

YINGLI GREEN ENERGY HOLDING CO LTD
Form 20-F
May 16, 2016

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

**.. REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES
EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934**
x

For the fiscal year ended December 31, 2015

OR

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

OR

**.. SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

Commission file number 001-33469

Yingli Green Energy Holding Company Limited

(Exact name of Registrant as specified in its charter)

Cayman Islands

(Jurisdiction of incorporation or organization)

No. 3399 Chaoyang North Street, Baoding 071051, People's Republic of China

(Address of principal executive offices)

Yiyu Wang, Chief Financial Officer

Telephone: (86 312) 8929-787

Facsimile: (86 312) 8929-800

No. 3399 Chaoyang North Street

Baoding 071051, People's Republic of China

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary Shares, par value US\$0.01 per share	New York Stock Exchange
American Depositary Shares, each representing ten Ordinary Shares	

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Securities registered or to be registered pursuant to Section 12(g) of the Act: **None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

181,763,770 Ordinary Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued
by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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YINGLI GREEN ENERGY HOLDING COMPANY LIMITED

ANNUAL REPORT ON FORM 20-F

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CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless otherwise indicated, references in this annual report to:

“€” and “Euro” are to the legal currency of the member states of the European Union that adopted such currency as their single currency in accordance with the Treaty Establishing the European Community (signed in Rome on March 25, 1957), as amended by the Treaty on European Union (signed in Maastricht on February 7, 1992);

“US\$” and “U.S. dollars” are to the legal currency of the United States;

“ADRs” are to the American depository receipts, which, if issued, evidence the ADSs;

“ADSs” are to the American depository shares, each representing ten ordinary shares, par value US\$0.01 per share, of Yingli Green Energy;

“China” and the “PRC” are to the People’s Republic of China, excluding, for the purpose of this annual report only, Taiwan and the special administrative regions of Hong Kong and Macau;

“convertible senior notes” are to our zero coupon convertible senior notes due 2012;

“RMB” and “Renminbi” are to the legal currency of the PRC;

“shares” and “ordinary shares” are to our ordinary shares, par value US\$0.01 per share;

“we,” “us” “our” and “our company” refer to Yingli Green Energy Holding Company Limited, a company incorporated in the Cayman Islands, all direct and indirect consolidated subsidiaries of Yingli Green Energy Holding Company Limited, and our predecessor, Baoding Tianwei Yingli New Energy Resources Co., Ltd., or Tianwei Yingli, and its consolidated subsidiary, unless the context otherwise requires or as otherwise indicates; and

“Yingli Green Energy” refers to Yingli Green Energy Holding Company Limited, a company incorporated in the Cayman Islands.

On December 28, 2015, we effected a change of the ratio of our ADSs to ordinary shares from one (1) ADS representing one (1) ordinary share to one (1) ADS representing ten (10) ordinary shares. Unless otherwise indicated, ADSs and per ADS amount in this annual report have been retroactively adjusted to reflect the change in ratio for all periods presented.

PART I

ITEM 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Not Applicable.

ITEM 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not Applicable.

ITEM 3. *KEY INFORMATION*

A. Selected Financial Data

The following tables present our selected consolidated financial information. You should read this information together with the consolidated financial statements and related notes and information under “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. The historical results are not necessarily indicative of results to be expected in any future periods.

The following selected consolidated statement of comprehensive loss data and other consolidated financial data for the years ended December 31, 2013, 2014 and 2015 and the following selected consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The following selected consolidated statement of comprehensive loss data for the years ended December 31, 2011 and 2012 and the following selected balance sheet data as of December 31, 2011, 2012 and 2013 have been derived from our audited consolidated financial statements not included in this annual report.

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Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. All ADS data have been retroactively adjusted to reflect the current ADS-to-ordinary share ratio for all periods presented.

	Yingli Green Energy					US\$
	For the Year Ended December 31,					
	2011	2012	2013	2014	2015	
	(In thousands, except share, ADS, per share and per ADS data)					
	RMB	RMB	RMB	RMB	RMB	
Consolidated Statement of Comprehensive Loss Data						
Net revenues	14,667,965	11,391,928	13,418,093	12,927,377	9,965,786	1,538,453
Gross profit (loss)	2,449,679	(368,801)	1,458,854	2,238,245	1,187,330	183,292
Impairment of goodwill	(273,382)	—	—	—	—	—
Impairment of long-lived assets	(2,275,024)	(200,497)	—	—	(3,804,116)	(587,254)
Provision for reserve for inventory purchase commitments	(851,694)	—	(393,048)	—	(77,705)	(11,996)
Provision for prepayment in relation to inventory purchase commitments	—	—	(87,134)	—	(522,050)	(80,591)
Gains from disposal of long lived assets and land use rights	—	—	—	—	1,167,317	180,203
Loss from operations	(2,695,068)	(2,523,316)	(1,118,382)	(215,194)	(4,228,025)	(652,695)
Interest expense	(626,737)	(897,124)	(971,597)	(1,015,871)	(977,176)	(150,850)
Foreign currency exchange losses	(190,475)	(78,599)	(32,230)	(243,386)	(132,709)	(20,487)
Income tax benefit (expense)	133,413	205,742	(31,025)	(89,723)	(731,191)	(112,876)
Loss attributable to the non-controlling interests	56,866	127,475	110,473	101,526	298,310	46,051
Net loss attributable to Yingli Green Energy	(3,208,911)	(3,064,412)	(1,944,425)	(1,299,809)	(5,600,526)	(864,572)
Basic and diluted loss per ADS (1)	(204.6)	(195.9)	(124.1)	(74.9)	(308.1)	(47.6)
Basic and diluted loss per ordinary share	(20.46)	(19.59)	(12.41)	(7.49)	(30.81)	(4.76)
Weighted average ordinary shares outstanding						
Basic	156,805,040	156,425,307	156,619,791	173,613,085	181,763,770	181,763,770
Diluted	156,805,040	156,425,307	156,619,791	173,613,085	181,763,770	181,763,770

Yingli Green Energy
 For the Year Ended December 31,
 2011 2012 2013 2014 2015
 (In percentages)

Other Consolidated Financial Data

Gross profit (loss) margin(2)	16.7 %	(3.2)%	10.9 %	17.3 %	11.9 %
Operating loss margin(2)	(18.4)%	(22.2)%	(8.3)%	(1.7)%	(42.4)%
Net loss margin(2)	(21.9)%	(26.9)%	(14.5)%	(10.1)%	(56.2)%

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	As of December 31,					US\$
	2011	2012	2013	2014	2015	
	(In thousands)					
	RMB	RMB	RMB	RMB	RMB	
Consolidated Balance Sheet Data						
Cash and cash equivalents	4,181,038	2,084,865	1,105,478	1,069,054	1,240,749	191,539
Accounts receivable, net	2,130,377	3,634,151	4,223,730	4,069,027	2,475,386	382,134
Inventories	2,670,919	2,523,550	2,164,902	2,099,082	1,484,314	229,139
Prepayments to suppliers	386,939	239,912	640,597	926,165	426,718	65,874
Total current assets	12,738,295	11,112,874	11,356,528	11,324,297	8,403,382	1,297,259
Long-term prepayments to suppliers	1,322,714	1,280,131	884,562	721,651	555,520	85,758
Land, Property, plants and equipment, net	12,389,184	13,218,200	13,128,479	12,110,794	6,846,482	1,056,915
Total assets	27,483,413	27,153,586	27,449,544	27,108,450	17,640,282	2,723,190
Short-term borrowings, including current portion of medium-term notes and long-term debt (3)	8,225,076	7,526,015	6,715,877	10,112,055	9,124,183	1,408,531
Convertible senior notes	9,218	—	—	—	—	—
Total current liabilities	12,949,612	12,940,969	14,302,552	18,076,726	15,660,717	2,417,598
Long-term debt, excluding current portion	3,451,899	4,076,456	4,108,283	2,858,153	2,405,898	371,407
Reserve for inventory purchase commitments	771,102	851,694	1,100,661	1,231,701	1,322,448	204,151
Total liabilities	20,429,752	22,936,815	25,322,479	25,806,769	22,352,433	3,450,621
Shareholders' equity: ordinary shares	12,011	12,241	12,252	13,791	13,791	2,129
Non-controlling interests	1,892,464	1,846,905	1,619,045	1,519,045	1,227,533	189,498
Total shareholders' equity/(deficit)	7,053,661	4,216,771	2,127,065	1,301,681	(4,712,151)	(727,431)

	For the Year Ended December 31,				
	2011	2012	2013	2014	2015
Consolidated Operating Data					
PV modules shipment (in megawatts)(4)	1,603.8	2,297.1	3,234.3	3,361.3	2,447.0

(1) One (1) ADS represents ten (10) ordinary shares.

The (increase)/decrease in net loss attributable to Yingli Green Energy and (increase)/decrease in basic and diluted loss per share without the tax holidays for the years ended December 31, 2011, 2012, 2013; and the (increase)/decrease in net loss attributable to Yingli Green Energy and (increase)/decrease in basic and diluted loss per share without the tax holidays and preference rates for the years ended December 31, 2014 and 2015 are as follows:

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	For the Year Ended December 31,				
	2011	2012	2013	2014	2015
	RMB	RMB	RMB	RMB	RMB/\$
Net loss attributable to Yingli Green Energy	(52,951)	—	(15,030)	(12,483)	-
Basic loss per share	(0.34)	—	(0.10)	(0.07)	-
Diluted loss per share	(0.34)	—	(0.10)	(0.07)	-

(2) Gross profit (loss) margin, operating loss margin and net loss margin represent gross profit (loss), loss from operations and net loss attributable to Yingli Green Energy, respectively, divided by net revenues.

(3) Includes loans guaranteed or entrusted by related parties, which amounted to RMB3,197.8 million, RMB3,448.5 million, RMB3,602.9 million, RMB4,671.5 million and RMB3,871.2 million (US\$597.6 million), as of December 31, 2011, 2012, 2013, 2014 and 2015, respectively.

(4) PV modules shipment for a given period represents the total PV modules, as measured in megawatts, delivered during such period, including shipments for PV systems used for our own downstream power plants in China.

