According to the estimates of Bloomberg New Energy Finance, the newly installed capacity of global PV market is likely to reach 75GW in 2016, and is expected to reach 80.6GW in 2017. Looking forward to the next few years, the global PV market will continue to increase year by year, and China, Japan, the United States and India will be the major markets with the most significant growth in the world, followed by other emerging markets, which will also occupy higher market share.



Source: Bloomberg New Energy Finance

Chart 1 Historical Data and Forecast of Annual New Installations for Global PV Markets

According to the analysis and forecast of China Photovoltaic Industry Association (CPIA), the implementation of the Paris Agreement, a global climate agreement, and the declining LCOE (Levelized Cost of Electricity) will facilitate the further development of global solar PV market and expand the areas and regions for photovoltaic applications. By consolidating data from various major research institutions and taking the minimum value as a conservative estimate and the maximum value as an optimistic estimate, it is expected that the global PV market will continue to grow at a CAGR of 9% from 2016 to 2020.



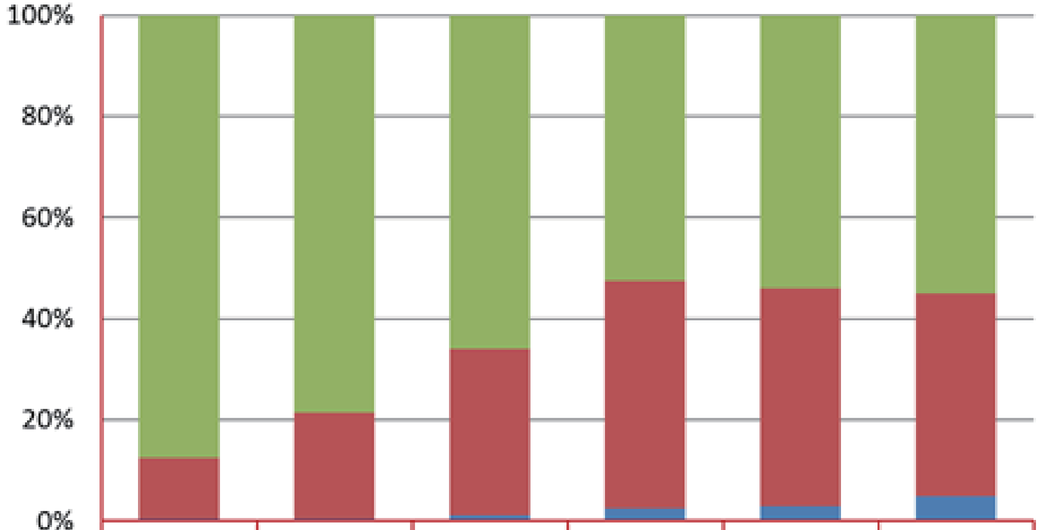
Source: CPIA

Chart 2 Annual New Installations of Global PV Markets from 2016 to 2025

Solar PV Market in China

In 2016, the newly installed capacity of PV power generation in China maintained a strong momentum, reaching 34.54GW, not only contributed to almost half of the global PV annual new installations, but also ranked as the first in the world for four consecutive years. The cumulative installed capacity amounted to 77.42GW. The newly installed and cumulative capacity was both ranked as the first in the world. According to CPIA's forecast, the constructions for confirmed targets of ordinary power stations, PV pioneers' bases and PV poverty alleviation quota identified in 2017 have been completed basically. With conservative estimation, newly installed capacity can reach 20GW. However, due to a possible adjustment to PV on-grid tariffs in 2017, it is possible that there will be a repeated occurrence of rush installations which will push up the installed capacity. Accordingly, the optimistic estimation for newly installed capacity is expected to reach approximately 30GW in 2017. Under the "13th Five-Year Plan" in China, the target for cumulative installed capacity of PV power generation is at 110-150GW. In the next few years, as the capacity for distributed power generation keeps on the rise, the domestic market is likely to remain at an average growth of approximately 20GW per annum.

