信義光能控股有限公司
XINYI SOLAR HOLDINGS LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)
Stock Code: 00968

A GREEN LIFE WITH

XINYI SOLAR

ANNUAL REPORT 2016

Contents

Corporate Information

EXECUTIVE DIRECTORS

Datuk TUNG Ching Sai *(Vice Chairman)* ø<
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHEN Xi

NON-EXECUTIVE DIRECTORS

Datuk LEE Yin Yee, B.B.S. *(Chairman)* ø~
Mr. LEE Shing Put

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul *ø<
Mr. LO Wan Sing, Vincent # +<
Mr. KAN E-ting, Martin # ø<

* Chairman of audit committee
# Members of audit committee
+ Chairman of remuneration committee
ø Members of remuneration committee
~ Chairman of nomination committee
< Members of nomination committee

COMPANY SECRETARY

Mr. CHU Charn Fai, FCCA, CPA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Xinyi PV Glass Industrial Zone
2 Xinyi Road
Wuhu Economic and Technology Development Zone
Wuhu City, Anhui Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2109-2115, 21/F
Rykadan Capital Tower
No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Squire Patton Boggs
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

AUDITOR

PricewaterhouseCoopers, Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
The Bank of East Asia
Bank of SinoPac
China Citic Bank
Chiyu Banking Corporation Ltd.
Citibank, N.A
DBS Bank
First Gulf Bank
Hang Seng Bank
HSBC
Huishang Bank
Malayan Banking Berhad
Nanyang Commercial Bank
Wing Lung Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

http://www.xinyisolar.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this annual report: HK$2.73
Market capitalisation as of the date of this annual report: Approximately HK$18,424 million

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting:
Thursday, 25 May 2017 to Wednesday, 31 May 2017 (both days inclusive)
Date of Annual General Meeting:
Wednesday, 31 May 2017
Closure of register of members for the purpose of entitlements to the final dividend:
Wednesday, 21 June 2017 to Friday, 23 June 2017 (both days inclusive)
Proposed final dividend payable date:
On or before Tuesday, 4 July 2017

Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2016.

The Group recorded encouraging results in both solar glass and solar farm businesses for the year ended 31 December 2016. As compared with 2015, revenue of the Group rose by 26.5% to HK$6,007.1 million and profit attributable to equity holders of the Company increased by 64.7% to HK$1,985.6 million in 2016. Basic earnings per share were 29.42 HK cents, as compared with 18.53 HK cents for 2015. A final dividend of 6.0 HK cents per share is proposed, subject to the approval by the shareholders (the "**Shareholders**") of the Company at the forthcoming annual general meeting (the "**Annual General Meeting**").

GROWTH MOMENTUM SHIFTED TO ASIA AND INCREASING OPPORTUNITIES IN EMERGING MARKETS

The continuous decreases in the costs of solar power systems, together with the government policy in different countries seeking change in their energy mix to meet climate change control and development goals, have resulted in the robust growth of global PV installation in 2016, with China, the US, Japan and India as the top four major markets.

In 2016, China out-performed all other countries and recorded an unprecedented level of solar power installation. PV deployment in the US was still trending on an accelerated track amid the extension of solar investment tax credits. However, solar installation in Japan was beginning to falter as a result of repeated tariff cuts and the difficulty in securing land after several years of rapid growth. India was making concerted plans and substantial progress in solar development in 2016. Actually, India is an ideal market for solar power given its high solar irradiation, low electrification levels, relatively high energy costs and growing concerns about greenhouse gas emissions. It is likely to emerge as an important growth driver for the global solar market over the next few years. Asia was the fastest growing region in 2016. Other than China, Japan and India, PV installation also rapidly took off in Thailand, Korea, Vietnam and Taiwan.

EXPLOSIVE GROWTH AND A ROLLER-COASTER RIDE OF CHINA'S PV MARKET

Despite the slowdown of economic growth, China continued to lead the world in new PV capacity installation and achieved record-breaking additions in 2016. According to the NEA, new PV capacity of 34.54 gigawatt ("**GW**") was commissioned in 2016, a 128% increase compared to the installation of 15.13 GW of capacity in 2015. This stunning 34.54GW figure included certain portions of the PV actually installed in 2015 but only connected to the grid in 2016. The cut off impact and aggressive yearly targets for 2015 (17.8GW plus an additional 5.3GW announced in March and September 2015, respectively) and 2016 (18.1GW announced in June 2016), combined with the installation rush ahead of the next round of tariff cuts, led to the explosive growth and a roller-coaster ride for China's PV market in 2016.