Exchange Rate Information

Translations of Renminbi into U.S. dollars in this annual report are based on the noon buying rate in The City of New York for cable transfers of Renminbi per U.S. dollar as set forth in the H.10 weekly statistical release of the Federal Reserve Board. Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at a rate of RMB6.4778 to US\$1.00, the noon buying rate in effect as of December 31, 2015. We make no representation that any Renminbi or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or Renminbi, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On May 6, 2016, the noon buying rate as set forth in the H.10 weekly statistical release of the Federal Reserve Board was RMB6.4970 to US\$1.00.

The following table sets forth information concerning exchange rates between RMB and U.S. dollar for the periods indicated.

Noon Buying Rate(1)

Period	Period End	Average(2)	High	Low
	(RMB per US\$1.00)			
2011	6.2939	6.4630	6.2939	6.6364
2012	6.2301	6.3093	6.2221	6.3879
2013	6.0537	6.1478	6.0537	6.2438
2014	6.2046	6.1620	6.0402	6.2591
2015	6.4778	6.2827	6.1870	6.4896
October	6.3180	6.3505	6.3180	6.3591
November	6.3883	6.3640	6.3180	6.3945
December	6.4778	6.4491	6.3883	6.4896
2016				
January	6.5752	6.5726	6.5219	6.5932
February	6.5525	6.5501	6.5154	6.5795
March	6.4480	6.5027	6.4480	6.5500
April	6.4738	6.4754	6.4571	6.5004
May (through May 6, 2016)	6.4970	6.4917	6.4738	6.5032

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(1) Source: H.10 weekly statistical release of the Federal Reserve Board.

(2) Annual averages are calculated by averaging exchange rate on the last business day of each month or the elapsed portion thereof during the relevant period. Monthly averages are calculated using the average of the daily rates during the relevant period.

B. Capitalization and Indebtedness

Not Applicable.

C. Reasons for the Offer and Use of Proceeds

Not Applicable.

D. Risk Factors

Risks Related to Us and the PV Industry

Adverse economic conditions in our target markets as well as an increased supply of PV modules have had and may continue to have a material adverse effect on our profitability and results of operations.

Demand for our products substantially depends on general economic conditions in our target markets. The economies of many countries around the world, including those in our target markets, experienced a period of slow economic growth and adverse credit market conditions as a result of the global financial crisis in 2008 and 2009 and the subsequent sovereign debt crisis in Europe. As PV projects generally require significant upfront capital expenditures, our customers historically have relied on financing for the purchase of our products. As a result of weakened macroeconomic conditions and in particular adverse credit market conditions, our customers experienced difficulty in obtaining financing on attractive terms or at all. As a result, growth rate of demand for PV modules has declined significantly since the fourth quarter of 2008. Although credit market conditions have improved since the second quarter of 2009, which contributed to an increase in demand for our products, demand for our products slowed again in the first and fourth quarters of 2011, the third quarter of 2012, the first quarter of 2013, the first quarter of 2014 and the first quarter of 2015. This slowed demand was primarily caused by seasonal factors, including challenging weather

conditions and holidays, as well as the adjustments to subsidies and economic incentives for PV installations as part of government austerity measures in many countries. In addition, overall supply of PV modules has increased due to production capacity expansion by PV module manufacturers worldwide in recent years which, together with slower growth in demand for PV modules and increasingly severe market competition, resulted in lower prices for PV modules beginning in the fourth quarter of 2008. The decrease in the average selling price of our PV modules caused our gross profit margin to decrease significantly from 16.7% for 2011 to negative 3.2% for 2012. While we achieved gross profit of 10.9% for 2013, 17.3% for 2014, and 11.9% for 2015, we continued to incur operating and net losses in 2013, 2014 and 2015. There can be no assurance that the demand for our products will increase or remain at the current level or such demand will not decline again in the near future, or our cost saving efforts will improve our profitability or prevent our profit margin from declining further. While the average selling price of our PV modules has stabilized somewhat since the second quarter of 2013, it decreased again in 2015 and there can be no assurance that we will not experience further decreases in the average selling price of our PV modules in the future or further declines in demand for our products, which may materially and adversely affect our financial condition and results of operations.

There is substantial doubt as to our ability to continue as a going concern.

In the past we have relied primarily on borrowings from commercial banks to fund a significant portion of our capital expenditures and working capital needs, and we expect to continue doing so in the future. Substantial doubt exists as to our ability to continue as a going concern. We have incurred significant net losses in recent years. For the years ended December 31, 2013, 2014 and 2015, our net loss was RMB2.1 billion, RMB1.4 billion, and RMB5.9 billion (US\$910.6 million), respectively. As of December 31, 2015, we had a total deficit attributable to Yingli Green Energy of RMB5.9 billion (US\$916.9 million) and a deficit in working capital of RMB7.3 billion (US\$1.1 billion). As of December 31, 2015, we had cash, cash equivalents and restricted cash of RMB1.6 billion (US\$245.1 million) and short-term borrowings, including the current portion of medium-term notes described below and long-term debt, of RMB9.1 billion (US\$1.4 billion). The medium-term notes were issued by our major manufacturing subsidiaries, Baoding Tianwei Yingli New Energy Resources Co., Ltd., or Tianwei Yingli, and Yingli Energy (China) Company Ltd., or Yingli China. As of December 31, 2015 and the date of this annual report, we have medium-term notes of RMB2,057 million outstanding, including (i) RMB357 million of the RMB-denominated unsecured five-year medium-term notes issued by Tianwei Yingli in 2010 (the “2010 MTNs”), which became due on October 13, 2015, (ii) RMB1.4 billion of the RMB-denominated unsecured five-year medium-term notes issued by Tianwei Yingli in 2011 (the “2011 MTNs”), which became due on May 12, 2016, and (iii) RMB300 million of RMB-denominated five-year medium-term notes issued by Yingli China in 2012 (the “2012 MTNs”), which will become due on May 3, 2017. We have had meetings with holders of the medium-term notes several times and have been negotiating with them about the repayment schedule of the medium-term notes. We proposed to holders of the 2010 MTNs and 2011 MTNs not to require Tianwei Yingli to repay the 2010 MTNs and 2011 MTNs before we obtain sufficient financial resources for such repayment while maintaining our operations. We have been negotiating with holders of the 2010 MTNs and 2011 MTNs and different funding sources about alternative financing plans that may enable Tianwei Yingli to repay these notes, such as 1) introduction of strategic investors to invest into Yingli Green Energy and our subsidiaries, 2) introduction of new creditors to grant new borrowings to Yingli Green Energy or our subsidiaries, and 3) sales of certain long-lived assets including land use rights to obtain additional funds. The plan for the sales of long-lived assets, if executed, will take more than one year to complete. As of the date of this annual report, these negotiations are still in progress and holders of the 2010 MTNs and 2011 MTNs have not demanded repayment of the 2010 MTNs or the 2011 MTNs. See Item 5.B. “Liquidity and Capital Resources—Liquidity and Going Concern”. We cannot assure you, however, that these negotiations will result in any agreement with holders of the 2010 MTNs or 2011 MTNs, and we cannot assure you that holders of the 2010 MTNs and 2011 MTNs will not demand Tianwei Yingli to repay these notes, which are already due, or take other actions against Tianwei Yingli in the future. As Tianwei Yingli is one of

our major operating subsidiaries, its substantial indebtedness that are already due and its noteholders' rights to enforce such debts, as well as our other substantial indebtedness and our net losses, may materially and adversely affect our business, financial condition and results of operations, as well as our ability to meet our payment obligations.

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Our ability to continue as a going concern is dependent upon our continued operations, which in turn is dependent upon our ability to meet our financial requirements, raise additional capital, and the success of our future operations, which in turn, are subject to various risks discussed herein including, among others, risks relating to economic conditions in our target markets as well as the supply and prices of PV modules in the market, our ability to reach agreements with our creditors to extend the repayment dates of our debts or renew such debts as necessary until we have the financial resources for their repayment, our ability to obtain additional capital or other funding to repay our debts, our ability to restructure some of our existing debts if needed, the ability of guarantors of our debt to maintain their financial condition, and our ability to comply with all covenants of our loan agreements or to obtain waivers if needed. The audited consolidated financial statements included in this annual report on Form 20-F were prepared on the basis of our continuing as a going concern. Facts and circumstances including recurring losses, negative working capital, net cash outflows, and uncertainties as to the repayment of debts raise substantial doubt about our ability to continue as a going concern. Likewise, the report of our independent registered public accounting firm includes a qualification that there is substantial doubt about our ability to continue as a going concern. The audited financial statements do not include any adjustments that might result from the outcome of these uncertainties. If we become unable to continue as a going concern, we may have to liquidate our assets, and the value we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our audited consolidated financial statements. Our lack of cash resources and our potential inability to continue as a going concern may materially and adversely affect the price of our ADSs and our ability to raise new capital or to continue our operations.

We require a significant amount of cash to fund our operations as well as meet our debt repayment obligations. If we cannot obtain additional financing and liquidity, our business, financial condition and results of operation will be materially and adversely affected. Certain financing activities may also dilute your equity interests in us and cause other material adverse effects on our financial condition and results of operations.

We require a significant amount of cash to fund our operations. In 2015, due to our tight operating cash flow, we had to reduce the utilization rate of our production facilities, which caused substantial decrease in our PV module shipments (excluding PV module shipments to the Company's own downstream PV projects in China) from 3,101 MW in 2014 to 2,382 MW in 2015 and contributed to the substantial decrease in our net revenues from RMB12.9 billion in 2014 to RMB10.0 billion in 2015. This in turn had a material adverse effect on our gross profit, which decreased from RMB2.2 billion in 2014 to RMB1.2 billion in 2015. We also recorded an impairment loss of approximately RMB3.8 billion in 2015 for property, plant and equipment with respect to the production facilities based on the difference between carrying value and fair value of such long-lived assets, which had a material adverse effect on our results of operations. Our ability to increase or maintain the utilization rate of our production capacity, net revenues and gross profits and prevent any further impairment loss for our production facilities will depend to a significant degree on our ability to obtain sufficient amount of additional cash and liquidity to fund our operations. We also require a significant amount of cash to meet our debt repayment obligations. See "Item 3.D. Risk Factors - Risks Related to Us and the PV Industry -There is substantial doubt as to our ability to continue as a going concern".