The installed capacity of distributed PV power generation grew at an accelerated rate, with 4.24GW of newly installed capacity in 2016, representing an increase of 200% over that in 2015, and 12% of PV market share. The cumulative installed capacity of distributed PV amounted to 10.32GW (Source: National Energy Administration of China). In 2017, with the construction of PV poverty alleviation power stations and the possible introduction of the favourable policy on tariff adjustment, the installed capacity of distributed PV is expected to reach 6GW or above, accounting for a proportion of more than 20%. From 2018 onward, under the guidance of relevant national policies and plans, the proportion of distributed power stations will continue to increase rapidly. Distributed power generation is a market tapped in early by the Group and is the focus of the Group's business development. It is also an application area that is particularly suitable for thin-film cell products. In the next few years, we will, by taking the market opportunities, seek for a larger market share in distributed power generation.



	2016	2017	2018	2020	2022	2025
Large-scale ground-mounted power stations	88.0%	78.5%	66.0%	52.5%	54.0%	55.0%
Distributed power stations	12.0%	21.0%	33.0%	45.0%	43.0%	40.0%
Other applications	0.5%	0.5%	1.0%	2.5%	3.0%	5.0%

Source: CPIA

Chart 3 The Market Trend of Different Types of PV Applications from 2016 to 2025

B. Policy Support from the Chinese Government

The photovoltaic industry, especially the new thin-film solar technology as the focus of development, is encouraged by Chinese national policies. In addition to those encouraging policies, appropriate policies are also being established to guide the sustainable development of photovoltaic industry towards a direction which is orderly and of high-quality. Following the general direction of the national photovoltaic policies, the local governments in the country have also introduced various supporting policies specific for the local photovoltaic industries, in order to encourage the development of the industry in an orderly and rapid manner.

On 29 February 2016, the National Energy Administration of the PRC issued the "Guidance on the Induction System for Establishment of Targets for Development and Utilization of Renewable Energy Resources of National Energy Administration" (《國家能源局關於建立可再生能源開發利用目標引導制度的指導意見》), which encouraged the promotion of renewable energy resources development and utilization, and urged the achievement of energy development strategic targets of non-fossil energies consumption as a percentage of primary energy consumption to reach 15% and 20% of the primary energy consumption by 2020 and 2030, respectively. The Guidance also gives the opinions on the establishment of specific targets for development and utilization of renewable energy resources, the development of scientific plans, clear responsibilities and obligations, the establishment of monitoring and evaluation systems as well as on studies in relation to improvements of the system and mechanisms of renewable energy resources.

On 28 March 2016, in order to address the power curtailment issues which had been hindering the development of photovoltaic industry, the National Development and Reform Commission of the PRC issued the "Management Measures on Protective Entire Acquisition of Renewable Energy Power" (《可再生能源發電全額保障性收購管理辦法》), to ensure that renewable energy power such as solar energy is given full protection and acquired in its entirety, thus protecting the interests of the investors and promoting new energy production in a consumption revolution.

Thin film solar panels as a strategic focus

In June 2016, the NDRC, MIIT and Energy Administration of the PRC jointly issued the "Made in China 2025 — Energy Equipment Implementation Program" (《中國製造2025—能源裝備實施方案》), in which the "Technical Breakthrough Section" stated that "thin film and other new PV cells and modules: research and development effort should be focused on new solar cells that are available for mass production, such as cadmium telluride thin film cells with conversion efficiency exceeding 20%, **CIGS thin-film cells** with conversion efficiency exceeding 21%, three-five family compound cells, perovskite cells, dye-sensitized cells, organic solar cells, quantum dot cells, laminated cells and **high-efficiency gallium arsenide cells**" with conversion efficiency exceeding 43%.

In July 2016, the NDRC of the PRC issued the 2016 working draft of "Guiding Catalogue of Key Products and Services in Strategic Emerging Industries" (《戰略性新興產業重點產品和服務指導目錄》), stated in "5.3.2 Solar Manufacturing Equipment" that "photovoltaic equipment, includes high purity, low energy consumption solar energy class polysilicon production equipment, mono-crystalline silicon drawing equipment, polycrystalline silicon ingot equipment, multiline cutting equipment, high efficiency battery pack and module manufacturing equipment, thin film solar cells manufacturing equipment, new solar cell such as condensed, flexible solar cells manufacturing equipment."

