联合光伏 UNITED PHOTOVOLTAICS

UNITED PHOTOVOLTAICS GROUP LIMITED
聯合光伏集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 686)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the "Board" or the "Directors") of United Photovoltaics Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016, together with the comparative figures for the corresponding period in 2015.

RESULTS HIGHLIGHT

	For the year ended 31 December		
	2016	2015	
	RMB' million	*RMB' million*	*% change*
Revenue (including tariff adjustment)	**998**	631	58%
EBITDA	**841**	480	75%
EBITDA margin	**84%**	76%	8%
Profit for the year	**382**	373	2%
Basic EPS (RMB cents)	**7.63**	7.96	(4%)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Diversification of investment locations

The Group is a leading listed company which owns and operates solar power plants. It focuses on and has an established track record in acquiring, developing and operating solar power plants across the People's Republic of China (the "PRC"). During the year ended 31 December 2016 (the "Year"), the Group continued to focus its resources on the expansion of solar power business and has added solar power plants with a total installed capacity of 415.4MW in the PRC. The Group, together with its associates and joint venture, own and operate 31 utility-scale ground mounted solar power plants and distributed solar power plants in the PRC with an aggregate installed capacity of 1,291.4MW as of 31 December 2016.

The Group strategically acquires and develops solar power plants so as to achieve predetermined minimal rate of return and selects its solar power plants based on a combination of considerations, including solar irradiation of the site, applicable feed-in tariffs, government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity. The Group's ground mounted solar power plants are mainly located in Inner Mongolia, Qinghai, Xinjiang, Gansu, Hubei, Shanxi, Shandong, Ningxia and Yunnan, which together account for approximately 96.3% of the total installed capacity of all the plants owned by the Group, its associates and joint venture. The remaining solar power plants located in Jiangsu, Hebei and Guangdong are distributed power plants, comprising standalone roof top solar power plants and those combined with agricultural facilities. During the Year, the Group has been exploring further opportunities for growth outside the PRC, such as the United States, France, Australia, New Zealand, Germany, Japan and the United Kingdom. In January 2017, the Group has completed the acquisition of six operational solar power plants with an aggregate installed capacity of approximately 82.4MW in the United Kingdom. It is expected that such expansion into international markets will promote the Group's operation capacity and its standing in the solar industry, allow the Group to acquire more know-how and technology, diversify its revenue base, and increase its growth potential.

Electricity generation

As at 31 December 2016, there were 31 on-grid solar power plants beneficially owned by the Group, its associates and joint venture (2015: 24). The aggregate installed capacity of these solar power plants has increased to 1,291.4MW, by approximately 47.4% as compared to the corresponding period of 2015. All of these plants have achieved on-grid connection and have been generating electricity steadily. The details of the electricity generation of such solar power plants are set out as below. For accounting purpose, the volume of electricity generated by the solar power plants newly acquired during the Year was recorded only starting from their respective completion date of acquisitions.

Location	For the year ended 31 December 2016 Number of power plant	Aggregate installed capacity (MW)	Electricity generation (MWh)	2015 Number of power plant	Aggregate installed capacity (MW)	Electricity generation (MWh)
Subsidiaries:						
Inner Mongolia, PRC	**6**	**270.0**	**434,015**	6	270	252,873
Qinghai, PRC	**4**	**200.0**	**312,804**	4	200	310,434
Xinjiang, PRC	**6**	**120.0**	**119,039**	5	100	80,756
Gansu, PRC	**1**	**100.0**	**86,369**	1	100	76,092
Hubei, PRC	**1**	**100.0**	**103,398**	1	100	18,800
Shanxi, PRC	**1**	**100.0**	**73,733**	–	–	–
Yunnan, PRC	**2**	**54.8**	**52,815**	–	–	–
Shandong, PRC	**1**	**40.0**	**8,187**	–	–	–
Others, PRC	**4**	**22.8**	**14,068**	2	2.4	2,881
Sub-total	**26**	**1,007.6**	**1,204,428**	19	772.4	741,836
Associates:						
Inner Mongolia, PRC	**2**	**60.0**	**87,320**	2	60.0	89,560
Jiangsu, PRC	**2**	**23.8**	**29,067**	2	23.8	28,334
Yunnan, PRC *(Note 1)*	**–**	**–**	**3,383**	1	19.8	–
Sub-total	**4**	**83.8**	**119,770**	5	103.6	117,894
Joint venture:						
Ningxia, PRC	**1**	**200**	**21,632**	–	–	–
Sub-total	**1**	**200**	**21,632**	–	–	–
Total	**31**	**1,291.4**	**1,345,830**	24	876.0	859,730

Note:

(1) The Group completed the acquisition of additional equity interest in that project company during the Year, since then that associate became a subsidiary of the Group.

The total electricity generated for the Year by the solar power plants beneficially owned by the Group, its associates and joint venture has increased to 1,345,830MWh, by approximately 56.5% as compared to the corresponding period of 2015. The solar power plants located in Inner Mongolia and Qinghai respectively contributed approximately 38.7% and 23.2% of the total electricity generation for the Year (2015: 39.8% and 36.1% respectively).

The increase in electricity volume generated during the Year was mainly due to: (1) expansion in aggregate capacity of 415.4MW by way of acquisition and self-development projects; (2) contribution of full year electricity generated by solar power plants with capacity of 140MW in Inner Mongolia and 100MW in Hubei, which were acquired in Q3 and Q4 of 2015 respectively; and (3) improvement in electricity generation in Gansu as a result of more power market transactions including inter-provincial solar power transmission, which helps to reduce loss from curtailment.

The average utilisation hours of our solar power plants remained stable and were above 1,400 over the past two years. This is attributable to the strategic diversification of investment locations. The Group has considered various factors for each investment, including but not limited to predetermined minimal rate of return, solar irradiation of the site, applicable feed-in tariffs, government subsidies, conditions for local grid connection, etc. In 2016, State Grid Corporation of China ("State Grid") has published the average utilisation hours of solar power plants in the PRC for 2015, which was 1,164. This indicates that the performance of the solar power plants of the Group (including its associates and joint venture) is better than the market on average.

Project development and operation

During the Year, the Group has improved its capability in the development, construction and operation of self-developed solar power plants and has enhanced operational efficiency, thereby laying down a solid foundation for development of projects and smart operation of plants in the future.

The Group's ability to successfully integrate and optimize photovoltaic components and technology and develop solar power plants was firstly recognised by the National Energy Administration of the PRC (the "NEA") in August 2015 when it awarded the Group the exclusive right to develop and operate a 100MW solar plant in Datong, Shanxi. This project was classified as a "Top Runner" project for the PRC solar power industry by the NEA due to its significance in marking the start of Datong's transformation – from a polluted industrial city that is highly reliant on fossil fuels to a industrial city with a low carbon footprint that relies on renewable energy sources. This 100MW Top Runner project has successfully achieved on-grid connection and electricity generation in June 2016 and this marked the Group's enhanced capability in self-developed project and in integration of advanced technologies. This project adopted high-efficient monocrystalline silicon modules, string inverters and multiple MPPT tracking system to optimize the performance of solar power plant. Another outstanding feature of this project is the real-time and centralized monitoring of operation as enabled by the Global Smart PV Cloud Management Center, which connects our solar power plants within the portfolio of the Group.