Our ability to obtain additional financing and liquidity in the future is subject to various uncertainties, including (i) our ability to improve our financial condition, results of operations and cash flows, (ii) our ability to reach agreements with our existing creditors that would allow us more time to repay our existing debts, (iii) our ability to identify

additional suitable long-lived assets for disposition and dispose of such assets at optimal prices, (iv) our ability to secure strategic investors in Yingli Green Energy or our subsidiaries, (v) general market conditions for financing activities by manufacturers of PV and related products, and (vi) economic, political and other conditions in China and elsewhere. As a result of weakened macroeconomic conditions including adverse credit market conditions and our weakened financial position in recent years, we have experienced and may continue to experience increased difficulty in obtaining financing on acceptable terms or at all. We cannot assure you that financing will be available in amounts or on terms that are acceptable to us, or at all. If we are unable to obtain sufficient financing in a timely manner or on commercially acceptable terms or at all, our business, financial condition and results of operations will be materially and adversely affected.

Furthermore, the issuance or sale of additional equity or equity-linked securities by Yingli Green Energy may result in substantial dilution to our shareholders, and the issuance or sale of additional equity or equity-linked securities by our subsidiaries may result in us losing control over such subsidiaries and ceasing to consolidate such subsidiaries in our financial statements, which will have a material adverse effect on our financial condition and results of operation. The incurrence of indebtedness by Yingli Green Energy or our subsidiaries has resulted and may continue to result in increased fixed obligations, and has led and could continue to lead to the imposition of financial or other restrictive covenants that would restrict our operations.

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Our substantial indebtedness has had and may continue to have material adverse effect on our business, financial condition and results of operations, as well as our ability to meet our payment obligations under our debt instruments.

We have relied primarily on borrowings from commercial banks in China to fund a significant portion of our capital expenditures and working capital needs, and we expect to continue doing so in the future. We have a significant amount of debts and debt service requirements. As of December 31, 2015, we had RMB9,124.2 million (US\$1,408.5 million) in outstanding short-term borrowings (including the current portion of long-term debt, RMB357 million of the 2010 MTNs that became due on October 13, 2015 and RMB1.4 billion of the 2011 MTNs that became due on May 12, 2016), RMB300.0 million (US\$46.3 million) of the 2012 MTNs that will become due on May 3, 2017, and RMB2,405.9 million (US\$371.4 million) in outstanding long-term debt (excluding the current portion). This level of debt has had and may continue to have material adverse effect on our business, financial condition and results of operations, including:

making it more difficult for us to meet our payment and other obligations in respect of our outstanding and future debts;

resulting in an event of default if we fail to make principle or interest payment when due or comply with any of the financial and other restrictive covenants specified by our debt agreements, which could result in cross-defaults in other debt obligations which would lead to such other debt becoming immediately due and payable;

reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate purposes as a result of interest payments, and limiting our ability to obtain additional financing for these purposes;

limiting our ability to obtain additional financing;

subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates;

limiting our flexibility in planning for, or reacting to, and increasing our vulnerability to, changes in our business, the industry in which we operate and the general economy; and

placing us at a competitive disadvantage compared to our competitors that have less debt or are otherwise less leveraged.

Any of these factors could have a material adverse effect on our business, financial condition and results of operations as well as our ability to meet our payment obligations under our debt instruments.

We have significant amount of short-term loans from commercial banks in China outstanding, and we may not be able to renew our short-term loans when they mature.

As of December 31, 2015, we had outstanding short-term loans from commercial banks in China of RMB9,124.2 million (US\$1,408.5 million). Generally, these loans contain no specific renewal terms, although traditionally we have negotiated renewing certain of these loans shortly before they were to mature. However, we cannot assure you that we will be able to renew similar loans in the future as they mature. If we are unable to renew any future loans or obtain sufficient funding from alternative sources and on reasonable terms, we will have to repay these borrowings with cash generated by our future operations, if any, or other sources, which could cause our liquidity and financial condition to deteriorate.

Tianwei Yingli is currently in payment default of the 2010 MTNs and 2011 MTNs, and we have breached in the past, and may breach in the future, certain financial and restrictive covenants of our loan agreements, which may result in lenders accelerating repayment of the affected loans and trigger cross-default provisions of other loans and borrowings, and we used to be overdue, and are still overdue, in some of our payment obligations under other financing arrangements, all of which could materially and adversely affect our liquidity and our creditworthiness to borrow or obtain other financings in the future.

Tianwei Yingli failed to repay RMB357 million of the 2010 MTNs when they became due on October 13, 2015 and failed to repay RMB1.4 billion of the 2011 MTNs when they became due on May 12, 2016. As such, Tianwei Yingli is currently in payment default of the 2010 MTNs and 2011 MTNs.

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Our loan agreements with commercial banks in China generally contain financial covenants, which require us to maintain certain financial ratios, such as debt-to-asset ratios and coverage ratios. Other restrictive covenants in our loan agreements require us to obtain written consents from the commercial banks before we conclude certain transactions, such as providing guarantees to third parties or disposing of material assets. These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs in a timely manner and we may have to curtail some of our operations and growth plans to comply with these covenants. In addition, we have incurred and may continue to incur significant losses and liabilities, which have had and may continue to adversely impact our ability to comply with the covenants of our outstanding loans. Such breach may constitute an event of default, and if the relevant lenders do not grant us a waiver for any breach of a covenant, the breach may trigger an acceleration of the amounts due under the relevant loan agreements. Some of our loan agreements also contain cross-default provisions enabling lenders under such loan agreements to declare an event of default and/or accelerate repayment when there is an event of default under the terms of another debt instrument. If a covenant under another loan is breached, these cross-default provisions may be triggered if a waiver of the breach cannot be obtained in a timely manner.

We had been in breach of certain financial covenants, such as debt-to-asset ratios, under certain of our loan agreements with commercial banks in China, which would have triggered cross-default provisions of most of other relevant loan agreements. As of May 16, 2016, we have obtained written waivers from all of the relevant banks with respect to the loan agreements affected, waiving such past breaches and/or cross-defaults. While we have been in compliance with the financial covenants under all of our other loan agreements, our continued compliance depends upon our future business, financial condition and results of operations. We may not be able to continue to comply with such financial covenants in the future. In the event of a future breach, we may not be able to cure the breach or to obtain a waiver on a timely basis or at all, which could result in an event of default. An event of default under any agreement governing our existing or future debt, if not cured by us or otherwise waived by our creditors, could result in an acceleration of the repayment of all or a portion of the outstanding loan amount.

In addition, we have obtained financing through other arrangements, such as sale and lease back of certain machinery and equipment and sale and repurchase of certain equity interest in our subsidiary. We have failed to fulfill our payment obligations under some of these arrangements in the past. As of December 31, 2015, we had RMB 175 million of payment obligation overdue under our agreement with a leasing company for sale and lease back of certain machinery and equipment and RMB 100 million of payment obligation overdue under our agreement with a third party for sale and repurchase of 5.50% equity interest of Hainan Yingli. As of December 31, 2015, we recorded the RMB 175 million and RMB 100 million of payment obligation overdue as borrowings and payables, respectively. While we are still in negotiation with these third parties about the extension of our payment schedules under the relevant agreements, we cannot assure you that the negotiation will lead to results satisfactory to us or these third parties will not take any action against us to enforce our payment obligations. We may not be able to enter into similar arrangements to obtain additional financing in the future either.

If we were required to repay all or a significant portion of the outstanding 2010 MTNs or 2011 MTNs or our loans from commercial banks, we would not have sufficient financial resources to do so, which would materially and adversely affect our liquidity position. Moreover, our failure to repay the 2010 MTNs and 2011 MTNs and any failure

to comply with restrictive covenants in existing loan agreements or fulfill our obligations under other financing arrangements will materially and adversely affect our ability to obtain bank loans and other financing in the future and could have a material and adverse effect on our financial condition and business prospects.

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The high cost or inaccessibility of financing for solar energy projects has adversely affected and may continue to adversely affect demand for our products and materially reduce our revenue and profits.

If financing for solar energy projects continues to become more costly or inaccessible, the growth of the market for solar energy applications may be materially and adversely affected which could adversely affect demand for our products and materially reduce our revenue and profits. The demand for our products, as reflected by the average selling price of our PV modules, has decreased significantly since the fourth quarter of 2008, due partly to tightened credit for financing PV system projects as the result of the global financial crisis in 2008 and 2009 and the subsequent sovereign debt crisis in Europe. In addition, rising interest rates could render existing financings more expensive, as well as hinder potential financings that otherwise would spur the growth of the PV industry. Furthermore, some countries, government agencies and the private sector have, from time to time, provided subsidies or financing on preferred terms for rural electrification programs. Some of our products are used in “off-grid” solar energy applications, where solar energy is provided to end users independent of an electricity transmission grid. We believe that the availability of financing could have a significant effect on sales of off-grid solar energy applications, particularly in developing countries where users otherwise may not have sufficient resources or credit to acquire PV systems. If these existing financing programs are reduced or eliminated, or if financing for solar energy projects continues to be in short supply or become more expensive, demand for our products would be materially and adversely affected and our revenue and profits could decline as a result.

A significant reduction in or discontinuation of government subsidies and economic incentives may have a material and adverse effect on our results of operations.

Demand for our products substantially depends on government incentives aimed at promoting greater use of solar power. In many countries where we are currently active or intend to become active, PV markets generally — and the market for “on-grid” PV systems in particular — would not be viable commercially without government incentives. This is because the costs of generating electricity from solar power currently exceed the costs of generating electricity from conventional or non-solar sources of renewable energy.