The year of 2016 was full of opportunities and challenges for the solar industry in China. In response to the rapidly changing market environments and increased competition in the solar glass market, the Group has adopted a proactive and flexible marketing strategy to boost sales, explore new market opportunities and expand its customer bases.

CAPACITY EXPANSION FOR FUTURE GROWTH

Timely expansion of capacity has enabled the Group to capture the growth trend in the global PV market and boost its market share. During the PV installation rush in the first half of 2016, the demand for solar glass largely outstripped the supply. Although the resumption of a ultra-clear PV raw glass production line in October 2015 — with a daily melting capacity of 500 tonnes upgraded to 600 tonnes — has helped increase the supply of the Group, the rise in market demand has far exceeded expectations and caused the Group's inventory to drop to a very low level in June 2016. To sustain further growth, it is important for the Group to expand its solar glass production capacity.

In 2016, the Group increased its aggregate daily melting capacity from 3,900 tonnes to 5,800 tonnes, further strengthening its position as the world's largest solar glass manufacturer. Two new ultra-clear PV raw glass production lines were installed in November 2016 in Malaysia and Wuhu, Anhui province, the PRC, with melting capacity of 900 tonnes/day and 1,000 tonnes/day, respectively. In February 2017, the Group added another new ultra-clear PV raw glass production line with melting capacity of 1,000 tones/day at Wuhu, Anhui province, the PRC, further boosting its daily melting capacity to 6,800 tonnes.

Increased production capacity can further enhance economies of scale and synergies to achieve overall cost reductions. The establishment of a production site in Malaysia can help the Group better serve its customers in Southeast Asia, explore other overseas markets, enjoy preferential import duties and reduce shipment time and costs.

COST AND PRODUCTION EFFICIENCY IMPROVEMENT

The encouraging performance of the Group's solar glass business owed much to the cost savings resulting from the technological breakthrough of using glass melting furnaces with a melting capacity of 900 tonnes/day and improved overall efficiency promoted throughout the year. The Group is committed to enhance its production and operational efficiency on an ongoing basis in order to become more cost effective and price competitive. Related measures include streamlined and automated production processes, continuous technological advance and strengthened operational management as well as reduction and re-use of packaging materials.

MORE COMPETITIVE BUSINESS LANDSCAPE

The business landscape of solar farm development in China has undergone vast changes in 2016, shaped by the FiT cuts, competitive bidding for quota allocation and continuous improvement and declining cost of solar technologies.

In January 2016, the NEA released a draft guideline to optimise the solar project quota allocation process by requesting the provinces to introduce a competitive bidding mechanism for solar project quota awards. Selection criteria should include tariff pricing, technology, investment capability, progress of preliminary preparation work for the project, overall site usage and application, contribution to and impact on local economies, creditworthiness of the bidders, etc.

To encourage cost reduction through greater innovation and higher efficiency, the NDRC has been periodically adjusting the FiT rate. It announced the reduction of FiT for Zone 3 by 2% to RMB0.98/kWh in late 2015 and by a further 13% to RMB0.85/kWh in late 2016.

Chairman's Statement

The FiT cuts and introduction of competitive bidding for quota allocation have raised concerns about the level of investment return on solar farm projects. However, given the substantial and continuous decline in solar installation costs and thanks to its strong development and execution capability, the Group has recorded satisfactory results from the solar farm and solar power generation business in 2016 and remains optimistic about the growth of this business segment in the future.

INCREASED CONTRIBUTION FROM SOLAR FARM PROJECTS

Since the completion of the Group's first utility-scale ground mounted solar farm in late 2014, its accumulated approved grid-connected capacity increased continuously and substantially from 250MW as of 31 December 2014 to 610MW as of 31 December 2015, and further rose to 1,464MW as of 31 December 2016, not including the joint venture solar farm projects and distributed generation projects. With the higher grid-connected capacity, the solar farm and solar power generation business notably boosted its revenue and profit contribution, accounting for 17.5% and 28.3% of the Group's total revenue and gross profit for the year ended 31 December 2016.