The Group has developed the Global Smart PV Cloud Management Center with an aim to improve the overall operating efficiency. This cloud system carries the most advanced technologies on cloud computing and mega data processing. It provides a centralized platform to monitor the operation and maintenance of the solar assets located in different regions, connects each plant to the central management in the cloud and enables timely communication. The cloud system enables a decision maker to effectively analyse available data collected from various plants, precisely diagnose the issues raised, and facilitates the process of detecting and solving the on-site technical problems.

During the Year, the Group has internalized certain operations and maintenance ("O&M") services and started to manage several solar power plants by itself. Together with the effective cloud system, the Group's EBITDA margin for the Year has improved from 76% in 2015 to 84% in 2016.

Financing

The solar power plants business is capital intensive in nature. The Group has been rigorously exploring various financing channels to enhance its financing capability and reduce its finance cost. During the Year, the Group has raised approximately RMB6,854 million through various channels including bank and other borrowings, finance leasing, medium-term notes, convertible bonds and share placement.

During the Year, the Company was assigned a stable outlook credit ratings of "Ba3" and "BB-" by Moody's Investors Service, Inc and S&P Global Ratings respectively. The Company then successfully issued a three-year US$350 million (approximately RMB2,410 million) senior notes in Q1 of 2017 for early redemption of certain convertible bonds, repayment of existing indebtedness and working capital purposes. The initial purchasers of the notes are all large international institutional investors, which indicates the international capital market's affirmation and confidence on the Company's future development.

In December 2016, a wholly-owned PRC subsidiary of the Group has received a credit rating of AA from China Cheng Xin International Credit Rating and has also received the official registration acceptance notification issued by the National Association of Financial Market Institutional Investors for the proposed issue of medium-term notes in the China Inter-bank Bond Market up to the principal amount of RMB700 million within a period of two years after the registration date.

In December 2016, the Company has issued a total of 100,000,000 shares to a subsidiary of China Huarong Asset Management Co., Ltd, and a subsidiary of China Minsheng Banking Corp., Ltd at a subscription price of HK$0.6 per share.

In September 2016, the Company entered into subscription agreements with ORIX Asia Capital Limited ("ORIX"), China Merchants New Energy Group Limited ("CMNEG") and New Energy Exchange Limited ("NEX"), whereby the Company agreed to allot and issue an aggregate of 2,232,978,962 shares and 871,075,858 warrants to the subscribers. In March 2017, the subscriptions completed and the Company received gross proceeds of approximately HK$1,299 million (equivalent to RMB1,154 million). ORIX is a leading international investment institution which owns renewable energy assets of over 7GW globally. As a long-term strategic partner, ORIX will, through its global subsidiaries, assist the Group with acquisitions of overseas solar power projects and share technical and operational experience with the Group.

The Company established a medium-term note programme of HK$2 billion (approximately RMB1.8 billion) to issue notes to professional investors. As at 30 March 2017, the Group had issued medium-term notes amounting to HK$234 million (approximately RMB208 million).

The Group is actively seeking refinancing opportunities that may provide the Group with optimal capital structure to pursue further growth and development, while lowering the finance costs.

FINANCIAL REVIEW

Financial highlight of the Group for the Year was demonstrated as follows:

	For the year ended 31 December			
	2016	2015	Change	
	RMB' million	*RMB' million*	*RMB' million*	%
Revenue from sales of electricity and tariff adjustment				
– Subsidiaries	**998**	631	367	58
– Share of associates	**32**	36	(4)	(11)
– Share of joint venture	**9**	–	9	N/A
	1,039	667	372	56
EBITDA (excluding associates and joint venture)	**841**	480	361	75
Depreciation	**(301)**	(242)	(59)	24
Finance costs	**(1,066)**	(638)	(428)	67
Other operating income, net	**16**	8	8	100
Fair value gains	**892**	732	160	22
Disposal gain	**–**	33	(33)	(100)
Profit for the year	**382**	373	9	2

General

The increase in the revenue from sales of electricity and tariff adjustment ("Revenue") and EBITDA of the Group (excluding associates and joint venture) was attributed to: (i) the full year electricity generated by solar power plants with capacity of 140MW in Inner Mongolia and 100MW in Hubei which were acquired in Q3 and Q4 of 2015 respectively, with the corresponding increase in Revenue by approximately RMB141 million and RMB80 million respectively; (ii) expansion in aggregate installed capacity of 235.2MW, or around 30.5% by way of acquisition and self-development projects, with corresponding increase in Revenue by approximately RMB126 million.

The net profit kept stable with slight increase during the Year which is mainly due to the offsetting impact of the increase in fair value and the increase in finance costs. The increase in fair value gain was mainly attributable to the increase in fair value in an unlisted investment which was a then associate of the Group. The fair value has been assessed by an independent valuer. The increase in finance costs was mainly caused by the interest amortisation of certain convertible bonds issued in 2015.

The Directors do not recommend the payment of any dividend for the Year.

Segment information

During the Year, the Group retained one single reportable segment which was principally engaged in the development, investment, operation and management of solar power plants in the PRC.

Revenue

The geographical breakdown of Revenue recognised during the Year was analysed as below:

	For the year ended 31 December	
	2016	2015
	RMB' million	*RMB' million*
Subsidiaries:		
– Inner Mongolia	**361**	213
– Qinghai	**268**	265
– Xinjiang	**91**	68
– Gansu	**64**	65
– Hubei	**98**	18
– Shanxi	**60**	–
– Yunnan	**35**	–
– Shandong	**8**	–
– Others	**13**	2
Revenue as shown on the consolidated statement of profit or loss	**998**	631
Associates:		
– Inner Mongolia	**1**	7
– Jiangsu	**30**	29
– Yunnan	**1**	–
Share of revenue from associates	**32**	36
Joint venture:		
– Ningxia	**9**	–
Share of revenue from joint venture	**9**	–
Total	**1,039**	667

Other income

During the Year, the Company received a compensation interest income of approximately RMB24 million in relation to an advance payment for a proposed acquisition of 930MW solar power plant projects in 2015. The advance payment was recovered in full in March 2016. In addition, the Group received a consultancy fee income of approximately RMB13 million in respect of provision of carbon assets management consultancy and inspection services. Included in the amount is also a compensation income in relation to certain construction service to a solar power plant located in Xinjiang, the PRC of approximately RMB21 million.

Employee benefits expenses

With the business expansion, the Group made substantial new hires to employees during the Year. The number of employees has increased by approximately 22% as compared to the corresponding period in 2015. Employee benefits expenses other than share-based payment expense amounted to approximately RMB89 million for the Year, representing an increase of 98% from approximately RMB45 million in corresponding period in 2015.

Depreciation of property, plant and equipment

The depreciation of property, plant and equipment was provided based on the assessment of their respective useful life. Power generating modules and equipment were the most significant components within the property, plant and equipment. During the Year, the useful lives of the property, plant and equipment have been reassessed and certain power generating modules and equipment have been reassessed to having 30 years useful lives from 25 years. With the change in such accounting estimate, the depreciation for the Year has been decreased by approximately RMB57 million.

Fair value gain on call option issued relating to acquisition of investments accounted for using equity method

The fair value gain recognised during the Year of approximately RMB165 million represented the call option agreement entered into in relation to the acquisition of remaining equity interest of a joint venture located in Ningxia, the PRC.