The scope of government incentives for solar power depends largely on political and policy developments in a given country related to environmental, economic or other concerns, which could lead to a significant reduction in or a discontinuation of the support for renewable energy sources in such country. For example, subsidies have been reduced or eliminated in some countries such as Germany, Italy, Spain, the United Kingdom and China. In June 2012, the German government passed the PV amendment to its renewable energy law (EEG) 2012, which changed the 52 gigawatts capacity threshold, reduced the available PV rate, revised the volume-based degression schedule, and limited the amount of electricity that PV generators can export to the grid. On July 5, 2013, the Italian government discontinued feed-in tariff payments, and feed-in tariffs for new solar PV projects have not been available since July 2013. In August 2013, the National Development and Reform Commission, or the NDRC, of China adjusted feed-in tariffs for utility scale PV projects from the nationwide benchmark price of RMB1.00 per kWh to three regional variations of RMB0.90 per kWh, RMB0.95 per kWh and RMB1.00 per kWh, based on solar resources and

construction costs in the relevant regions. The feed-in tariff policy applied to all PV plants approved after September 1, 2013, and those approved before that date but not commissioned until on or after January 1, 2014. In December 2015, the NDRC issued a statement that the feed-in tariff would be further reduced by RMB0.02 to RMB0.10 per kWh for on-grid utility scale PV projects in 2016. In addition, in certain countries, including countries to which we export PV products, government financial support of PV products has been, and may continue to be, challenged as being unconstitutional or otherwise unlawful. A significant reduction in the scope or discontinuation of government incentive programs, especially in our target markets, would have a material and adverse effect on the demand for our PV modules as well as our results of operations.

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We face risks associated with the marketing and sale of our PV products internationally, and if we are unable to effectively manage these risks, our ability to expand our business abroad will be limited.

In 2013, 2014 and 2015, 66.1%, 64.8% and 59.1%, respectively, of our total net revenues derived from our sales to customers outside of China, including customers in Japan, the United States, Chile, Algeria, France, Germany, Turkey, the United Kingdom, and South Africa. We intend to grow further our business activities in China's domestic market and various international markets, in particular those in Japan, the United States and selected countries in South America, Southeast Asia, Africa and the Middle East where we believe the PV market is likely to grow significantly in the near term. The marketing and sale of our PV products to international markets expose us to a number of risks, including, but not limited, to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain effective marketing and distributing presences across various countries;
- the availability of advance payments made by our customers;
- difficulty in providing customer service and support in these markets;
- difficulty in staffing and managing overseas operations;
- failure to develop appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and costs relating to compliance with different commercial and legal requirements of overseas markets;
- failure to obtain or maintain certifications for our products or services in these markets;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

Our business in foreign markets requires us to respond timely and effectively to rapid changes in market conditions in relevant countries. Our overall success as a global business depends, in part, on our ability to succeed under different legal, regulatory, economic, social and political conditions. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. To the extent that we conduct business in foreign countries by means of participations or joint ventures, there are additional risks. See “— We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material adverse effect on our ability to manage our business, and such undertakings may be unsuccessful”. A change in one or more of the factors described above may have a material and adverse effect on our business, prospects, financial condition and results of operations.

We are subject to risks relating to adverse trade policies imposed against exports from China in certain important markets for our products.

Although our sales to markets in Europe have significantly declined due to continuous reductions in incentives in the European market and the disturbance of trade measures initiated by the European Commission against Chinese solar companies, we still export a small number of our products to Europe. In 2015, our sales to Europe accounted for 14.5% of our total revenue, compared to 30.1% in 2013 and 19.0% in 2014.

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On September 5 and November 8, 2012, respectively, the European Commission initiated anti-dumping and anti-subsidy investigations into crystalline silicon photovoltaic, or CSPV, wafers, cells, and modules from China. On June 4, 2013, the European Commission issued its provisional anti-dumping determination and on August 2, 2013, the European Commission accepted an undertaking, or the Undertaking, made by a group of Chinese PV products exporters (including us) jointly with the China Chamber of Commerce for Import and Export of Machinery and Electronic Products, or CCCME. Pursuant to the Undertaking, certain Chinese exporters would limit their exports of solar panels to the EU to a certain quota and set prices above a minimum price, in exchange for the EU agreeing to forgo the imposition of anti-dumping duties on these solar panels from China. CCCME was responsible for allocating the quota among these exporters, and we were allocated a portion of the quota. On December 5, 2013, the Council of the European Union adopted the final findings of the European Commission and imposed anti-dumping and anti-subsidy duties on CSPV modules and key components (i.e. cells) originating in or consigned from the PRC. Wafers were excluded from the scope of products subject to these final findings. The anti-dumping duty rates ranged from 27.3% to 64.9%, while the anti-subsidy duty rates ranged from 0% to 11.5%. The anti-dumping duty and anti-subsidy duty rates applicable to us are 35.5% and 6.3%, respectively. The definitive duties are being imposed for a two-year period starting from December 6, 2013. At the same time, the Council of the European Union also confirmed the European Commission's acceptance of the Undertaking. While we were exempted from paying any anti-dumping and anti-subsidy duties to the EU starting from August 6, 2013, increased sale prices and reduced consumption in the European market under the Undertaking may bring significant uncertainties to our business in the European market. For example, increased price for our modules sold in EU has made returns for some ground-mounted solar projects of our customers less attractive and demand in large-utility projects have declined in Europe compared with the period before the effectiveness of the Undertaking. We also face competitions from modules manufactured in third countries at a lower price than ours. In addition, if we breach or withdraw from the Undertaking, or the European Commission withdraws its acceptance of the Undertaking, the anti-dumping and anti-subsidy duties previously applicable to us would automatically apply to us at the prior rates. Thus, there can be no assurance that our entry into and performance of the Undertaking will entirely protect our business in Europe and results of operations from and against any and all potential material and adverse effects of anti-dumping and anti-subsidy duties.

We also export a substantial amount of our products to the United States. In 2015, our sales to the United States accounted for 12.5% of our total revenue, compared to 2.0% in 2009, 14.6% in 2011 and 21.7% in 2013. On November 7, 2012, the U.S. International Trade Commission, or the ITC, determined that CSPV modules produced from Chinese cells were materially injuring the U.S. CSPV cells and modules industry. On October 10, 2012, the U.S. Department of Commerce, or the DOC, had issued its final determinations on rates of anti-dumping, or AD, and countervailing duties, or CVD, to be applied to CSPV cells and modules imported from China. As a result of these final determinations, we, as a voluntary respondent, became subject to an average aggregated AD/CVD rate of 29.18%. However, this average aggregated AD/CVD rate is subject to change due to the administrative review process initiated by the DOC in early 2014. We were a mandatory respondent in the first administrative review on the AD investigation and had obtained a much lower preliminary AD rate than in the original investigations. In July 2015, the DOC issued the final results of the first administrative review of the AD and CVD orders regarding the import of solar PV panels assembled in China using components from China. According to these final results, our manufacturing affiliates received the lowest combined tariff rate of their peers, amounting to 21.73%, which is lower than the previous combined AD/CVD rate of 29.18% that had been applicable to us since 2012.

On January 23, 2014, the DOC initiated a parallel AD investigation into CSPV products from Mainland China and Taiwan and a CVD investigation into CSPV products from Mainland China. The products concerned were CSPV cells, modules, laminates and/or panels consisting of CSPV cells, whether or not partially or fully assembled into other products, including building integrated materials. Subject merchandise also included modules, laminates and/or panels assembled in Mainland China and Taiwan consisting of CSPV cells that were completed or partially manufactured within a customs territory other than Mainland China and Taiwan, using ingots, wafers that were manufactured in Mainland China and Taiwan, or cells where the manufacturing process began in Mainland China and Taiwan and was completed in other countries. On December 23, 2014, the DOC published its confirmative final determination in respect of these investigations by imposing punitive AD tariffs ranging from 26.71% to 165.04% and CVD tariffs ranging from 27.64% to 49.21%.

As a separate rate company in these investigations, the AD and CVD tariffs applicable to the Company were 52.31% and 38.43%, respectively. On February 10, 2015, the ITC issued its final injury determinations by confirming injury inflicted upon the US CSPV module industry by Chinese CSPV module manufacturers. As a result of the respective determinations of the DOC and the ITC, Chinese modules integrating cells from third countries will be subject to the new AD and CVD tariffs when exported to the US. Although our US sales of modules incorporating third country cells are very limited, the DOC's and ITC's determinations could materially and adversely affect our flexibility and our business in the US market.

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In December 2014, the DOC published its formal notice for the second administrative review (“Solar1 AD/CVD AR2”) for Anti-dumping Duty (AD) and Countervailing Duty (CVD). We were selected mandatory respondent in the AD review. The deadline to issue the final results in the AD review is currently set for June 1, 2016. For the CVD review through the year 2013, on January 8, 2016, the DOC published the preliminary result, and the final result for the Solar1 CVD AR2 is expected to be published no later than July 12, 2016. On February 3, 2016, the DOC initiated the third administrative review of antidumping duty (“Solar 1 AD AR3”) on CSPC whether or not assembled into modules (certain solar cells and panels) from the PRC covering the period of December 1, 2014 to November 30, 2015. Subject merchandise includes crystalline silicon PV, modules or panels, whether or not partially or fully assembled into other products, including, but not limited to modules, laminates, and building integrated materials. On February 4, 2016, the U.S. Customs and Border Protection, or US CBP, released data concerning the imports of solar cells and modules from the PRC. On the same day, we, as a listed party, were required by the DOC to file a Quantity & Value, or Q&V, questionnaire which affords interested parties an opportunity to request an administrative review or to avoid being selected as a mandatory respondent by providing responses to the questionnaire by February 24, 2016. We have filed the Q&V and provided all required documents by the DOC. On March 31, 2016, the DOC informed us that we are not selected as mandatory respondent in this third AD review. The deadline to withdraw Yingli’s review request for Solar 1 AD AR3 is May 9, 2016, and we have filed a letter with the DOC withdrawing Yingli’s request for a review in Solar 1 AD AR3 on May 4, 2016. In this situation, we will be assigned the average of the margins calculated for Trina and Canadian Solar in the final results of Solar 1 AD AR3 if only Yingli withdraws. If both Yingli and Solar World withdraw the review requests, we would no longer be under review and the entries of subject merchandise into the United States during the AR3 review period (December 1, 2014 – November 30, 2015) would be liquidated at the AD rates applicable at the time of entry (i.e., 13.94% for entries between December 1, 2014 and July 13, 2015, and 0.79% for entries between July 14, 2015 and November 30, 2015). On February 4, 2016, the US CBP released data concerning the imports of solar cells and modules from the PRC related to an anti-subsidy investigation of Chinese companies (“Solar 1 CVD AR3”). We were selected as a mandatory party by the DOC on March 10, 2016. The deadline for us to withdraw Solar 1 CVD AR3 is May 9, 2016. However, we have already withdrawn the review on March 17, 2016, and in this situation, the rate 20.94% in Solar 1CVD AR1 shall still apply to us. We will continue to defend ourselves vigorously in these administrative reviews.