Grid curtailment and delay in subsidy payments remain the two major challenges to PV development in China. As all solar farm projects of the Group are located in regions with high electricity demand, such as Anhui, Hubei, Henan, Fujian and Tianjin, the Group has not experienced any grid-curtailment issues. Although there is no immediate solution to the subsidy delay problem, the Group believes that the higher renewable energy surcharges and the lower FiT could relieve the financial pressure of the Renewable Energy Development Fund and speed up the solar subsidy payments. Since January 2016, the NDRC has increased renewable surcharge by 27% from RMB0.015/kWh to RMB0.019/kWh. In August 2016, two solar farm projects of the Group with aggregate capacity of 250MW were enlisted on the government's 6th batch of renewable energy subsidy catalogue and a backdated subsidy payment of HK$68.9 million was received in the last quarter of 2016.

CONTINUOUS INNOVATION TO ENHANCE DEVELOPMENT OPPORTUNITIES

The Group's strengths in solar farm development rest on its competitive development costs, experiences in the solar value chain and the continuous technological innovation. Double-glass modules are widely used in its new solar farm projects to reduce the degradation and enhance the durability of solar modules. Continuous cost-benefits analyses are conducted to examine the use of the latest solar technologies such as mono crystal silicon solar cells, bifacial solar panels, solar tracking systems and rotating platforms in the Group's solar farm projects.

Utility-scale ground mounted solar farm projects require large piece of land areas to operate. Therefore, different mounting technologies such as elevated mounting on cultivated agricultural land and water surface mounting on fish ponds are used by the Group for sites with different topographical conditions to ensure efficient land use. Given the limitation on land resources, these can enhance the development opportunities of the Group. In March 2016, the Group completed the installation of a 20MW floating solar power farm in Huainan, Anhui Province. By using abandoned coal mining subsidence areas, this solar farm can be installed on a large scale without taking up precious land. Solar modules installed closer to the water surface can help to provide a better cooling effect and hence improve the efficiency of power generation. In October 2016, the Group secured a tender for a 150MW project of similar kind in Anhui — solid testimony of its advanced technology and innovation capability.

EPC SERVICE — TO EXPLORE THE POTENTIAL OF THE DISTRIBUTED GENERATION MARKET

The Chinese government has increasingly focused on developing the country's PV distributed generation market. China's 13th Five-year Plan indicates that by 2020, national distributed power generation is expected to reach 60 GW. In addition to the self-developed ground-mounted solar farm projects, the Group also engaged in several residential and commercial distributed generation EPC projects in 2016. EPC services, though not a key profit contributor to the Group, can help exploit potential of the distributed generation market and broaden its presence in the PV downstream market.

In April 2016, the Group acquired 60% equity interest in Polaron Solartech Corporation ("**Polaron Solartech**") for a consideration of Canadian Dollars 1.50 million (equivalent to HK$8.96 million). Polaron Solartech is a company specialising in residential and commercial distributed generation projects and has completed approximately 300 residential projects in Ontario, Canada in 2016. The Ontario Sustainable Energy Association has honoured Polaron Solartech with the 2017 Powering Prosperity Award: The Most Innovative Business Model, in recognition for its significant contribution to the advancement of Ontario residential solar sector. Through the investment in Polaron Solartech, the Group aims to gain more PV development experience in different distributed generation markets.

BUSINESS OUTLOOK

With socio-political volatility in different parts of the world and the uncertain global economic outlook, the Directors expect both the PRC and the international business environments continue to be volatile and challenging in 2017. After the massive PV installation in the past few years, tempered growth is expected for the two largest PV markets, China and the US. Emerging markets in Asia will continue to drive the global PV growth in 2017.

Technological advancement and efficiency improvement, helped by the increased scale of deployment and rising competitive pressures, will further drive down installation costs and continue the solar revolution, enticing different countries to implement PV technology to boost green energy and adjust their energy mix.