Fair value gain on financial assets at fair value through profit or loss relating to guaranteed electricity output

During the Year, the Group has recognised a fair value gain of approximately RMB220 million in relation to the estimation of guaranteed electricity output for solar power plants in Gansu, Hubei and Xinjiang, the PRC.

Fair value gain on unlisted investment

The Group ceased to have significant influence over an investee during the Year and re-classified the investment from associate to investment held for trading. The fair value was assessed by an independent professional valuer. The investee is mainly engaged in provision of engineering, procurement and construction ("EPC") services and provision of technical inspection services.

Finance costs

To develop and operate our solar power plant business, the Group has been obtaining various debt and equity financings. Debt financings include obtaining bank and other borrowings and issue of convertible bonds. During the Year, the total net proceeds from debt financing were approximately RMB6.9 billion (2015: RMB4.0 billion). Accordingly, the finance costs have increased by approximately 67% as compared to the corresponding period in 2015.

Although the overall finance costs have increased, the effective rates for those bank and other borrowings have decreased, as a result of the effective control on finance costs.

Share of profits of investments accounted for using equity method

The improvement in share of results of investments accounted for using equity method was mainly due to exclusion of loss from an associate engaging solar cell business which has been disposed of in December 2015 and no longer applicable for the Year.

Trade, bills and tariff adjustment receivables

In August 2016, the sixth batch Renewable Energy Tariff Subsidy Catalogue (the "Catalogue") was jointly issued by Ministry of Finance, National Development and Reform Commission and National Energy Bureau, which includes 15 solar power plants owned by the Group with aggregate installed capacity of 630MW. Partial settlement had been received since November 2016. Up to 31 December 2016, total amounts of approximately RMB500 million have been settled in cash. There were further settlement of approximately RMB263 million subsequent to the date of the statement of financial position.

As at 31 December 2016, the tariff adjustment receivables from the central government for the Group comprised 1% and 77% from 5th and 6th Batch Catalogues. Having considered the historical settlement pattern, management considered that there is no doubt on the recoverability issue. Those receivables other than 5th and 6th Batch Catalogues will also be recovered by the 7th Batch Catalogue to be applied in 2017, which is administrative in nature.

Key performance indicators

The Group measures the delivery of its strategies and managing its business through regular measurement of several key performance indicators, particularly on the following ratios: EBITDA margin, current ratio and interest-bearing debts-to-assets ratio.

EBITDA margin: EBITDA margin is a measurement of the Group's operating profitability and is calculated as EBITDA divided by the revenue. The Group has improved its performance on its solar power plants business as the Group has started to internalize certain O&M services and manage several solar power plants by itself during the Year. In addition, the Group has claimed certain amounts of compensation in relation to interest and EPC service. The EBITDA margin has improved by 8% to 84% in 2016 as compared to the corresponding period in 2015.

Current ratio: Current ratio measures the Group's ability to meet short-term debt obligation and is calculated as current assets divided by current liabilities. Certain long-term refinancing applications on projects level were completed after 31 December 2016, thus the current ratio has dropped from approximately 0.97 at 31 December 2015 to 0.88 at 31 December 2016. Together with the partial settlement of central government subsidies on renewable energy projects, issue of US$350 million senior notes and the proceed of equity financing of approximately HK$1.3 billion (approximately to RMB1.1 billion) in Q1 2017, the Group is confident that sufficient working capital will be in place in 2017.

Interest-bearing debts-to-assets ratio: Interest-bearing debts-to-assets ratio is a measurement of the strength to obtain financing from the Group's assets. The ratio is calculated as the interest-bearing debts divided by the total assets. The ratio has increased from approximately 61% at 31 December 2015 to approximately 77% at 31 December 2016 as the Group has successfully obtained various bank and other borrowings and issued convertible bonds during the Year.

Liquidity, financial resources, gearing ratio and capital structure

As at 31 December 2016, the Group recorded non-current assets of approximately RMB12,645 million, current assets of approximately RMB4,536 million, current liabilities of approximately RMB5,130 million and non-current liabilities of approximately RMB9,443 million. In order to finance the working capital of the Group, certain financing measures have been undertaken by the Directors as set out in note 2.1.1 to the financial statements.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations has been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in interest rates on each solar power project, appropriate funding policies will be applied including the use of bank and other borrowings, issue of convertible bonds, issue of senior notes or placing of new shares. The management will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts is calculated as total borrowings (including current and non-current bank and other borrowings, construction costs payables and convertible bonds as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The gearing ratio as at 31 December 2016 and 2015 were as follows:

	2016	2015
	RMB' million	*RMB' million*
Bank and other borrowings	**10,134**	5,009
Construction costs payables	**563**	1,442
Convertible bonds	**3,154**	2,911
	13,851	9,362
Less: cash and cash equivalents	**(996)**	(947)
Net debts	**12,855**	8,415
Total equity	**2,608**	2,230
Total capital	**15,463**	10,645
Gearing ratio	**83.1%**	79.1%

Except for the bank and other borrowings and convertible bonds with aggregate amounts of RMB3,366 million and RMB3,154 million respectively, which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

As at 31 December 2016, the cash and cash equivalents were denominated in the following currencies:

	RMB' million
RMB	**611**
HK$	**118**
US$	**96**
GBP	**171**
	996

As at 31 December 2016, the maturity and currency profile for the Group's bank and other borrowings and convertible bonds is set out as follows (in RMB' million):

	Within 1 year	**2nd year**	**3 to 5 years**	**6 to 10 years**	**Over 10 years**	**Total**
RMB	**3,533**	**799**	**1,758**	**2,221**	**107**	**8,418**
US$	**549**	**2,516**	**327**	**–**	**–**	**3,392**
HK$	**70**	**1,137**	**100**	**–**	**–**	**1,307**
GBP	**–**	**–**	**171**	**–**	**–**	**171**
	4,152	**4,452**	**2,356**	**2,221**	**107**	**13,288**

During the Year, the Group did not have any financial instruments for hedging purposes nor did the Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks.

As at 31 December 2016, the Group had no significant capital commitment.

Material acquisitions and disposals of subsidiaries and associated companies

During the Year, the Group has completed several acquisitions of subsidiaries, however, none of these acquisitions is individually material to the Group. There was no material acquisition or disposal of associated companies during the Year.

Material reliance on key customer

The key customers for the sales of electricity business were subsidiaries of the State Grid and Inner Mongolia Power (Group) Co. Limited ("Inner Mongolia Power"), all of which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As at 31 December 2016, the receivables from the subsidiaries of State Grid and Inner Mongolia Power were approximately 69% and 31% of the total trade, bills and tariff adjustment receivables respectively. Having considered the track record of the repayment for those solar power plants under the 5th and 6th Batch Catalogue, the risk of concentration of key customers was minimal.

Charge on assets

As at 31 December 2016, bank and other borrowings of the Group were secured by the pledge over certain power generating modules and equipment, certain guarantee deposits, the fee collection right in relation to the sales of electricity in certain subsidiaries and mortgage over the shares of certain subsidiaries of the Group.

Certain outstanding convertible bonds are secured by mortgages/charges over shares of certain subsidiaries, assets of certain subsidiaries, fee collection right in relation to the sales of electricity in certain subsidiaries of the Group.