On November 23, 2012, the Department of Commerce of the Government of India initiated its anti-dumping investigations concerning into imports of photovoltaic products originating in or exported from Malaysia, China, Taiwan and the United States. Both crystalline silicon and thin-film products are were under investigation. Relevant investigatory authorities in India issued recommended tariffs ranging from US\$0.11/watt to US\$0.81/watt. However, since these recommendations were not supported by India’s ministry of finance, the punitive tariffs were not levied against Chinese modules exported into the Indian market.

On May 14, 2014, the Antidumping Commission of Australian Customs and Border Protection Services, or the Anti-dumping Commission, initiated an anti-dumping investigation into certain PV modules or panels exported to Australia from China. Subject merchandise includes certain crystalline silicon PV modules or panels, whether exported assembled or unassembled, and whether or not they have an inverter capable of producing any power. On April 6, 2015, the Anti-dumping Commission determined that the injury caused by Chinese solar-panels exports to the Australian industry is negligible. Although this finding is preliminary and subject to change upon evaluation of submissions by interested parties, the Anti-dumping Commission will terminate this investigation if no meaningful submissions are made by interested parties.

There can be no assurance that any governmental or international trade body in the future will not institute trade policies or remedies that are adverse to exports from China. Any significant changes in international trade policies, practices or trade remedies, especially those instituted in our target markets or markets where our major customers are located, could potentially increase the price of our products relative to our competitors or decrease our customers' demand for our products, which in turn may materially and adversely affect our business prospects and results of operations.

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Our polysilicon costs may be higher than those of other market players due to our long-term commitment to purchase polysilicon at fixed prices, and we have failed to perform certain of our obligations under these long-term polysilicon supply contracts according to their original terms.

In response to the industry-wide shortage of polysilicon in recent years until the third quarter of 2008, we had entered into short-, medium- and long-term supply contracts with fixed or adjustable prices guided by set formulas to secure our supply of polysilicon. Since the fourth quarter of 2008, the price of polysilicon has decreased significantly as a result of increased industry-wide polysilicon manufacturing capacity and downward price pressure exerted by decreasing average selling prices of PV modules. To address this significant decrease in polysilicon prices, we have renegotiated, and are still negotiating, with our polysilicon suppliers to reduce purchase prices for a substantial amount of polysilicon supplied under certain of our polysilicon supply contracts. In 2013, we achieved significant progress in these negotiations, and purchase prices under certain of our long-term polysilicon supply contracts were close to the market price of polysilicon. In 2011, we recognized a total non-cash provision of RMB851.7 million on our inventory purchase commitments under long-term polysilicon supply contracts as a result of lower polysilicon prices. We periodically reassess the purchase commitments under those supply contracts to make sure if additional provision should be recognized, the assessment is made applying a methodology similar to that used in the lower of cost or market evaluation with respect to inventory, using our best estimates of future purchase prices over the remaining terms of the contracts and applying such estimated purchase prices in the lower of cost or market evaluation. In estimating the renegotiated purchase prices, we considered the pertinent terms of each of the long-term supply contracts, the history and progress of renegotiation with the relevant vendors and the actual price concessions granted, the polysilicon market development based on available industry research data and the likelihood of achieving different levels of renegotiated prices for future periods. We did not recognize such a provision in 2012 and 2014. In 2013, we recognized additional provisions of RMB393.0 million. In 2015, we did not recognize additional contingency losses for inventory firm purchase commitment. However, due to significant fluctuation in the foreign exchange rates between Renminbi and U.S. dollars and given that the inventory purchase commitment is dominated in U.S. dollars, which is different from the functional currency of our related subsidiaries, we recognized a foreign exchange re-measurement loss of RMB 77.7 million. We determined that such provision was not needed in 2014 since the foreign exchange rate was stable and the provision caused by the foreign exchange rate fluctuation was immaterial. Our management has been negotiating with our other suppliers on adjusting the prices under these long-term contracts. In 2013 and 2015, we failed to purchase contractual volume as stated in the long-term contract with another supplier. Unlike the take or pay obligation for the previous vendor mentioned above, under the agreement with the latter vendor mentioned above, if we fail to take the full amount of the agreed annual quantity in any calendar year, we are not required to pay for the remaining annual commitment, but rather only forfeit the unutilized portion of the prepayment we made related to that year. Further, we don't have the right to utilize this prepayment for deliveries in the following years. This supplier claimed that certain advance payments had been forfeited according to the contractual terms. In 2013 and 2015, we recognized provisions of RMB87.1 million and RMB 71.3 million against the forfeited advance payments. We also recognized a provision of RMB 450.8 million in 2015 on the prepayment in relation to our inventory purchase commitments under the long-term contract with this supplier for the remaining contract period as we estimated that we will also fail to purchase contractual volume as stated in the long-term contract in the remaining contract period in the future. Should the results of these ongoing negotiations differ from the assessment based on which we recognized such provisions in 2011, 2013 and 2015, these provisions would need to be adjusted accordingly to reflect such a new assessment. If the prices under our current contracts remain higher than prices for polysilicon available in the market, we may incur higher polysilicon costs relative to other competitors who purchase their polysilicon from the spot market.

We have not fully performed our long-term polysilicon supply contracts on their original terms due to continuously declining market prices of polysilicon. We have successfully renegotiated pricing terms with some of our long-term polysilicon suppliers. Although we received various requests from some of our other suppliers to perform such contracts in accordance with their original terms, and notices of breach of contract, as of the date of this annual report, two of these long-term polysilicon suppliers have agreed to supply us with polysilicon at prices comparable to spot market prices under tentative arrangements and on a monthly or quarterly basis. Although we continue to negotiate with these suppliers on amending the original pricing and supply terms under these contracts, our negotiation efforts may not be successful and these suppliers may require us to perform our obligations pursuant to the contracts' original terms and conditions. For example, two of these suppliers have sent us invoices or demand letters for failing to perform certain obligations under these long-term supply contracts. Currently, we are still in discussion with the supplier to find an amicable solution to resolve the issues under the long-term supply contracts. In addition, certain suppliers may bring lawsuits against us for damages they may have suffered from our failure to perform these contracts. If we are required to perform these long-term supply contracts according to their original pricing terms, or are ordered to pay substantial amounts of damages to these suppliers, our business, financial condition and results of operations may be materially and adversely affected.

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Our dependence on a limited number of suppliers for a substantial majority of our polysilicon could prevent us from delivering our products in a timely manner to our customers in the required quantities, which could result in cancellations of orders, decreased revenue and loss of market share.

In 2013, 2014 and 2015, our five largest suppliers in the aggregate supplied approximately 83.4%, 80.3% and 90.9%, respectively, of our total polysilicon purchases. In 2015, we purchased the majority of our polysilicon from two vendors with which we have entered into long-term polysilicon supply contracts at prices adjusted on a monthly or quarterly basis. If we fail to develop or maintain our relationships with these or our other suppliers, we may not be able to manufacture our products, our products may only be available at a higher cost or after a long delay, or we could be prevented from delivering our products to our customers in the required quantities, at competitive prices and on acceptable terms of delivery. Problems of this kind could cause us to experience cancellations of our orders, decreased revenue and loss of our market share. In general, the failure of a supplier to supply materials and components that meet our quality, quantity and cost requirements in a timely manner due to lack of supplies or other reasons could impair our ability to manufacture our products or could increase our costs, particularly if we are unable to obtain these materials and components from alternative sources in a timely manner or on commercially reasonable terms. Some of our suppliers have a limited operating history and limited financial resources, and some contracts which we have entered into with these suppliers do not clearly provide for remedies to us in the event any of these suppliers is not able to, or otherwise does not, deliver to us, in a timely manner or at all, any materials that it is contractually obligated to deliver. We expect to continue to rely on third-party polysilicon suppliers for our polysilicon needs. Accordingly, any disruption in their supplies of polysilicon to us may adversely affect our business, financial condition and results of operations.

Historically, due to a shortage of raw materials for producing PV modules, increased market demand for polysilicon raw materials, the failure by some polysilicon suppliers to achieve expected production volumes and certain other factors, a few of our polysilicon suppliers failed to perform fully their commitments to us under our polysilicon supply contracts, and consequently we did not receive from these suppliers a portion of the quantities of polysilicon raw materials that had been agreed upon in those contracts. While we were able to replace such expected deliveries of polysilicon through purchases from the spot market and new supply contracts, we cannot assure you that any future failure of our suppliers to deliver agreed quantities of polysilicon will be substantially replaced in a timely manner, or at all, or that the prices of such purchases or the terms of such contracts will be favorable to us.

Our failure to obtain polysilicon in sufficient quantities, of appropriate quality and in a timely manner, could disrupt our operations and reduce and limit the growth of our manufacturing output and revenue.

Polysilicon is the most important raw material used in the production of our PV products. To maintain competitive manufacturing operations, we depend on our suppliers' timely deliveries of polysilicon in sufficient quantities and of appropriate quality. Until the third quarter of 2008, there had been an industry-wide shortage of polysilicon. As a result, historically we faced the prospects of a polysilicon shortage and late or failed delivery of polysilicon from suppliers. In the future we may experience actual shortages, or late or failed deliveries, of polysilicon for various

reasons. Our failure to obtain the amounts and quality of polysilicon we need, on time and at affordable prices, could seriously hamper our ability to meet our contractual obligations to deliver PV products to our customers. Any failure by us to meet such obligations could have a material and adverse effect on our reputation, retention of customers, market share, business and results of operations, and may subject us to claims from our customers and cause other disputes. In addition, our failure to obtain sufficient amounts of polysilicon of the appropriate quality could result in underutilization of our existing and new production facilities, an increase in our marginal production costs, and may prevent us from implementing future capacity expansion plans, if any. Any of the above events could have a material and adverse effect on our business, financial condition and results of operations.

Volatility in polysilicon prices may materially and adversely affect our results of operations.