In order to tackle air pollution problem, China has shown no sign to indicate that its support for renewable energy will waive. NEA announced in June 2016 the implementation plan to add 18.1GW PV capacity over the 2016 to 2017 period. This, together with the additional quota released in late 2016 and early 2017 to eight provinces with capacity of more than 5.3GW and the 5.16GW for the PV poverty alleviation project, bring China's installation target close to 30GW before taking into account the distributed generation capacity. The rush to meet quota deadlines in the first half of 2017 can breed additional downstream demand and help sustain the growth momentum of the solar glass market. The newly added solar glass production capacity — three ultra-clear raw glass production lines with aggregate daily melting capacity of 2,900 tonnes/day — can help the Group to grasp the growth opportunity and increase its market share. Through capacity growth and efficiency improvements, the Group aims to enhance its overall competitiveness and reduce the adverse impact of market volatility on its business.

For the development of the Group's solar farm, the original installation target of 1.7GW cumulative capacity by end of 2016 was missed because of the delay in the granting of quota. As at 31 December 2016, the Group had grid-connected solar farm projects with a capacity of 1,647MW, which included 510MW from wholly-owned projects, 954MW from projects held by 75%-owned subsidiaries, 100MW from a project held by a joint venture and 83MW distributed generation projects. In light of the declining installation costs and lower-than-expected FiT cut in China, the Group will continue to boost its investment in utility-scale ground mounted solar farm projects and aims to achieve an installation target of 600 to 800MW in capacity for 2017.

Chairman's Statement

Since listing on the Main Board of the Hong Kong Stock Exchange in December 2013, the Group has achieved significant business growth in its solar glass business, while expanding its business footprint in the downstream development of solar farm projects. Revenue and profit contribution from solar power generation has continuously and substantially increased since the completion of the Group's first utility-scale solar farm project in 2014. In light of this, the Group has started the preparation for the proposed spin-off of the business of the solar farm projects operated and managed by the Group.

CONCLUSION

Continuous efficiency improvement and innovation have helped the Group rise above the volatile and challenging market conditions and reinforce its leading position in the solar industry. Leveraging on its solid foundation and competitive advantages, the Group will continue the concurrent development of its solar glass and solar farm business. Given solar farm business is a long-term and capital-intensive investment, the Group will strive to explore different financing alternatives and optimise its capital structure to strengthen its financial capability and reduce its overall finance costs.

I would like to take this opportunity to thank our fellow Board members, shareholders, customers, suppliers, business partners for their continuing support to the Group, and to all the employees for their valuable contribution during the year.

Datuk LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 28 February 2017

Management's Discussion and Analysis

OVERVIEW

Different from the previous years, the peak season of China's photovoltaic ("**PV**") installation in 2016 was in the first half of the year. The reduction in the feed-in-tariff and deadline of quota submission of 30 June 2016 stimulated the PV installation during the first half of 2016. Although the pace for installation slowed down in the third quarter, China's PV installed capacity for 2016 has exceeded the general expectation. With the global PV market continued to grow strongly in 2016, which resulted in increasing in the demand for different PV components, including solar glass products. The sales volume of the Group continued to increase, together with the reduction in production costs and continuous efficiency improvements in production efficiency, contributed to the remarkable performance of the Group's solar glass business (the "**Solar Glass Business**") for the year. On the other hand, the revenue and profit contribution from the Group's solar farm business (the "**Solar Farm Business**") also increased significantly because of the increase in the number of solar farm projects connected to the electric grids.

For the year ended 31 December 2016, the Group achieved consolidated revenue of HK$6,007.1 million, representing an increase of 26.5% compared to 2015. Profit attributable to the equity holders of the Company increased by 64.7% to HK$1,985.6 million. Basic earnings per share were 29.42 HK cents for 2016, as compared with 18.53 HK cents for 2015.

FINANCIAL REVIEW

Revenue

For the year ended 31 December 2016, the revenue of the Group was mainly derived from three business segments: (i) Solar Glass Business; (ii) Solar Farm Business; and (iii) engineering, procurement and construction ("**EPC**") services (the "**EPC Business**"). With the increasing number of solar farm projects in operation and grid connected, there was significant increase in the revenue contribution from the Solar Farm Business, which has become one of the distinctive business segments of the Group.