Employees and remuneration policies

As at 31 December 2016, the Group had 305 full-time employees (2015: 249), among which 41 were in Hong Kong and 264 were in the PRC. Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with merit incorporated in the periodic remuneration review to reward and motivate individual performance. The Group offers competitive compensation and benefit packages to different levels of staff, including additional medical insurance, discretionary bonus, various training programmes, sponsorship for further study, as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total staff cost (including directors' emoluments) for the Year amounted to approximately RMB96 million (2015: RMB70 million).

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in the PRC and Hong Kong. For the operations in the PRC, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under Linked Exchange Rate System, the exposure to fluctuation in exchange rates will only arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, management will monitor the Group's foreign currency exposure should the need arises.

Contingent liabilities

As at 31 December 2016, the Group had no significant contingent liability.

Recent development

In January 2017, the Group has completed its acquisition of solar power plants in the United Kingdom, with total installed capacity of approximately 82.4MW. The acquisition marked the first step of overseas expansion of the Group.

During January and February 2017, the Company has issued US$350 million (equivalent to approximately RMB2,410 million) senior notes mainly for the early redemption of certain convertible bonds, repayment of certain existing indebtedness and working capital purposes. Such senior notes will mature in 2020.

In February 2017, the Group has commenced the development and construction of a panda-shaped solar power plant in Datong, the PRC, with an installed capacity of 50MW. The implementation of the project solidated the initiatives set out in the memorandum of understanding entered into between the Company and United Nations Development Programme in September 2016 to establish panda-shaped solar power plants so as to promote the youth advocacy on the sustainable development goals.

In March 2017, the Company has successfully completed the allotment and issue of shares and warrants to CMNEG, NEX, ORIX and a subsidiary of Asia Climate Partners Ltd. CMNEG and its parties acting in concert continue to be our single largest shareholder, and ORIX then has become the second largest shareholder of the Company.

OUTLOOK

Response to global climate change has become a major topic around the world in recent years. Under such background, the global energy system accelerated the transition to low-carbon energy. As such, utilization of renewable energy at large-scale as well as cleansing and low-carbonization of traditional energy use will be the basic trend in energy development, and expediting the development of renewable energy has become a mainstream strategy in the global energy transition. The Paris Agreement came into effect in November 2016, which meant that the development of new energy will be further accelerated. In addition, the PRC expressly stated in its basic national policy that the country shall persist in saving resources and protecting the environment, and set the fundamental target for energy development, that is, the carbon dioxide emission of the PRC will reach the peak by 2030, and the proportion of non-fossil energy in primary energy consumption will increase to 20%. With the new urbanization development, the construction of a green, recycling and low-carbon energy system has become necessary for the social development, which provided a favourable social environment and a broad market for the development of renewable energy such as solar power. Solar power enjoys unique advantages in terms of accessibility and energy structure adjustment, and has been widely applied all over the world, and the photovoltaic industry has entered into a new phase of large-scale development.

The "13th Five-year Plan" period is an important period for the promotion of economic restructure, energy revolution and system and mechanism innovation of the PRC, and is also a critical stage for the upgrade of solar industry. As such, the PRC solar industry will be exposed to precious opportunities for development. In respect of the industry, the upstream of the PRC photovoltaic industry enjoys distinguished competitiveness internationally with advanced technologies and well-established industrial chain; the downstream is undergoing rapid development with newly added installed capacity of 33.4GW and total installed capacity of 77GW in 2016. In recent years, local governments have developed a number of initiatives to fuel the growth of solar industry. The *Notice on Implementation of Mission of Fixed-Assets Investment in Autonomous Region* issued by Xinjiang Government on February 2017 set an investment goal of RMB1.5 trillion, among which RMB1.254 billion will be invested into new energy industry, including solar, and power grid development. Meanwhile, the PRC will step up the pace of "Going Out Strategy" for new energy going forward. Leveraging on extensive industry experience, advanced science and technologies and abundant talent pool, the PRC will put more effort in international market planning and research for solar power industry in key regions such as the Belt and Road (B&R) countries, provide guidance to the development and construction of major international projects, consolidate the traditional investment market of solar power industry in Europe, North America and certain regions in Asia and focus on the development of emerging markets such as Southeast Asia, West Asia, Latin America and Africa. The PRC will also strengthen the international cooperation on advance production capacity and project develop, form a strategic alliance covering the whole industrial chain and continuously enhance the competitiveness of its solar industry in international market to achieve "quality import and export" of solar power production capacity. The development and utilization of energy resources is a "strategically prioritized project", and the B&R countries are blessed with various resource advantages which are highly economic mutually complementary. Therefore, the great potential and space for cooperation makes energy cooperation of utmost importance to the B&R strategy.

Given the foregoing, United PV will continue to deepen the strategic cooperation with the United Nations Development Programme ("UNDP") in the future, carry out relevant projects in new energy sector, implement the "Panda 100" program in the B&R countries by constructing Panda Solar Power Plants and pilot power plants, and provide comprehensive energy solutions to the B&R countries based on their actual situations, in order to achieve global sharing of advanced production capacity and export the environmental-friendly concepts and lifestyle.

In respect of the domestic market, the industry will develop with marketization and diversification in an organized and healthy manner. Firstly, the impact of delay in subsidy settlement and solar power curtailment on the solar industry development will be further alleviated. With the payment of the sixth batch of subsidies for renewable energy, the problem of delay in subsidy settlement was relieved. In addition, the Notice on Implementation of Pilot Program in Relation to the Issue of Green Certificate for *Renewable Energy and Resources Acquisition and Trading System* (《關於試行可再生能源綠色電力證書核發及資源認購交易制度的通知》, "Green Certificate") issued in January 2017 stated that the pilot program of issue and voluntary acquisition of Green Certificate will be implemented from 2017, and a quota assessment system and compulsory trading mechanism for Green Certificate will be established at an appropriate time in 2018 based on market demand. Meanwhile, with the overall acceleration in establishment of the national carbon emission trading market, the subsidy mechanism for solar power generation will be further improved, which will boost the consumption of clean energy and stimulate the marketization of solar power tariff, thereby shortening the turnover period of tariff of the enterprises. Meanwhile, during the "13th Five-year Plan" period, the PRC will step up the pace in establishing a national unified market for electricity and promote the large-scale development and consumption of clean energy. As the Jiuquan-Hunan UHV transmission line came to service in March 2017, more UHV transmission lines are expected to be installed and put into operation in a large scale in 2017, which will increase the proportion of renewable energy in the power distribution channel effectively, expand the area accessible to electricity generated from solar power and alleviate the problem of solar power curtailment in a practical manner.

In light of the above, United PV will continue to strengthen the operation and maintenance management of existing power plants, and continuously optimize the geographical distribution of assets. We will put our emphasis on Central China and Southeast China which have better economic benefits without power curtailment. For regions affected by power curtailment, we will carefully select high-quality projects, make investment and commence construction in appropriate time. Meanwhile, we will pay close attention to the construction of UHV distribution facility channel and new energy facility to reverse more quality resources. We will also continue to closely follow up the changes in policies in relation to national subsidies on the price of electricity generated from solar power, Green Certificate trading and carbon emission so as to establish a diversified revenue model.