Until the third quarter of 2008, there had been an industry-wide shortage of polysilicon, primarily due to growing demand for PV products and limited supply of polysilicon, which resulted in increasing prices of polysilicon under both long-term supply contracts and on the spot market. From the fourth quarter of 2008 until the second quarter of 2009, as a result of increased industry-wide polysilicon manufacturing capacity and a decrease in demand for polysilicon due to the global financial crisis in 2008 and 2009, polysilicon prices decreased significantly. Although polysilicon prices rebounded between the third quarter of 2010 and the first quarter of 2011 due in part to stronger demand for PV products in certain markets, polysilicon prices again decreased significantly since the second quarter of 2011 as a result of increased polysilicon manufacturing capacity and downward price pressure exerted by lower average selling prices for PV modules. In 2012, polysilicon prices continued to decline and reached approximately US\$14 per kilogram in November 2012. Since June 2013, polysilicon prices began to increase and reached approximately US\$22 per kilogram until the first half of 2014. From the second half of 2014, polysilicon price began to decrease slightly and the spot market price fluctuated under US\$20 per kilogram as of May 16, 2016.

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In 2012, the Ministry of Commerce of the People's Republic of China, or MOFCOM, initiated anti-dumping and anti-subsidy investigations into imports of solar-grade polysilicon originating from the United States, South Korea and the European Union. On January 20, 2014, MOFCOM issued its final determination to impose anti-dumping and anti-subsidy duties for five years on imports of solar-grade polysilicon originating from the United States and South Korea at aggregated rates ranging from 2.4% to 59.1%. On January 24, 2014, MOFCOM issued a preliminary ruling that imports of solar-grade polysilicon originating from the European Union had been subsidized at a rate of 10.7% and were sold at dumping price margins from 21.8% to 68.9%. On March 20, 2014, MOFCOM announced that it had accepted an undertaking proposal submitted by Wacker Chemie AG, an EU-based supplier of solar-grade polysilicon. According to Wacker, this undertaking agreement will be effective from May 1, 2014 until the end of April 2016. The undertaking agreement specifies that MOFCOM will refrain from applying anti-dumping and anti-subsidy duties on Wacker's products in exchange for Wacker's undertaking that it will not sell polysilicon produced at its European plants below a specific minimum price in China. Polysilicon is one of the major raw materials we need for the production of wafers, which also affects the production of PV cells and modules. A large portion of the polysilicon we use is sourced from countries that are subject to the investigations mentioned above. Therefore, any such anti-dumping or anti-subsidy duties (whether provisional or final) imposed by MOFCOM may increase our cost to produce solar modules. Due in part to China's anti-dumping and anti-subsidy investigations into polysilicon manufacturers from the United States, the European Union and South Korea, together with an overall increase in demand, polysilicon prices have increased since June 2013 and reached approximately US\$22 per kilogram until the first half of 2014. From the second half of 2014, polysilicon price began to decrease slightly and the spot market price fluctuated under US\$20 per kilogram as of May 16, 2016. There can be no assurance that polysilicon prices in the future will not increase significantly. To the extent that we are not able to pass on any increased costs to our customers, we may be placed at a competitive disadvantage relative to our competitors, and our business, cash flows, financial condition and results of operations may be materially and adversely affected.

We depend, and expect to continue to depend, on a limited number of customers for a significant percentage of our revenues. The loss of, or a significant reduction in orders from, any of these customers would significantly reduce our revenues and harm our results of operations. In addition, a significant portion of our outstanding accounts receivable is derived from sales to a limited number of customers. Failure of any of these customers to meet their payment obligations would materially and adversely affect our financial position, liquidity and results of operations.

We currently expect that our results of operations will, for the foreseeable future, continue to depend on sales of our PV modules to a relatively small number of customers until we become successful in significantly expanding our customer base or diversifying our product offerings. In 2013, 2014 and 2015, sales to our five largest customers accounted for approximately 15.2%, 13.9%, and 19.4% of our net revenues respectively. We cannot assure you that we will continue to generate significant revenues from these customers or that we will be able to maintain these customer relationships. In addition, our business and continued sales depend on the ability of our major customers to compete effectively and sell their products in the market. Any decline in our customers' businesses could reduce their purchases of our products. The loss of any sales in respect of these customers also could have a material and adverse effect on our business, prospects and results of operations.

In addition, a significant portion of our outstanding accounts receivable derive from sales to a limited number of customers. As of December 31, 2013, 2014 and 2015, our five largest accounts receivable balances outstanding (net of provisions) accounted for approximately 20.1%, 27.2%, and 27.6%, respectively, of our total outstanding accounts receivable. We are exposed to the credit risks of these customers, some of which are new customers with whom we have not historically had extensive business dealings. Any failure by these customers to meet their payment obligations to us would materially and adversely affect our financial position, liquidity and results of operations.

As a measure to reduce our operating cash requirements in 2015 and 2016, we have contracted with third parties to allow them operate more than half of our polysilicon ingot and wafer production facilities and we agree to purchase wafers so produced from the third parties. If these third parties breach their contracts with us or terminate their business relationships with us, our business, results of operations and financial condition may be materially and adversely impacted.

As a measure to reduce our operating cash requirements in 2015 and 2016, we have contracted with third parties to allow them operate more than half of our polysilicon ingot and wafer production facilities. These third parties pay us a monthly fee to operate these production facilities, pay the salaries of our staff members employed and utility expenses incurred at such facilities, produce fixed volumes of polysilicon ingots and wafers on a monthly basis, and cover all other manner of operating, ancillary, and raw material expenses of such production. As part of the arrangement, we agree to purchase all of the wafers so produced by said third parties at designated prices, subject to certain adjustments under the relevant agreements.

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As these third parties would provide all the working capital required for production of the polysilicon ingots and wafers, these arrangements effectively help us finance our production value chain, reduce our working capital requirements, and increase the utilization of our polysilicon ingot and wafer production facilities. Our agreements with these third parties typically have a term of one year. We cannot assure you that we will be able to renew these agreements when they expire or that these third parties will not breach or early terminate the agreements. If any of these third parties breaches the agreement or elects to terminate their business relationships with us, we may need to resume production at these facilities with our own working capital, which will significantly increase our working capital requirements, or if we do not resume production at these facilities, the utilization rates of these production facilities may decrease. Consequently, we may not have sufficient working capital to continue in-house production of polysilicon ingots and wafers at these facilities, and we may need to recognize impairment losses on our fixed assets, including factories and equipment in such facilities. Without sufficient volumes of self-produced polysilicon wafers, we may be forced to buy wafers from third parties at expensive prices and with insufficient control over such wafers' quality, and our unit costs for cells and PV modules could thereby increase, or else we may be forced to reduce our production volumes of cells and PV modules. The occurrence of any of these issues could materially and adversely affect our business, results of operations and financial condition.

We process cells and PV modules as an Original Equipment Manufacturer (OEM) and are thereby subject to risks associated with product liability and supply. These risks and any product liability claims may adversely impact our reputation, results of operations, financial performance and business.

Since the middle of 2015, we have experienced lower-than-expected utilization of our production capacity, which in turn has led to an increase in our unit manufacturing cost and to decreases in our in-house PV module shipments and total net revenues. To increase the utilization of our production capacity, we have entered into several agreements, or the OEM agreements, with third parties, or OEM customers, to process cells and PV modules as an Original Equipment Manufacturer (OEM). In 2015, we generated RMB389.5 million, or 3.9% of our total revenue, from our cells and PV module processing services.

These OEM agreements involve risks that we may: (i) have economic or business interests or goals that are inconsistent with those of our OEM customers; (ii) be unable to fulfill our obligations to such customers under the OEM agreements, including obligations to meet their production deadlines, quality standards and product specifications; (iii) have unexpected financial or operational difficulties; (iv) encounter shortages of or significant increases in the price for polysilicon, the key raw material used in our production process, that may impact and impair our operating margins; and (v) be unable to recover payments from our OEM customers on accounts receivable under the OEM agreements on a timely basis, if at all. The occurrence of any of these issues could materially adversely affect our results of operations and financial performance.

In addition, if we experience significant fluctuations in demand from our OEM customers, there can be no assurance that we will be able to meet their requirements in the event increased orders for cells and PV modules, or that we will be able to find new and replacement customers in the event such orders decrease. Furthermore, we may need to

deliver cells and PV modules to our OEM customers by third-party carriers over long distances. Delays in the shipment or delivery of our cells and PV modules due to transportation shortages, work stoppages, port strikes, infrastructure congestion or other factors could adversely impact our financial performance. Manufacturing delays or unexpected demand for our products may require us to use faster, but more expensive, transportation methods such as aircraft, which could adversely affect our operating margins and profitability.

Although we have quality assurance procedures and programs in place that are intended to identify and address any problems related to the quality of our products, including cells and PV modules, we may not have effective or sufficient control over the quality of these products so as to avoid any claim or liability for products processed and delivered under the OEM agreements. We do not maintain product liability insurance for the products processed and sold by us to our OEM customers. As such, any loss we suffer or compensation which we are otherwise required to pay in the event of a material product liability claim will be directly borne by us at our own expense. Accordingly, any successful product liability claim brought against us may materially and adversely affect our business and financial results. In addition, we may incur significant resources and time to defend ourselves if legal proceedings are brought against us. If any such claims are made, our reputation, results of operations, financial performance and business may be materially and adversely affected.

We face intense competition in the PV modules and PV system markets. Our PV products compete with different types of solar power systems, as well as with other sources of renewable energy in the alternative energy market. We cannot guarantee that we will continue to compete effectively in the markets in which we operate. Our failure to adapt to changing market conditions and to compete successfully with existing or future competitors would have a material and adverse effect on our business, prospects and results of operations.

The PV market is intensely competitive and rapidly evolving. The number of PV product manufacturers has rapidly increased due to growth in actual and forecasted demand for PV products and relatively low barriers to entry. If we fail to attract and retain customers in our target markets for our current and future core products, namely PV modules and PV systems, we will not be able to increase our revenues and market share.

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We compete with both local and international producers of solar products, including PV module manufacturers such as SunPower Corporation, thin film solar module manufacturers such as First Solar, Inc. and integrated PV product manufacturers such as SolarWorld AG, Renewable Energy Corporation and Trina Solar Limited. Unlike other companies based overseas, the Company is located in China, where PV remains a policy-driven market. The introduction, modification or phasing-out of national support schemes will heavily impact the development of the PV market and related industries, and also could significantly influence the Company's operations. Furthermore, the entire PV industry also faces competition from providers of energy from conventional and non-solar renewable sources.