Revenue — by segment

	Year Ended 31 December					
	2016		2015		Increase/(Decrease)	
	HK$' million	**% of revenue**	HK$'million	% of revenue	HK$'million	%
Solar Glass Business	**4,276.5**	**71.2**	3,910.9	82.3	365.6	9.3
Solar Farm Business	**1,049.8**	**17.5**	313.0	6.6	736.8	235.4
EPC Business	**680.7**	**11.3**	526.5	11.1	154.2	29.3
Total external revenue*	**6,007.1**	**100.0**	4,750.4	100.0	1,256.7	26.5

* Because of rounding off, the sum of individual amounts may not be the same as the actual total amounts.

Management's Discussion and Analysis

Solar glass revenue — by geographical markets

	Year Ended 31 December					
	2016		2015		Increase/(Decrease)	
	HK$' million	**% of revenue**	HK$'million	% of revenue	HK$'million	%
Mainland China	**3,644.7**	**85.2**	3,209.8	82.1	434.9	13.5
Other countries	**631.8**	**14.8**	701.1	17.9	(69.3)	(9.9)
	4,276.5	**100.0**	3,910.9	100.0	365.6	9.3

Solar glass products of the Group mainly include ultra-clear PV raw glass ("**PV Raw Glass**") and other PV processed glass ("**PV Processed Glass**") such as ultra-clear PV tempered glass, ultra-clear PV anti-reflective coating glass, back glass, etc. Taking into account the higher average selling prices and higher profit margins for PV Processed Glass as compared with PV Raw Glass, the Group continues to optimise its product mix by focusing on the production of the PV Processed Glass. For the year ended 31 December 2016, sales of the PV Raw Glass only accounted for 4.4% (2015: 5.6%) of the Group's total solar glass revenue and 3.1% (2015: 4.6%) of the Group's total revenue. The sales of PV Raw Glass and PV Processed Glass were aggregated and disclosed as a single segment "Sales of solar glass" for the year under review.

For the year ended 31 December 2016, the Group's solar glass sales revenue increased by 9.3% to HK$4,276.5 million, primarily due to the increase in the sales volume of solar glass by 10.5%, partly offset by the drop in selling price in the second half of the year. The average selling prices of solar glass maintained at a high level throughout the PV installation rush in the first half of 2016, then dropped in the third quarter and remained relatively stable in the last quarter of the year.

The demand for solar glass fluctuated significantly at different time during the year. In China, the reduction in the feed-in tariff and deadline for quota submission of 30 June 2016 stimulated the PV installation and selling prices during the first half of 2016. After that, the market slowed down rapidly within the third quarter as the solar farm developers were waiting for a new batch of quota allocation and adjusting their future development plans in response to the expected substantial drop in solar system component costs, concerns about the over-supply in the value chain, uncertainties over the solar installation target in the 13th five-year plan and the expected reduction in the feed-in-tariff ("**FiT**") in 2017. With the new quota gradually released and the reduction of the FiT in 2017 is less than the expected level, the demand for solar glass rebounded in the fourth quarter of 2016.

The Group's export sales of solar glass to the US and Japan decreased and the Group's domestic sales in China increased, which changed the geographical mix of its solar glass sales for the year under review. The Group's export sales percentage of total sales decreased from 17.9% in 2015 to 14.8% in 2016.

The table below sets forth the Group's solar farm projects in operation as at 31 December 2016.

		Accumulated approved grid-connection capacity			
Location	**Weighted average FiT***	**31 December 2016**	**30 June 2016**	**31 December 2015**	**31 December 2014**
		MW	*MW*	*MW*	*MW*
1) Jinzhai, Lu'an, Anhui#	1.0	150	150	150	150
2) Sanshan, Wuhu, Anhui#	1.0	100	100	100	100
3) Nanping, Fujian	1.0	30	30	30	—
4) Lixin County, Bozhou, Anhui	1.0	140	140	40	—
5) Wuwei County (Phase 1), Wuhu, Anhui	1.0	100	100	100	—
6) Hongan, Hubei	1.0	100	100	50	—
7) Fanchang, Wuhu, Anhui	1.0	60	60	40	—
8) Shou County (Phase 1), Anhui	1.0	100	100	100	—
9) Binhai Tianjin	0.95	174	174	—	—
10) Huainan City, Anhui	1.0	20	20	—	—
11) Suiping, Henan	1.0	110	—	—	—
12) Xiaochang, Hubei	0.954^	130	—	—	—
13) Shou County (Phase 2 and 3), Anhui	0.945	200	—	—	—
14) Wuwei County (Phase 2), Wuhu, Anhui	0.945	50	—	—	—
Total		1,464	974	610	250