Going forward, on one hand, the strong determination in promoting energy structure adjustment, transition and upgrade all over the world provides precious opportunities for further enhancement of overall quality of assets and competitiveness of new energy industry, which exposes the industry to strategic opportunities of historic importance. On the other hand, the decisive function of the market is of growing importance to resources allocation. New energy power generation enterprises will gradually participate in the market competition, which poses higher requirement for the Group in strategic distribution of resources, cost control capability and market services quality. As such, the Group is faced with more intensive competition and daunting challenges for its development.

Facing the opportunities and challenges, United PV will adhere to the development philosophy of "structural innovation with ingenuity" based on the current situation, actively explore overseas projects, expand into international market, conduct in-depth research on the local policies, regional capacity, grid and other conditions of foreign countries, make strategic investment in markets with mature conditions and promising return and carry out project acquisition and development in a prudent manner. The Group will actively follow up major project opportunities in Europe, North America, Australia and regions along the B&R route to facilitate the internationalization at a steady pace. For domestic market, based on the actual situation of solar power projects in different regions, we will strictly implement the principle of matching the development pace and scale with quality and benefits. We will prioritize the investment and construction of projects with high electricity price and favourable condition for grid connection, actively reserve the projects requiring further improvement in external investment environment and policy supporting measures, and make investment decisions when conditions become mature, so as to ensure that the Group can continuously expand its business scale while making profits at a steady pace. Under the policy of electricity system reform, the Group will actively explore and develop new opportunities and take proactive action where conditions permit. Starting from UHV and based on external power transmission, the Group will develop the local projects with high quality and efficiency, and active explore the electricity sales business in order to broaden the road for the Group's future development. Meanwhile, we will adhere to the prudent financial policy, optimize the debt structure of the Group and actively and properly lower the leverage ratio to reinforce the foundation for long-term, ongoing and healthy development of the Group.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** ***RMB' million***	2015 *RMB' million*
Sales of electricity	*3*	**261**	175
Tariff adjustment	*3*	**737**	456
		998	631
Other income	*4*	**65**	2
Employee benefits expenses		**(96)**	(70)
Land use tax		**(14)**	(10)
Legal and professional fees		**(14)**	(8)
Maintenance costs		**(38)**	(48)
Other expenses		**(60)**	(34)
Sales of solar energy related products		**–**	307
Costs of sales of solar energy related products		**–**	(290)
EBITDA#		**841**	480
Acquisition costs arising from business combinations		**(15)**	(5)
Depreciation of property, plant and equipment		**(301)**	(242)
Bargain purchase arising from:			
(i) Business combinations; and	*14*	**91**	204
(ii) Acquisition of investments accounted for using equity method		**112**	10
Fair value gains/(losses) on financial assets at fair value through profit or loss relating to:			
(i) Call options issued relating to the acquisition of investments accounted for using equity method;		**131**	121
(ii) Guaranteed electricity output; and		**220**	(76)
(iii) Unlisted investment		**212**	–
Fair value gains on financial liabilities at fair value through profit or loss relating to:			
(i) Contingent consideration payables;		**37**	159
(ii) Put option issued in relation to acquisition of investments accounted for using equity method ("Put Option"); and		**21**	35
(iii) Subsequent re-measurement on derivative portion of convertible bonds	*12*	**68**	279
Finance income		**9**	9
Finance costs	*5*	**(1,066)**	(638)
Share of profits of investments accounted for using equity method		**23**	4
Gain on disposal of an associate		**–**	33
Profit before income tax		**383**	373
Income tax expense	*6*	**(1)**	–
Profit for the year		**382**	373

	Note	2016 RMB' million	2015 RMB' million
Profit attributable to:			
– Shareholders of the Company		**367**	361
– Non-controlling interests		**15**	12
		382	373
Earnings per share attributable to shareholders of the Company	*8*		
– Basic (RMB cents)		**7.63**	7.96
– Diluted (RMB cents)		**6.56**	0.75

\# EBITDA represents earnings before finance income, finance costs, income tax, depreciation and fair value gains/losses, which also excludes acquisition costs arising from business combinations and share of profits of investments accounted for using equity method. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RMB' million	*RMB' million*
Profit for the year	**382**	373
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
Exchange differences arising on translation of financial statements of subsidiaries	**(169)**	(108)
Total other comprehensive loss for the year, net of tax	**(169)**	(108)
Total comprehensive income for the year	**213**	265
Total comprehensive income for the year attributable to		
– Shareholders of the Company	**198**	253
– Non-controlling interests	**15**	12
	213	265

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	**2016** *RMB' million*	2015 *RMB' million*
ASSETS			
Non-current assets			
Property, plant and equipment		**9,176**	7,420
Intangible assets		**917**	950
Investments accounted for using equity method		**515**	305
Other receivables, deposits and prepayments	*9*	**771**	607
Financial assets at fair value through profit or loss		**252**	121
Pledged deposits		**1,014**	134
		12,645	9,537
Current assets			
Inventories		**–**	1
Financial assets at fair value through profit or loss		**340**	–
Other receivables, deposits and prepayments	*9*	**754**	1,050
Trade, bills and tariff adjustment receivables	*10*	**1,418**	1,228
Pledged deposits		**987**	–
Restricted cash		**41**	206
Cash and cash equivalents		**996**	947
		4,536	3,432
Total assets		**17,181**	12,969
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital		**402**	386
Reserves		**2,092**	1,739
		2,494	2,125
Non-controlling interests		**114**	105
Total equity		**2,608**	2,230

	Note	2016 RMB' million	2015 RMB' million
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*11*	**5,982**	4,305
Convertible bonds	*12*	**3,154**	1,987
Contingent consideration payables		**–**	581
Cash-settled share-based payment		**–**	24
Deferred government grant		**2**	4
Deferred tax liabilities		**305**	282
		9,443	7,183
Current liabilities			
Trade payables		**–**	90
Other payables and accruals	*13*	**978**	1,817
Bank and other borrowings	*11*	**4,152**	704
Convertible bonds	*12*	**–**	924
Other financial liability at fair value through profit or loss		**–**	21
		5,130	3,556
Total liabilities		**14,573**	10,739
Total equity and liabilities		**17,181**	12,969

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

United Photovoltaics Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in the development, investment, operation and management of solar power plants.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and derivatives of convertible bonds, which were carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

During the year, the Group has reassessed the useful lives of certain assets within power generating modules and equipment with the assistance of an international surveyor from 25 years to 30 years. Such change in accounting estimate has been applied prospectively from 1 January 2016 onwards. As a result, depreciation charge for the year ended 31 December 2016 and the net book value of property, plant and equipment as at 31 December 2016 has been decreased and increased by approximately RMB57 million respectively.

2.1.1 Going-concern basis

As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately RMB594 million. Included in its current liabilities were bank and other borrowings totalling approximately RMB4,152 million that are scheduled to be repayable within a year from 31 December 2016. As at the same date, the Group had unused uncommitted facilities of RMB659 million, which will be expired after 31 December 2017.

As at 31 December 2016, the Group had paid RMB293 million as deposits for proposed acquisitions of solar power plants with an aggregate installed capacity of 519.69MW pursuant to the terms of the conditional sale and purchase agreements or framework agreements. Should these potential acquisitions be completed, the Group would have to contribute additional capital to finance the settlement of its Engineering, Procurement and Construction ("EPC") payables and other payables, which is estimated to be approximately RMB4,274 million.