Many of our existing and potential competitors may have substantially greater financial, technical, manufacturing and other resources than we do. Some of our competitors also have better brand name recognition, more established distribution networks, larger bases of customers, or more in-depth knowledge of certain important and target markets. As a result, they may be able to devote greater resources to the research, development, promotion and sale of their products and respond more quickly than we can to evolving industry standards and changes in market conditions. Our failure to adapt to changing market conditions and to compete successfully with existing or future competitors would have a material and adverse effect on our business, prospects and results of operations.

We may not be able to establish a successful solar project development and operations business on a large scale and on a timely basis, or at all.

Since 2012, we have engaged in the solar project development and operations business on a small scale in China and planned on leveraging our experiences with PV system installation to build up rapidly our capacity to develop and operate solar projects. As of September 2015, we had engaged the construction of approximately 600 megawatts of PV projects in China and connected approximately 200 megawatts of said projects to the grid.

However, the operation of large ground-mounted PV stations over the long term requires significant capital. With due consideration of China's nationwide delay in allocating subsidies as well as our cash flow challenges, we decided to suspend new downstream development business in China from September 2015 until we regain a healthier financial position. Accordingly, we continued to accelerate the disposition of our downstream PV projects in China in order to liquidate these assets and generate more working capital from our downstream business. In 2016, we will likely continue selling PV projects in various stages of development. If appropriate market conditions arise in the future, we may consider resuming the development of new PV projects in China and may operate the PV projects that we develop.

The solar project business involves a high degree of risk and uncertainty. We do not have a long track record of, or substantial prior experience with, solar project development and operations. Our expansion into this business area is faced with significant challenges.

Developing and operating solar projects requires significant upfront investments in land use rights and power grid connection rights, preliminary engineering, permitting, legal and other expenses before we can determine whether a project is feasible from an economic, technological or other perspective. There generally are many months or even years between the time when significant initial upfront investments are made in solar projects, and the time when those projects begin to generate revenue. Such delays between upfront investments and generating revenue may adversely affect our cash flow, our other businesses and our overall results of operations. In addition, we will need to rely on long-term financing, including equity and debt financing, to fund this solar projects business. We may not be able to obtain necessary financing in sufficient amounts, on favorable terms or in a timely manner, if at all.

Solar projects require certain conditions of sunlight and solar energy that can only be found in a limited number of geographic regions. We may not be able to identify suitable sites in a timely manner or at all. Even if we do identify suitable sites, our ability to obtain requisite land use rights in respect of a site is subject to growing competition from other solar power producers that may have better access to local government support, financial or other resources. If we are unable to identify suitable sites or obtain land use rights for such sites, our ability to develop new solar projects on a timely basis, if at all, will be significantly and adversely affected.

Solar projects often are awarded through competitive bidding processes. It is difficult to predict whether and when we will be awarded a new solar project. These bidding and selection processes generally are affected by a number of factors, including factors beyond our control, such as market conditions or government incentive programs. Any increase in competition during the bidding process could have a material and adverse effect on our ability to secure solar projects and to satisfy the financial terms and conditions of those projects.

In addition to risks and uncertainties generally applicable to all other project development and operation businesses, we face many risks and uncertainties specific to solar projects that relate to our abilities to, among other things, negotiate satisfactory engineering, procurement and construction agreements; obtain required land use rights and construction permits and approvals; obtain rights to connect the project to the power grid or to transmit the electricity which it generates; pay grid connection and other deposits, some of which are non-refundable; make arrangements to finance the purchase of electricity generated by our project; purchase and install appropriate equipment in a timely manner and on favorable terms; implement and complete the construction in a timely manner; handle potential challenges from project stakeholders, such as local residents, environmental organizations, and others who may not support the project; and address unforeseen engineering problems.

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The development and operation of solar projects also may be adversely affected by many other factors outside of our control, such as inclement weather, acts of God, and delays in regulatory approvals or in third parties' delivery of equipment or other materials. Shortages of skilled labor also could significantly delay a project or otherwise increase our costs. Changes in project plans or defective execution of those plans may increase our costs and reduce our margins. The solar project business also may significantly divert our resources and the attention of our management, which may affect the performance of our other business segments.

If we fail to address the above risks and uncertainties, our ability to establish a large-scale solar project development and operation business in a timely manner will be harmed, and our financial condition, results of operations and growth prospects may be materially and adversely affected.

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Existing regulations and policies governing the electric utility industry, as well as changes to these regulations and policies, may adversely affect demand for our products and materially reduce our revenue and profits.

The electric utility industry is subject to extensive regulation, and the market for PV products is heavily influenced by these regulations as well as the policies promulgated relating to electric utilities. These regulations and policies often affect electricity pricing and technical connections of end-user power generators to power grids. As the market for solar and other alternative, renewable energy sources continues to evolve, these regulations and policies are subject to change and may continue to be modified. Customer purchases of, or further investment in the research and development of, solar and other alternative energy sources may be significantly affected by these regulations and policies, which potentially could significantly reduce demand for our products and materially reduce our revenue and profits.

Moreover, we expect that our PV products and their installation will be subject to oversight and regulation in accordance with international, national and local ordinances relating to building codes, safety, environmental protection, utility power grid connections and metering and related matters in various countries and regions. We also have to comply with the requirements of individual localities, and design equipment to comply with different standards applicable in the various jurisdictions where we conduct our business. Any new government regulations or utility policies pertaining to our PV products may result in significant additional expenses to us, our distributors and our end users. Accordingly, such new regulations or policies could cause a significant reduction in demand for our PV products, as well as materially and adversely affect our financial condition and results of operations.

Advance payment arrangements between us and some of our polysilicon suppliers and many of our equipment suppliers expose us to the credit risks of such suppliers and may increase our costs and expenses, which has had and may continue to have a material adverse effect on our liquidity, financial condition and results of operation.

We made advance payments to some of our polysilicon suppliers under long-term supply contracts we signed with them. As of December 31, 2015, we had long-term prepayment balances for polysilicon totaling RMB555.5 million (US\$85.8 million) under such long-term contracts. We continue to renegotiate with some of our polysilicon suppliers on the purchase price of a substantial amount of polysilicon to be supplied under certain of these long-term contracts. See “—Our polysilicon costs may be higher than those of other market players due to our long-term commitment to purchase polysilicon at fixed prices, and we have failed to perform certain of our obligations under these long-term polysilicon supply contracts according to their original terms” above. If we fail to reach agreements with such suppliers on the quantities and prices of polysilicon to be supplied under those contracts, the suppliers may hold the advance payment and issue claims for further damages. As of December 31, 2015, total amount we prepaid to one supplier was RMB 224.0 million under the long-term fixed price supply contract entered into in 2011, which is effective from 2013 to 2020. Due to the anti-dumping duty and anti-subsidy investigation against Solar-Grade Polysilicon launched by the Ministry of Commerce of the People’s Republic of China, we had not made any purchase from this supplier. We received invoices from this supplier under our take-or-pay obligation for failing to take the shipments in 2013 to 2015. Currently, we are in negotiation with this supplier to seek an acceptable solution to both parties. We believe that under

the “take or pay” obligation, which required us to pay full amount to this supplier according to the purchase and payment schedule listed in the agreements, regardless of whether we actually purchase raw materials from the supplier or not, it is probable for us to continue performance of the agreements when we could get an acceptable solution from this supplier. We also believe that it is reasonably assured that i) these prepayments are not legally forfeited; ii) these prepayments could be utilized for deliveries once we start purchasing from this supplier. Except for the supplier mentioned above, we also had made significant amount of prepayments to another supplier. In 2013 and 2015, we failed to purchase contractual volume as stated in the long-term contract with the latter supplier mentioned above under the supplier’s agreement. If we fail to take the full amount of the agreed annual quantity in any calendar year, we do not have to pay for the remaining annual commitment, but rather only forfeits the unutilized portion of the prepayment related to that year. This supplier claimed that certain advance payments had been forfeited according to the original terms in 2013 and 2015. (In 2014, we purchased the required amounts of polysilicon from this supplier and utilized the portion of prepayments related to 2014). Therefore, in 2013 and 2015, we recognized incremental provisions of RMB87.1 million and RMB71.3 million, respectively, on the prepayment in relation to our inventory purchase commitments under the long-term contract with this supplier. We also recognized a provision of RMB 450.8 million in 2015 on the prepayment in relation to our inventory purchase commitments under the long-term contract with this supplier for the remaining contract period as we estimated that we will also fail to purchase contractual volume as stated in the long-term contract in the remaining contract period in the future. As of December 31, 2015, carry value of prepayments to this supplier is RMB277.4 million. In addition, under existing contracts with many of our equipment suppliers, consistent with industry practice, we make advance payments to our suppliers prior to the scheduled dates on which certain equipment will be delivered. In many such cases, we make advance payments without receiving collateral for such payments. As a result, our claims in respect of such payments would rank as unsecured claims, which in turn would expose us to the credit risks of our suppliers in the event of their bankruptcy or insolvency. Under such circumstances, our claims against defaulting suppliers would rank below those of secured creditors, which would undermine our chances of recovering advance payments for which we did not receive any value. Accordingly, any of the above scenarios may have a material and adverse effect on our liquidity, financial condition and results of operations.

The growth of our business may require substantial capital expenditures, significant engineering efforts, timely delivery of manufacturing equipment, dedicated attention of management, and recruiting and training new employees. Our failure to complete our future expansion plans or otherwise effectively manage our growth could have a material and adverse effect on the growth of our sales and earnings.