* Weighted average FiT based on the approved grid-connection capacity of the different phases for each solar farm.

Enlisted on *"Renewable Energy Tariff Subsidy Catalogue"* and started to receive subsidy.

^ Subject to the final approval of the relevant PRC government authorities.

Management's Discussion and Analysis

As at 31 December 2016, the Group had fourteen utility-scale ground mounted solar farm projects in operation. The accumulated approved gird-connection capacity increased from 610 megawatts ("**MW**") as at 31 December 2015 to 974MW as at 30 June 2016 and 1,464MW as at 31 December 2016, driving up the amount of revenue from the Solar Farm Business by 235.4% from HK$313.0 million in 2015 to HK$1,049.8 million in 2016.

The Solar Farm Business has not encountered any curtailment in electricity generation as all solar farm projects are located in regions with high electricity demand. However, similar to other solar farm operators in China, the Group experiences delay in receiving subsidy portion from the PRC government. For solar farm operators to receive the subsidy, the solar farm projects must be enlisted on the *"Renewable Energy Tariff Subsidy Catalogue"* (the "**Catalogue**") jointly complied by the Ministry of Finance ("**MoF**"), National Development and Reform Commission ("**NDRC**") and National Energy Administration ("**NEA**"). Since August 2016, the Group has two utility-scale ground mounted solar farm projects, which are located at Jinzhai and Sanshan, Anhui Province with an aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Catalogue, which covers the solar farm projects connected to the State grids during the period between September 2013 and February 2015. During the fourth quarter of 2016, the Group received an aggregate payment of HK$68.9 million for the subsidies incurred up to April 2015 by these two solar farm projects.

As at 31 December 2016, the Group had outstanding receivables for the sales of electricity of HK$56.1 million (2015: HK$21.3 million) and a tariff adjustment (subsidy) receivable of HK$880.0 million (2015: HK$224.8 million). The receivables from sales of electricity are generally settled on a monthly basis by the state grid companies in the PRC. The tariff adjustment (subsidy) receivables are settled by the state grid companies in accordance with prevailing government policies and prevalent payment trends of the MoF. The PRC government has continuously adopted different measures to alleviate the delay, including increasing the amount of the renewable energy surcharge and the reduction of FiT, in order to reduce the shortfall in the renewable energy fund and hence speed up the subsidy payment.

The EPC services income of the Group increased by 29.3% from HK$526.5 million in 2015 to HK$680.7 million in 2016. The EPC service income for the year under review included: (i) HK$515.7 million from residential distribution generation solar farm projects in Anhui province; (ii) HK$127.8 million from a 100MW utility-scale ground mounted solar farm project 50% owned by the Group; and (iii) HK$37.2 million from other miscellaneous projects.

Gross profit

The Group's gross profit increased by HK$1,039.6 million, or 60.8%, from HK$1,710.3 million in 2015 to HK$2,749.9 million in 2016. The significant increase in the gross profit was mainly due to the rise in volume and gross margin of solar glass sales as well as the increase in revenue contributions from the solar farm business. The overall gross profit margin increased to 45.8% (2015: 36.0%), primarily due to: (i) improvement in cost and production efficiency of the solar glass business; and (ii) increased contributions from the solar farm and solar power business, which has higher gross profit margins than the solar glass business.

For the year ended 31 December 2016, the gross margin of the Group's solar glass segment increased 7.3% to 42.2% (2015: 34.9%). Because of the drop in selling price in the second half of 2016, the average selling price of solar glass for 2016 showed a slight decline when compared to 2015. As such, the margin increase was mainly attributable to the drop in production costs as a result of: (i) natural gas price cut in the PRC in November 2015; (ii) more efficient ramp-up with new capacity added in previous year; and (iii) ongoing improvements to reduce the production cost and enhance the production yield.