Subsequent to 31 December 2016 and up to the date of approval of the consolidated financial statements, the Group completed two of the abovementioned proposed acquisitions of solar power plants with an aggregate installed capacity of 99.69MW. The Group has assumed their EPC payables, other payables and borrowings, together with the required consideration amounts, totalling approximately RMB1,017 million. In addition, in February 2017, the Group entered into EPC contracts with contractors with an estimated capital expenditure amounting to RMB369 million for its self-constructed solar power plant in Datong County, Shanxi Province, the People's Republic of China (the "PRC") with an installed capacity of 50MW.

In June 2013, the Group acquired certain concession rights to develop and operate various solar power plant projects. The Group intends to exercise these concession rights and acquire the relevant solar power plant projects from the respective vendors before these rights expire in 2017 and 2018. The Group would require additional financing for these future acquisitions and the required amount is yet to be determined, as it is subject to the negotiation of the final consideration with the relevant vendors, as well as the negotiation of the amount of liabilities of the acquirees to be assumed by the Group upon completion of the acquisitions.

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under various contractual and other arrangements. All the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2016. The directors are of the opinion that, taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2016:

(i) Subsequent to 31 December 2016, the Group has successfully obtained short-term bank loans of RMB230 million and long-term bank loans of RMB1,280 million. The Group also had successfully issued medium-term notes of HK$36 million (equivalent to RMB32 million).

(ii) In January and February 2017, the Group has successfully issued an aggregate of US$350 million 8.25% senior notes due 2020 ("Senior Notes"). The aggregate net proceeds of US$341.2 million (equivalent to RMB2,268 million) from the issuance of Senior Notes will be used mainly for the redemption of the existing convertible bonds issued by the Company which are originally due in 2018 and 2019, repayment of certain existing indebtedness and working capital purposes.

(iii) In March 2017, the Company completed the allotment and issue of 2,232,978,962 subscription shares at the share subscription price of HK$0.5814 per subscription share and 871,075,858 warrants at the warrant issue price of HK$0.000775 per warrant ("Share and Warrant Subscriptions") respectively. The net proceeds from the Share and Warrant Subscriptions amounted to approximately HK$1,259 million (equivalent to approximately RMB1,119 million).

(iv) China Merchants New Energy Group Limited ("CMNEG"), a shareholder of the Company and an indirect 79.36% owned subsidiary of China Merchants Group, had issued a letter to the Group and agreed to provide financial support to the Group for a period up to 31 August 2018 to enable the Group to meet its liabilities and obligations (including capital expenditures and operating expenses) as and when they fall due and to carry on its business without a significant curtailment of operations.

(v) The Group is pursuing the opportunities to issue the medium-term notes and long-term corporate bonds in the PRC. The directors are confident that the Group could successfully issue the medium-term notes and long-term corporate bonds.

(vi) The Group is also in the process of negotiating long-term borrowings from banks or other financial institutions to finance the settlement of its existing financial obligations and capital expenditures. In addition, should the proposed acquisitions be completed, the Group will try to negotiate long-term borrowings from banks or other financial institutions to finance the settlement of EPC payables and other payables of these newly acquirees. Based on the past experience of the Group, the directors are confident that they will be able to obtain such long-term borrowings from banks and other financial institutions.

(vii) The solar power plants currently held and planned to be acquired by the Group have already achieved on-grid connection. They are expected to generate operating cash inflows to the Group. The directors are confident that all existing solar power plants currently held by the Group, if not registered in the previous Renewable Energy Tariff Subsidy Catalogue ("Catalogue"), are eligible for the registration onto the Catalogue and the tariff adjustment receivables in relation to the Group's solar power plants included in the sixth batch Catalogue will be received in 2017.

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2016. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described in (iv) to (vii) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to obtain the financial support from CMNEG as needed, successfully issue medium-term notes and long-term corporate bonds in the PRC, secure various sources of short-term or long-term financing as and when required, and to generate adequate operating cash inflows from its existing solar power plants and other plants to be acquired or constructed in the expected timeframe.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.1.2 *Changes in accounting policy and disclosures*

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016.

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 27 Amendment	Equity Method in Separate Financial Statements

Those standards, amendments and interpretations which were effective for the financial year beginning on 1 January 2016 do not have a material effect on the Group's financial statements.

(b) *New standards, amendments to standards and interpretation that have been issued but were not yet effective*

The following new/revised standards, amendments and interpretations have been issued but were not yet effective for the financial year beginning on 1 January 2016 and have not been adopted early by the Group:

Effective for accounting periods beginning on or after 1 January 2017

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses

Effective for accounting periods beginning on or after 1 January 2018

HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

Effective for accounting periods beginning on or after 1 January 2019

HKFRS 16	Lease

Effective for accounting periods beginning on or after a date to be determined

HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group has already commenced an assessment of the impact of adopting the above new standards and interpretations, amendments and revision to existing standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

3 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group has one single reportable segment, which is principally engaged in the development, investment, operation and management of solar power plants.

For the year ended 31 December 2016, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC (2015: Same).

The geographical analysis of the Group's non-current assets (excluding deposits for investments, pledged deposits relating to borrowings, value-added tax recoverable and financial assets at fair value through profit or loss) is as follows:

	2016	2015
	RMB' million	*RMB' million*
The PRC	**10,619**	8,733
Hong Kong	**1**	1
	10,620	8,734

For the year ended 31 December 2016, there were two customers (2015: four) which individually contributed over 10% of the Group's total revenue. During the year, the revenue contributed from each of these customers was as follows:

	2016	2015
	RMB' million	*RMB' million*
– Customer A	**283**	195
– Customer B	**268**	265
– Customer C	**–**	204
– Customer D	**–**	103

4 OTHER INCOME

	2016	2015
	RMB'million	*RMB'million*
Compensation interest income in respect of a terminated acquisition in 2015	**24**	–
Compensation income *(Note (a))*	**21**	–
Government grant	**5**	2
Consultancy fee income	**13**	–
Others	**2**	–
	65	2

Note:

(a) The amount represents the compensation income from an EPC supplier, who did not fulfil certain requirements in construction of solar power plant under an EPC contract.

5 FINANCE COSTS

	2016	2015
	RMB' million	*RMB' million*
In relation to bank and other borrowings:		
– Loan facilities fees	**100**	26
– Interest expenses	**326**	196
In relation to convertible bonds *(Note 12)*:		
– Day 1 fair value loss on issue of convertible bonds	**–**	50
– Interest accretion	**640**	366
	1,066	638

6 INCOME TAX EXPENSE

The Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. During the year, 20 subsidiaries of the Group which are engaging in the development, investment, operation and management of solar power plants have obtained the relevant preferential tax concession. They are fully exempted from the PRC corporate income tax for the first three years, followed by a 50% tax exemption for the next three years.

Except two project companies subject to 12.5% PRC corporate tax rate, the applicable tax rate for remaining subsidiaries during the year was 0% (2015: 0%).

7 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2016 (2015: Same).

8 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to shareholders of the Company (RMB' million)	**367**	361
Weighted average number of ordinary shares in issue (million shares)	**4,808**	4,533
Basic earnings per share (RMB cents)	**7.63**	7.96

(b) Diluted

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2016, the Group has four (2015: five) categories of dilutive potential ordinary shares: convertible bonds, share option, Put Option and contingent consideration payables (2015: convertible bonds, share option, Equity incentive scheme ("EIS"), Put Option and contingent consideration payables).