In July 2016, the State Council issued the "13th Five-Year National Scientific and Technological Innovation Plan", stated in "III. Develop intelligent green service manufacturing technology under Column 6 Advanced Manufacturing Technologies" that "4. Key optoelectronic manufacturing equipment. Conduct research and development of key manufacturing equipment in the emerging industries including new optical communication devices, semiconductor lighting, efficient photovoltaic cells..., and enhance the independent research and development capabilities of key equipment in the emerging sectors."

In October 2016, the NDRC issued the "Notice on Application for the Third Batch of Special Construction Funds to Enhance Core Competitiveness of Manufacturing and for Technological Reform in 2016" (《關於做好2016年第三批專項建設基金增強製造業核心競爭力及技術改造項目申報工作的通知》), stated in "V. The Development of Key New Materials" that "(B) 4. The industrialized application of thin film solar cell materials (GaAs, CdTe, CIGS, etc.), vanadium cells and large-scale energy storage technologies".

Strong support for distributed photovoltaic power generation

Currently, both national and local governments in China are strongly encouraging and supporting distributed power generation projects, by introducing a series of national and local policies to encourage the distributed PV industry, which clearly demonstrated the long-term support for the development of distributed PV industry. On 3 June 2016, the National Energy Administration issued the "Notice on Implementation of Photovoltaic Power Generation Project Construction in 2016 of National Energy Administration " (《國家能源局關於下達2016年光伏發電建設實施方案的通知》), stated that a distributed photovoltaic power generation project was not subject to limitations on scale of construction; that the regional energy authorities would accept registration of projects at any time; that power grid enterprises should conduct connection procedures in a timely manner; and that projects would be included in the scope of subsidies once completed. Under the latest subsidy policies released in late 2016, the electricity subsidy to a national distributed power project is maintained at the original level, that is, RMB0.42/kWh, with no cap on the construction scale of household projects. In addition, a large number of local governments, including Beijing, Hebei and Anhui, also introduced separate electricity subsidy policies for distributed power generation projects lasting for different periods of years in order to promote the construction of distributed power generation projects.

By eliminating the obstacles restricting the development of distributed photovoltaic power generation and introducing a more regulated market, it is believed that distributed photovoltaic power generation will usher in more significant growth in China. This is very beneficial to the Group's distributed power generation business. The Group will take advantage of this opportunity to improve the construction of channel network and explore the potentials of channels in a timely manner, so as to further consolidate its current market position and expand the scale of existing sales volume.

According to the trend of the current national and local government policies, it is expected that further policies will be introduced to promote the development of photovoltaic industry, which will have a positive effect on the industry. Driven by the national supportive policies as well as the market, the photovoltaic industry in China will continue to flourish in the next few years. With the gradual saturation of ground-mounted power stations in the northwestern region of China, and the maturing conditions of grid parity for PV power, the distributed photovoltaic power generation will enter a stage of rapid development in near future. With further improvement of the energy storage technology, it is expected that the construction of distributed solar power stations will become popular in the densely populated, eastern and southern regions.

C. Implementation of the Sales-oriented Strategy of "One Base Two Fronts"

Through continuous corporate restructuring and governance improvement, the Group has established a clearer governance structure, efficient business processes and customer-oriented sales culture, and has further clarified its vision of becoming a leading global provider of thin film power generation equipment and photovoltaic application solutions. The Group has adopted the strategic deployment of "One Base Two Fronts", that is, based on the continuous innovation of thin-film solar technology, and with "turnkey" solutions for high-end equipment and production lines on the left front, and "One-stop" solutions for distributed energies and mobile energies on the right front. The Group will focus on the upstream business of equipment production lines, and the downstream businesses of distributed and mobile energies.

By targeting the Asia-Pacific market and through direct sales to major customers, the Group's upstream business provides the major customers with integrated "turnkey" solutions for thin film solar equipment and production lines. The downstream business provides "one-stop" services and solutions by targeting the emerging markets in Asia-Pacific and the Americas, through a "Double-Wheel" Strategy driven by dealers/channel partners and direct sales to major customers. Meanwhile, the Group is also actively exploring the PPP model, to facilitate its upstream and downstream businesses development.