Gross profit contribution from the Group's solar farm projects increased significantly in 2016 amid the increase in aggregate grid-connected capacity. In 2016, the gross profit contribution from this segment increased significantly by 238.9% to HK$778.8 million (2015: HK$229.8 million) accounting for 28.3% (2015: 13.4%) of the total gross profit of the Group. The increased scale of deployment and declining installation costs (resulting in lower capital expenditures for new installation and hence lesser depreciation costs for new solar farm projects) helped to improve the gross margin of this segment to 74.2% in 2016 (2015: 73.4%).

Other income

In 2016, the Group's other income increased by HK$32.8 million to HK$175.5 million, as compared to the HK$142.7 million recorded in 2015. The increase was principally due to the additional government grants received by the Group as recognition for its commitment to technology and product innovation as well as contribution to the local economy.

Other gains, net

Other gains, net decreased by HK$53.3 million to HK$8.3 million in 2016 from HK$61.6 million for the in 2015. The decrease was mainly due to the recognition of a deemed disposal gain of HK$62.5 million in relation to a 100MW joint venture solar farm project in Jinzhai, Anhui province in 2015, but not 2016.

Selling and marketing expenses

Despite the increase in sales volume of solar glass, the Group's selling and marketing expenses decreased by 11.9% from HK$186.5 million in 2015 to HK$164.3 million in 2016. The decrease was primarily due to the drop in transportation costs as a result of the change in export sales mix, with lower percentages to North America and Japan and higher percentages to Asian countries in 2016. The Group's selling and marketing expenses to revenue ratio decreased from 3.9% in 2015 to 2.7% in 2016 because: (i) more solar glass sales were made to the PRC and other Asian markets; and (ii) solar power electricity generation and EPC service businesses incurred fewer selling and marketing expenses than the solar glass business.

Management's Discussion and Analysis

Administrative and other operating expenses

The Group's administrative and other operating expenses increased by HK$3.5 million, or 1.1%, from HK$317.6 million in 2015 to HK$321.1 million in 2016. The increase was mainly attributable to the increase in staff cost and benefits of HK$41.9 million as a results of business expansion, partially offset by the decrease of HK$37.0 million in research and development expenditures and other miscellaneous expenses. Because of economies of scale and certain expenses being fixed, the Group managed to reduce its administrative and other operating expenses to revenue ratio from 6.7% in 2015 to 5.3% in 2016.

Finance costs

The Group's finance costs increased from HK$21.1 million (or HK$48.8 million before capitalisation) in the 2015 to HK$103.9 million (or HK$137.9 million before capitalisation) in 2016. The increase was mainly attributable to new bank borrowings made by the Group to finance the capital expenditures for its solar farm projects and new solar glass production lines. During the year under review, interest expense of HK$34.0 million (2015: HK$27.7 million) was capitalised into the construction costs of different solar farm projects and solar glass production facilities. The capitalised amounts would depreciate together with the relevant assets over their estimated useful lives.

Share of profit of a joint venture

For the year ended 31 December 2016, the Group recorded a share of profit of a 50%-owned joint venture of HK$31.1 million (2015: nil), which is attributable to Xinyi Solar (Lu'an) Company Limited, engaging in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, the PRC.

Income tax expense

The Group's income tax expense increased from HK$188.4 million in 2015 to HK$240.8 million in 2016. The percentage increase was much lower than the percentage increase in profit before income tax because the Group's profits from solar power electricity generation are fully exempted from corporate income tax for three years starting from the solar farm's first year of profitable operations, to be followed by a 50% reduction in corporate income tax in the subsequent three years. The effective tax rates for 2016 and 2015 were 10.1% and 13.5% respectively.

EBITDA and net profit

In 2016, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$2,894.7 million, representing an increase of 76.4% as compared to HK$1,640.7 million in 2015. The Company's EBITDA margin (calculated based on the total revenue for the year) was 48.2% in 2016 as compared to 34.5% in 2015.