While we are currently facing challenges relating to over-capacity, the growth of our success in the future may depend in part on our ability to expand our manufacturing capacity to meet market demand for our products promptly and in a cost-efficient manner. If we are not able to do so, we will not be able to attain the desired level of economies of scale in our operations or lower our marginal production costs to the level necessary to maintain effectively our pricing and other competitive advantages. In 2015, our total annual PV module shipment reached the equivalent of 2,447.0 megawatts. As of the date of this annual report, we believe that our actual annual manufacturing capacity can reach a maximum of 3,000 megawatts for ingots and wafers, 3,200 megawatts for PV cells and 4,000 megawatts for PV modules. Our growth has required and may continue to require substantial capital expenditures, significant engineering efforts, timely delivery of manufacturing equipment, dedicated attention of management and the recruitment and training of new employees. Our growth therefore is subject to significant risks and uncertainties, including:

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we may need to continue to contribute significant additional capital to our subsidiaries through the issuance of equity or debt securities or by entering into new credit facilities or other arrangements in order to finance the costs of developing new manufacturing facilities, which may not be conducted on reasonable terms or at all, and which could be dilutive to our existing shareholders; such capital contributions, if contributed from outside the PRC, also require PRC regulatory approvals in order for such funds to be transferred to our subsidiaries within the PRC, which approvals may not be granted in a timely manner, or at all;

we will be required to obtain governmental approvals, permits or documents of a similar nature with respect to any new expansion projects, but it is uncertain whether such approvals, permits or documents will be obtained in a timely manner, or at all;

we may experience cost overruns, construction delays, equipment problems, including delays in deliveries of manufacturing equipment or deliveries of equipment that is damaged or does not meet our specifications, and other operating difficulties;

we are using, and expect to continue to use, new equipment and technology to lower our unit capital and operating costs, but we cannot assure you that such efforts will be successful; and

we may not have sufficient management resources to properly oversee future expansion of our manufacturing capacity.

Any of these or similar difficulties could adversely affect our ability to manage the growth of our operations. Any significant delays or constraints to our future plans to expand our manufacturing capacity, if any, could limit our ability to increase sales, reduce marginal manufacturing costs or otherwise improve our prospects and profitability. In addition, we may have over-capacity as a result of expanding our future manufacturing capacity if we do not sufficiently increase our sales.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, which may have a material and adverse effect on our ability to manage our business, and such undertakings may be unsuccessful.

We may undertake acquisitions, participation in joint ventures, and other strategic alliances with companies in China and overseas. Acquisitions, investments, joint ventures and other strategic alliances may expose us to new operational, regulatory, market and geographical risks as well as risks associated with additional capital requirements, including:

- our inability to integrate new businesses, operations, personnel, products, services and technologies;

unforeseen or hidden liabilities, including exposure to administrative or legal proceedings associated with newly acquired companies;

- the diversion of resources from our existing businesses;

- disagreements with joint venture or strategic alliance partners;

- contravention of regulations governing cross-border investment;

failure to comply with laws and regulations as well as industry or technical standards of the overseas markets into which we expand;

our inability to generate revenues sufficient to offset the costs and expenses of acquisitions, strategic investments, joint venture formations or other strategic alliances;

our inability to achieve the intended cost efficiency, level of profitability or other intended strategic goals for the acquisitions, strategic investments, joint ventures or other strategic alliances; and

- potential loss of, or harm to, employees or customer relationships.

Any of these events could disrupt our ability to manage our business, which in turn could have a material and adverse effect on our financial condition and results of operations. Such risks also could result in our failure to generate the intended benefits of the acquisitions, strategic investments, joint ventures or other strategic alliances and we may be unable to recover our investment in such initiatives.

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We may not be able to resume our in-house production of polysilicon as cost-effectively as we had expected, or at all.

In January 2009, we acquired Cyber Power Group Limited, or Cyber Power, a development stage enterprise designed to produce polysilicon, and its principal operating subsidiary in China, Fine Silicon Co., Ltd., or Fine Silicon, with an intention to establish our own polysilicon production operations. Fine Silicon started trial production in late 2009 and was initially expected to reach its full production capacity of 3,000 tons of polysilicon per year. However, as market prices for polysilicon have decreased sharply in recent years, Fine Silicon's designed production capacity was no longer cost-effective. Currently, Fine Silicon is not manufacturing any meaningful amount of polysilicon. We recorded a non-cash impairment of the long-lived assets of Fine Silicon in amounts of RMB2,275.0 million and RMB200.5 million for 2011 and 2012, respectively, which in the aggregate was equivalent to our writing-down the total value of Fine Silicon's equipment. In April 2015, Fine Silicon also sold its land use rights to the land underlying its manufacturing facilities as well as the attachments thereon to a government entity in Baoding. Although we still may resume the in-house production of polysilicon through cooperation with third parties in order to utilize the remaining equipment of Fine Silicon, we do not have any concrete plan yet and do not expect that such cooperation will happen in the near future. Even if such cooperation could happen in the future, we cannot assure you that it will be successful, or that such cooperation could result in any meaningful in-house production of polysilicon at costs comparable to or lower than prevailing market prices. If we fail to do so, we will not be able to realize the expected positive effect on our results of operations, and the cost of our polysilicon supply will remain uncertain and vulnerable to market fluctuations.

Ingot production is energy intensive and if our energy costs rise or if our energy supplies are disrupted, our results of operations may be materially and adversely affected.

The ingot production process is highly dependent on a constant supply of electricity to maintain the optimal conditions for production. If these levels are not maintained, we may experience significant delays in the production of ingots. With the rapid development of the Chinese economy, demand for electricity has continued to increase. There have been shortages in electricity supply in various regions across China, especially during peak seasons such as summer. In the event that electricity and other energy supplies to our manufacturing facilities are disrupted, our business, results of operations and financial condition could be materially and adversely affected. In addition to shortages, we are vulnerable to potential interruptions in our energy supply due to equipment failure, weather events or other causes. There can be no assurance that we will not face power-related problems in the future. Even if we had access to reliable electricity sources, since our manufacturing processes consume substantial amounts of electricity, any significant increase in the price we pay for electricity could adversely affect our profitability. If electricity and other energy costs were to increase, our business, financial condition, results of operations or liquidity position could be materially and adversely affected.

If PV technology is not suitable for widespread adoption, or sufficient demand for PV products does not develop or takes longer to develop than we anticipated, our sales may not continue to increase or may even decline, and we

may not be able to sustain profitability.

The PV market is in the relatively early stages of its development and the extent to which PV products will be widely adopted is uncertain. The PV industry also may be particularly susceptible to economic downturns. Market data for the PV industry are not as readily available as data in other more established industries, where trends can be assessed more reliably from data gathered over a longer period of time. If PV technology proves unsuitable for widespread adoption, or if demand for PV products fails to develop sufficiently, we may not be able to grow our business or generate sufficient revenues to sustain our profitability. In addition, demand for PV products in our targeted markets, including China, may not develop or may develop to a lesser extent than we had anticipated. Many factors may affect the viability of widespread adoption of PV technology and demand for PV products, including (i) cost-effectiveness of PV products as compared with conventional and other non-solar energy sources and products; (ii) performance and reliability of PV products as compared with conventional and other non-solar energy sources and products; (iii) availability of government subsidies and incentives to support the development of the PV industry; (iv) success of other alternative energy generation technologies, such as fuel cells, wind power and biomass; (v) fluctuations in economic and market conditions that affect the viability of conventional and non-solar alternative energy sources, such as increases or decreases in the prices of oil and other fossil fuels; (vi) capital expenditures by end users of PV products, which tend to decrease when the economy slows down; and (vii) deregulation of the electric utility industry and broader energy industry.

Fluctuations in exchange rates in the past have adversely affected, and in the future may continue to adversely affect, our results of operations.

Currently most of our sales are denominated in U.S. dollar, Renminbi, Japanese Yen and Euro, while a substantial portion of our costs and expenses is denominated in Renminbi, Japanese Yen and U.S. dollar. In addition, we must constantly convert one currency into another in order to make payments. Therefore, fluctuations in currency exchange rates could have a significant effect on our results of operations due to mismatches among various foreign currency-denominated transactions, including sales of PV modules in overseas markets and purchases of silicon raw materials and equipment in China, and the gap in time between the signing of related contracts and receipts of cash and disbursements related to those contracts. In 2015, we recognized a net foreign currency exchange loss of RMB132.7 million (US\$20.5 million) due primarily to the appreciation of the USD against the Renminbi. We have entered into hedging and foreign currency forward arrangements to limit our exposure to foreign currency exchange risk. However, we will continue to be exposed to foreign currency exchange risk to the extent that our hedging and foreign currency forward arrangements do not cover all of our expected revenues denominated in foreign currencies. We cannot predict the effect of exchange rate fluctuations on our foreign currency exchange gains or losses in the future. We may continue to reduce the effect of such exposure through hedging or other similar arrangements. However, due to the limited availability of such hedging instruments in China, we cannot assure you that we always will find a hedging arrangement suitable for us, or that such derivatives will be effective in managing our foreign exchange risk, if at all.

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In addition, Renminbi is the functional currency for our PRC subsidiaries. Sales generated by our PRC subsidiaries which are denominated in foreign currencies need to be translated into Renminbi when they are recorded as our revenues. Therefore, any depreciation in the foreign currencies in which our sales are denominated, such as the Euro, Japanese Yen and U.S. dollar, against Renminbi will cause our reported revenues to appear lower than they otherwise would. In 2013 and 2014, the depreciation of Euro, U.S. dollar and Japanese Yen against Renminbi adversely affected our total net revenues, as a majority of our PV module shipments were delivered under Euro, U.S. dollar and Japanese Yen-denominated contracts. In 2015, the depreciation of Renminbi against Euro, U.S. dollar and Japanese Yen resulted in the decrease of our foreign currency exchange loss. However, we cannot predict the trend of future exchange rate fluctuations of Renminbi against other currencies and any further depreciation in foreign currencies in which our sales are denominated against Renminbi may continue to materially and adversely affect our revenues and results of operations.

Our product development initiatives and other research and development efforts may fail to improve manufacturing efficiency or yield commercially viable new products.

We are making efforts to improve our manufacturing processes and to improve the quality of our PV products. We believe that the efficient use of polysilicon is essential to reducing our manufacturing costs. We have been exploring several measures to enhance the efficient use of polysilicon in our manufacturing processes, including reducing the thickness of silicon wafers. However, the use of thinner silicon wafers may have unforeseen negative consequences, such as increased breakage and reduced reliability and conversion efficiency of our PV cells and modules. As a result, reducing the thickness of silicon wafers may not lead to the cost reductions we expect to achieve, while at the same time it may reduce customer satisfaction with our products, which in turn could have a material and adverse effect on our customer relationships, reputation and results of operations.

We also are exploring ways to improve our PV modul