The Group has put huge resources and efforts in the downstream photovoltaic applications and achieved good results. At present, the business model of the Group's downstream business has been established, and the unique household system dealership model and system are preliminarily mature, with more than one thousand and two hundred dealers after rounds of shuffling and optimization, covering basically all the markets at city and county level across the nation. These have laid the foundation for further development of the Group.

D. Continue to Upgrade Technologies and Speed Up the Construction of New Bases

Over the past year, various technology paths of the Group achieved new highs in terms of research and development and mass production efficiencies. In particular, Alta Devices' mass production modules have an efficiency reaching 24.8%, and passed the NREL verification in November. Now Alta Devices holds three world records on conversion efficiency for GaAs single knot cells, double knots cells and modules. The R&D efficiency of MiaSole's chips reaches 19.4%, while the efficiency of the winner module from the new generation process reaches 18%. This currently represents the highest efficiency globally for sputtering CIGS flexible modules. Solibro's top mass production modules have an efficiency of 16.97% (with 17.92% of effective area), which set the world record for mass production of co-evaporation CIGS modules. The R&D efficiency for GSE's chips is 18.7%, while the average efficiency of mass production modules is 15.6%, and the efficiency of top mass production modules is 16.2%. HIT's cells have a R&D efficiency reaching 23%.

The Group will continue to develop the thin-film solar technology aggressively as a core competitiveness of the Group, to further enhance the conversion efficiencies of CIGS solar cells and GaAs solar cells through continuous investment and research and development, and will continue to improve its R&D and manufacturing capabilities in the equipment production line technologies of CIGS and GaAs. Such technologies and capabilities constitute a crucial part of the Group's competitive advantage.

To promote the localization and mass production of these advanced technologies, one of the Group's priorities in the future is to establish production bases for CIGS and GaAs as soon as possible, and to build up mass production capabilities in flexible and efficient thin-film cells in the future. Due to the ever-changing technologies, the expectations of and support for new energy technologies, the future demand for mobile and wearable solar PV applications will increase significantly. Therefore, the Group will focus on Alta Devices, MiaSole and GSE in the coming years and rapidly proceed with the implementation of advanced thin film technologies and constructions of production bases.

2016 was a year of breakthrough and growth for the Group admist extreme adversity. Faced with various difficulties due to the lingering effect of trading suspension, the Group has been able to tackle the difficulties with full enthusiasm and strong determination, by aggressively carrying out organization and system reforms, establishing an organizational structure and mechanism that responds to the market in a more timely and efficient manner, constantly promoting technological innovation and upgrading by making use of its technological advantages. While actively exploring localization and mass production of advanced thin film technologies, the Group consistently implements the customer-based sales culture, and focuses on promoting sales operations, including downstream household power generation, distributed power generation, agricultural photovoltaic applications, BIPV and photovoltaic poverty alleviation projects, in order to develop more applications suitable for thin film power generation technologies. Adhering to the mission of "Changing the World with Thin Film Power", the Group will continue to move forward, with an aim to fostering a broader and brighter prospect for the thin film power generation technology.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2016, the Group have interest-bearing bank and other borrowings of HK$1,050,635,000 (31 December 2015: HK$1,182,958,000) while the cash and cash equivalents amounted to approximately HK$248,674,000 (31 December 2015: approximately HK$447,826,000).

Gearing ratio (total debt less cash and cash equivalent, tax payable, deferred income, other non-current liabilities and deferred tax liabilities ("Net Debt") over adjusted capital and net debt) as at 31 December 2016 was 36.43% (31 December 2015: 31.91%).

TREASURY POLICIES AND EXCHANGE & OTHER EXPOSURES

The Group's monetary transactions and deposits continued to be in the form of US dollars, Renminbi and Hong Kong dollars. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2016 (31 December 2015: Nil).

PERSONNEL

The number of employees of the Group as at 31 December 2016 was 3,162 (31 December 2015: 2,881) of whom 511 (31 December 2015: 300) were office administration staff.

Remuneration of employees and directors are determined according to individual performance and the prevailing trends in different areas and reviewed on an annual basis. The Group has also contributed mandatory provident fund, retirement funds and provided medical insurance to its employees.