The convertible bonds and contingent consideration payables were assumed to have been converted into ordinary shares, and the net profit has been adjusted to eliminate the interest accretion and fair value change less the tax effect. For the share option, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share option. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share option.

The Put Option was assumed to have been exercised by the holder and to be settled by way of issue of the Company's shares. The net profit has been adjusted to eliminate the fair value change less the tax effect and to additionally share the results of investments accounted for using equity method.

	2016	2015
Earnings (RMB'million)		
Profit attributable to shareholders of the Company	**367**	361
Assumed conversion/exercise of certain convertible bonds, contingent consideration payable and Put Option (2015: certain convertible bonds, contingent consideration payables, Put Option and EIS)		
Adjustments for:		
Certain convertible bonds		
– Interest accretion	**68**	102
– Subsequent remeasurement gains	**(3)**	(236)
Contingent consideration payables		
– Fair value gain	**(37)**	(159)
Put Option		
– Fair value gain	**(21)**	(35)
– Additional share of results of an investment accounted for using equity method	**18**	13
Adjusted profit attributable to shareholders of the Company used to determine the diluted earnings per share	**392**	46
Weighted average number of ordinary shares in issue (million shares)	**4,808**	4,533
Adjustments for:		
– Assumed conversion of certain convertible bonds	**986**	559
– Assumed exercise of Put Option	**184**	179
– Assumed exercise of contingent consideration payables	**–**	808
– Assumed exercise of EIS	**–**	11
Weighted average number of ordinary shares used to determine the diluted earnings per share	**5,978**	6,090
Diluted earnings per share attributable to the shareholders of the Company (RMB cents)	**6.56**	0.75

Certain convertible bonds and share option were not assumed to be converted/exercised as they would have an anti-dilutive impact to the profit attributable to the shareholders of the Company per share, for the year ended 31 December 2016 (2015: Same).

9 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	RMB' million	*RMB' million*
Non-current		
Prepayments for purchase of plant and equipment	**9**	59
Deposits for investments *(Note a)*	**293**	80
Value-added tax recoverable	**466**	468
Others	**3**	–
	771	607
Current		
Amounts due from associates	**–**	279
Advance payment *(Note b)*	**–**	424
Amount due from a related company	**20**	–
Amount due from a joint venture	**20**	–
Value-added tax recoverable	**384**	265
Other receivables, deposits and prepayments	**330**	82
	754	1,050
Total	**1,525**	1,657

Notes:

(a) During the year, the Group entered into several conditional sale and purchase agreements with independent third parties in relation to proposed acquisition of project companies which own solar power plants. Up to 31 December 2016, the Group has paid RMB293 million as investment deposits (2015: RMB80 million).

(b) An advance payment in respect of proposed acquisitions of 930MW solar power plant projects of HK$500 million (equivalent to approximately RMB424 million) was made in 2015. Such proposed acquisitions were cancelled and the advance payment was fully refunded together with the interest of approximately HK$28 million (equivalent to approximately RMB24 million) during the year.

10 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2016	2015
	RMB' million	*RMB' million*
Trade receivables	**26**	212
Less: Provision for impairment	**–**	–
Trade receivables – net	**26**	212
Tariff adjustment receivables	**1,383**	1,009
Trade and tariff adjustment receivables	**1,409**	1,221
Bills receivables	**9**	7
Trade, bills and tariff adjustment receivables	**1,418**	1,228

As at 31 December 2016, trade receivables of approximately RMB26 million represented receivables from sales of electricity and are usually settled within one month (2015: RMB212 million mainly represented receivables from sales of electricity and sales of solar energy related products). Tariff adjustment receivables mainly represented (i) the central government subsidies on renewable energy projects to be received from the State Grid Corporation of China and Inner Mongolia Power Co. Ltd. based on the respective electricity sale and purchase agreements for each of the Group's solar plants and prevailing nationwide government policies, of which approximately RMB10 million, RMB1,048 million and RMB296 million were arising from the 5th batch, 6th batch and the awaiting 7th batch of the Renewable Energy Tariff Subsidy Catalogue ("Catalogue"), respectively; and (ii) the provincial government subsidies on renewable energy projects, of which approximately RMB9 million and RMB16 million are arising from electricity generated in 2015 and 2016, respectively. The management believes that all existing solar power plants currently held by the Group, if not registered in the previous Catalogue, are eligible for the registration onto the Catalogue and the tariff adjustment receivables arising from the 6th batch Catalogue will be received in 2017.

The ageing analysis by invoice date of trade and tariff adjustment receivables was as follows:

	2016	2015
	RMB' million	*RMB' million*
Not yet due	**1,409**	1,063
1-30 days	**–**	158
	1,409	1,221

As at 31 December 2016 and 2015, no trade and tariff adjustment receivables were past due but not impaired.

The maximum exposure to credit risk at the reporting date was the carrying value of each of the receivable mentioned above. The Group did not hold any collateral as security.

11 BANK AND OTHER BORROWINGS

	2016	2015
	RMB' million	*RMB' million*
Bank borrowings	**7,824**	3,263
Loans from leasing companies	**2,184**	1,727
Medium-term notes	**170**	65
Loans from third parties	**101**	56
	10,279	5,111
Unamortised loan facilities fees	**(145)**	(102)
	10,134	5,009
Classifying as:		
– Current portion	**4,152**	704
– Non-current portion	**5,982**	4,305
	10,134	5,009

12 CONVERTIBLE BONDS

Summarised below is the movement of each portion under liabilities component during the year:

	Financial liabilities at amortised cost-debt portion *RMB' million*	**Financial liabilities at fair value through profit or loss – derivative portion** *RMB' million*	**Total** *RMB' million*
As at 1 January 2015	783	43	826
Fair value of convertible bonds issued	1,610	331	1,941
Equity component	(114)	–	(114)
Day 1 fair value loss on issue	50	–	50
Interest accretion	366	–	366
Fair value gain recognised	–	(279)	(279)
Interests paid	(37)	–	(37)
Exchange difference	145	13	158
As at 31 December 2015 and 1 January 2016	2,803	108	2,911
Fair value of convertible bonds issued	255	42	297
Reclassify from contingent consideration payables	488	–	488
Interest accretion	640	–	640
Fair value gain recognised	–	(68)	(68)
Interests paid	(185)	–	(185)
Conversion of convertible bonds	(30)	–	(30)
Redemption upon maturity	(1,064)	–	(1,064)
Exchange difference	161	4	165
As at 31 December 2016	3,068	86	3,154

The liability portion of convertible bonds was analysed as follows:

	2016 *RMB' million*	2015 *RMB' million*
Non-current liabilities	**3,154**	1,987
Current liabilities	**–**	924
	3,154	2,911

13 OTHER PAYABLES AND ACCRUALS

	2016	2015
	RMB' million	*RMB' million*
Construction costs payable	**563**	1,442
Vaule-added tax payables	**198**	143
Other payables and accruals	**217**	207
Amounts due to associates	**–**	25
	978	1,817

14 BUSINESS COMBINATION

The Group is principally engaged in the development, investment, operation and management of solar power plants. It is the Group's strategy to identify suitable investment opportunity to acquire solar power plants with good prospects and potential for stable returns. During the year, the Group has acquired several solar power plants with an aggregate installed capacity of 134.8MW in Yunnan, Xinjiang, Hebei and Shandong, the PRC. Details of each business combination is as follows:

(i) Yunnan projects

In January 2016, the Group completed the step-acquisition in Yongsheng Huiguang Photovoltaics Power Co., Ltd. ("Yongsheng Huiguang"), with installed capacity of 19.8MW, from 19.1% to 55.6% for cash consideration of approximately RMB20 million from an independent third party. Since then, Yongsheng Huiguang ceased to be an associate and became a subsidiary of the Group.

This acquisitions were part of the solar power energy initiative in relation to the concession rights acquired in CSPG in June 2013, an amount of approximately RMB10 million has been redesignated from intangible assets as part of investment cost, and an amount of approximately RMB2 million has been recognised as deferred tax liabilities arising from fair value changes.

In July 2016, the Group completed a 100% equity interest in Yongren Huiguang Photovoltaics Power Co., Limited, with an installed capacity of 35MW, for cash consideration of approximately RMB37 million from an independent third party.

(ii) Xinjiang project

In April 2016, the Group completed the acquisition of a 100% equity interest in Wujiaqu Lishang Photovoltaics Power Co., Ltd., with an installed capacity of 20MW, for a cash consideration of RMB40 million from an affiliate of a substantial shareholder of the Company.

This acquisition was part of the solar power energy initiative in relation to the concession rights acquired in CSPG in June 2013, an amount of approximately RMB23 million has been redesignated from intangible assets as part of investment cost, and an amount of approximately RMB5 million has been recognised as deferred tax liabilities arising from fair value changes.

(iii) Hebei project

In August 2016, the Group completed the acquisition of a 100% equity interest in Yangyuen Zhongjiu Energy Development Technology Co., Limited, with an installed capacity of 20MW, for a cash consideration of approximately RMB70 million from an independent third party.

(iv) Shandong project

In October 2016, the Group completed the acquisition of a 100% equity interest in Haiyang-Xin Shunfeng Photovoltaic Technology Company Limited, with an installed capacity of 40MW, for a cash consideration of approximately RMB84 million from an independent third party.

The above business combinations are individually immaterial but are material collectively to the Group, the aggregate financial information as at acquisition date is presented as follows:

	RMB' million
Consideration:	
Cash consideration	**251**
Redesignation of concession rights previously recognised	
– Intangible assets	**33**
– Deferred tax liabilities	**(7)**
Fair value of previously held interest	**16**
Total consideration	**293**
Recognised amounts of provisional fair value of identifiable assets acquired, liabilities assumed and non-controlling interests	
Property, plant and equipment	**1,233**
Value-added tax recoverable	**114**
Trade, bills and other receivables	**141**
Cash and cash equivalents	**10**
Other payables and accruals	**(761)**
Borrowings	**(289)**
Deferred tax liabilities	**(30)**
Total identifiable net assets	**418**
Non-controlling interests	**(34)**
Bargain purchase recognised in the consolidated statement of profit or loss	**(91)**
	293

15 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

(a) Issue of Senior Notes

In January and February 2017, the Company issued an aggregate of US$350 million (equivalent to approximately RMB2.41 billion) 8.25% Senior Notes due 2020 mainly for early redemption of certain convertible bonds, repayment of existing indebtedness and working capital purposes.

(b) Acquisition of subsidiaries

(i) In January 2017, the Group completed the acquisition of 100% equity interest in a project company which owns 6 solar power plants with aggregate installed capacity of 82.4MW in the United Kingdom, at a maximum cash consideration of GBP30.1 million (equivalent to approximately RMB260 million) which is subject to the performance-based contingent consideration payments of GBP3 million based on the volume of electricity output for a period of 5 years commencing from 1 October 2016.

(ii) In February 2017, the Group completed the acquisition of 100% equity interest in a project company which owns a grid-connected solar power plant with an aggregate installed capacity of 17.29MW located in Hebei Province, the PRC for a total consideration of approximately RMB169 million.

(c) Self-construction of Datong Panda 50MW

In February 2017, the Group entered into EPC contracts with the contractors for the development and construction of the Group's Datong Panda Solar Power Plant Project with an aggregate installed capacity of 50MW located in Datong, Shanxi Province, the PRC, at a total consideration of approximately RMB369 million.

(d) Completion of equity financing by allotment and issue of shares and warrants

In March 2017, the Company has successfully completed the allotment and issue of shares and warrants to CMNEG, New Energy Exchange Limited, ORIX Asia Capital Limited ("ORIX") and a subsidiary of Asia Climate Partners LP. An aggregate of 2,232,978,962 subscription shares and 871,075,858 warrants have been allotted and issued. The price of each subscription share is HK$0.5814 while the price for each warrant issue is HK$0.000775. The gross and net proceeds from this share and warrant subscription is approximately HK$1,299 million (approximately to RMB1,154 million) and HK$1,259 million (approximately to RMB1,119 million) respectively.

(e) Redemption of certain convertible bonds before maturity

In March 2017, the Company has redeemed certain convertible bonds held by CMNEG and NEX (part of 3rd batch convertible bonds) and the 4th batch convertible bonds at amount (including principal, accrued interests and redemption premium, if any) of approximately HK$440 million (equivalent to RMB391 million), HK$33 million (equivalent to RMB29 million) and US$35.9 million (equivalent to RMB247 million) respectively.

AUDIT OPINION

The auditor of the Group will issue an opinion with material uncertainty related to going concern on the consolidated financial statements of the Group for the year under audit. An extract of the auditor's report is set out in the section headed "**EXTRACT OF THE AUDITOR'S REPORT**" below.

EXTRACT OF THE AUDITOR'S REPORT

Opinion

What we have audited

The consolidated financial statements of United Photovoltaics Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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.

Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1.1 to the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by RMB594 million as at 31 December 2016, and that the Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. These matters, along with other matters as described in Note 2.1.1 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance and has maintained a framework of corporate governance policies and practices to apply the principles of good governance in our daily operation. Throughout the year ended 31 December 2016, the Company has applied the principles and complied with all the code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviation.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li, Alan, an executive Director, is the chief executive officer of the Company and the chairman of the Board. The Board is of the view that the current structure will enable the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. The Board believes that the balance of power and authority between chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgement.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the annual report and annual results for the year ended 31 December 2016 before the results were submitted to the Board for approval.

PUBLICATION OF RESULTS ANNOUNCEMENT, ANNUAL REPORT AND ESG REPORT

This announcement is required to be published on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and at the website of the Company at http://www.unitedpvgroup.com. The annual report containing all the information required under Appendix 16 to the Listing Rules and the Group's ESG Report will be published on the Stock Exchange's website in due course.

APPRECIATION

The Board would like to take this opportunity to thank every stakeholder of the Group for their contributions to the Group during the Year.

For and on behalf of
United Photovoltaics Group Limited
Li, Alan
Chairman of the Board

Hong Kong, 30 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Li, Alan (Chairman and Chief Executive Officer), Mr. Lu Zhenwei, Mr. Li Hong, Ms. Qiu Ping, Maggie and Mr. Jiang Wei; the non-executive directors of the Company are Academician Yao Jiannian, Mr. Tang Wenyong and Mr. Li Hao; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Ma Kwong Wing.