Bonuses are awarded based on individual performance and overall Group performance, and are made to certain employees of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct (the "Model Code") regarding securities transactions by the Directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Having made specific enquiry to all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, save for the followings:

The independent non-executive Directors were not appointed for a specific term but his directorship is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-laws") and the Listing Rules. Under the Byelaws, one-third of the Directors shall retire from office by rotation at each annual general meeting. According to the Listing Rules, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Directors will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making process are regulated in a proper and prudent manner.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company, which is chaired by an independent non-executive director and currently has a membership comprising four independent non-executive directors, has reviewed with management and approved the consolidated financial statements for the year ended 31 December 2016.

SUSPENSION OF TRADING

Trading in the Company's shares has been halted with effect from 10:40 a.m. on 20 May 2015.

The Company received a letter from the SFC dated 15 July 2015 in relation to the Rule 8(1) directive of Stock Market Rules, in which SFC directed the Stock Exchange to suspend trading in the securities of the Company.

The shares of the Company have been suspended from trading for nearly two years, during which it experienced numerous hardships. The Company has been communicating with the Securities and Futures Commission of Hong Kong ("SFC") to seek resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") with the view to protecting the interests of the Company and its shareholders (including shareholders apart from the controlling shareholder) as a whole. Finally, The SFC sets out two requirements for the resumption. One requirement is that Mr. Li Hejun ("Mr Li", an executive director and the Chairman of the Company from 15 May 2014 to 20 May 2016) and the four existing independent non-executive directors of the Company ("INEDs") agree not to contest liability and the court orders sought by the SFC in the civil proceedings commenced by the SFC under section 214 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) against them ("Section 214 Proceedings"). The other requirement is the publication of a disclosure document by the Company (the "Disclosure Document") which will provide detailed information on the Company's activities, business, assets, liabilities, financial performance and prospects. The Disclosure Document will need to be submitted to the SFC for it to consider the Company's request for resumption under section 9 of the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) ("SMLR"). The powers of the SFC under section 9 of SMLR may only be exercised by a meeting of the SFC and are not delegable.

On 23 January 2017, the SFC has commenced the Section 214 Proceedings to seek disqualification orders against Mr. Li and the four INEDs (namely, Ms. Zhao Lan, Mr. Wang Tongbo, Professor Xu Zheng and Dr. Wang Wenjing). The disqualification orders, if given by the Court, will disallow the five persons from being a director or being involved, directly or indirectly, in the management of any corporation for a certain period in Hong Kong. The SFC also seeks a court order requiring Mr. Li to (a) procure Hanergy Holding Group Limited ("Hanergy Holding") and/or certain of its subsidiaries ("Hanergy Affiliates") to pay outstanding receivables due to the Company and its subsidiaries under the sales contracts entered into between Hanergy Holding and a subsidiary of the Company in 2010 and 2011 within 2 years from the date of the order; and (b) execute a contract of guarantee to secure the above-mentioned due payment of all outstanding receivables by Hanergy Holding and Hanergy Affiliates. Mr. Li and the four INEDs do not intend to contest the Section 214 Proceedings.

As to the second requirement, the Company has been preparing the Disclosure Document. The Company has also engaged a financial adviser to conduct due diligence on the Group and engaged auditors to conduct an audit on the consolidated financial statements of the Company.

The Company has used and will continue to use its best endeavours to fulfill the above-mentioned requirements for resumption and will seek to resume trading of its shares on the Stock Exchange as soon as possible. The Company will make further announcement(s) on the progress of the fulfillment of the two abovementioned requirements in due course.

On behalf of the Board
Hanergy Thin Film Power Group Limited
Yuan Yabin
Chairman

Beijing, the PRC, 30 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Yuan Yabin (Chairman), Dr. Lam Yat Ming Eddie (Vice Chairman), Mr. Wang Xiong (Vice Chairman), Mr. Si Haijian (Chief Executive Officer), Mr. Huang Songchun (Financial Controller), Mr. Xu Xiaohua and Mr. Zhang Bin; and the independent non-executive directors of the Company are Ms. Zhao Lan, Mr. Wang Tongbo, Professor Xu Zheng and Dr. Wang Wenjing.