Net profit attributable to equity holders of the Company in 2016 was HK$1,985.6 million, representing an increase of 64.7%, as compared to HK$1,205.6 million in 2015. Net profit margin increased to 33.1% in 2016 from 25.4% in 2015, mainly due to: (i) the higher margin of solar farm and solar power electricity generation business; and (ii) continued improvement in cost and production efficiency of the Group's solar glass business.

FINANCIAL RESOURCES AND LIQUIDITY

The Group remained in a healthy financial position for the year ended 31 December 2016. Given the long-term and capital-intensive natures of solar farm investment, the Group would closely monitor its liquidity position and adjust its expansion plan in accordance with its financial resources. During the year, the total assets of the Group increased by 31.8% to HK$16,786.4 million and shareholders' equity increased by 8.2% to HK$6,215.6 million. The Group's current ratio as at 31 December 2016 was 1.0, compared to 1.8 as at 31 December 2015. The decrease was mainly due to the decrease in cash and cash equivalents and increase in bank borrowings to finance the capital expenditures for solar farm development and expansion of solar glass production capacity.

For the year ended 31 December 2016, the Group's primary source of funding included cash generated from its operating activities and bank borrowings. Despite the increase in revenue from the Group's solar glass and solar farm business, net cash inflow decreased from HK$851.1 million in 2015 to HK$680.8 million in 2016 mainly because: (i) the sales rebound in the last quarter led to the increase in trade receivables of the Group's solar glass business near year end; (ii) the inventory level of solar glass rebounded from a low level after the installation rush period lasting from the second half of 2015 to the first half of 2016; (iii) the increase in tariff adjustments receivables and value-added tax receivables as a result of the expanded solar farm operation. Net cash used for investing activities amounted to HK$4,896.7 million (2015: HK$3,612.9 million). The increase was primarily due to capital expenditures incurred by solar farm projects as well as new solar glass production lines. Net cash generated from financing activities amounted to HK$2,232.1 million (2015: HK$5,110.5 million). In 2016, the Group secured new bank borrowings of HK$3,550.0 million, repaid bank borrowings of HK$474.3 million and did not undertake any equity fund-raising.

The Group's net debt gearing ratio as at 31 December 2016 was 78.4% (31 December 2015: 10.5%). This ratio is based on bank borrowings less cash and cash equivalents divided by the total equity of the Group. The increase in the Group's net debt gearing ratio was primarily due to: (i) the increase in capital expenditures for solar farm development and expansion of solar glass production capacity leading to the decrease in the cash and cash equivalents and increase in bank borrowings; and (ii) the increase in total equity as a result of profit growth was partially offset by dividend distribution and translation losses for RMB-denominated assets caused by RMB depreciation.

CAPITAL EXPENDITURES AND COMMITMENTS

The Group incurred capital expenditures of HK$4,810.0 million for the year ended 31 December 2016 which was primarily used in the development of the solar farm projects in China as well as the construction of new solar glass production capacities in China and Malaysia.

Capital commitments contracted for but not incurred by the Group as at 31 December 2016 amounted to HK$1,481.2 million, which were mainly related to the development and construction of solar farm projects and the balance payment for the newly added solar glass production capacity.

Management's Discussion and Analysis

PLEDGE OF ASSETS

No assets of the Group were pledged as security for bank borrowings as of 31 December 2016 and 2015.

Contingent Liabilities

As at 31 December 2016 and 2015, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries

Except for the acquisition of (a) 60% equity interest of Polaron Solartech and (b) 40% equity interest in Ultimate Luck Global Limited and Cheer Wise Investments Limited which own the office premises of the Group, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2016.

Treasury Policies and Exposure to Fluctuation in Exchange Rates

The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollar ("USD"). Given the pegged exchange rate between HKD and USD, the Directors do not foresee that the Group will be exposed to significant exchange rate risk for transactions conducted in HKD or USD. However, exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group's performance and asset value.

Because of the depreciation of RMB against HKD and USD, the Group reported non-cash translation losses — a reduction in the reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2016, exchanges losses of HK$675.0 million were recorded as the exchange reserve movement, increasing the consolidated exchange reserve account from debit balance of HK$331.9 million at 31 December 2015 to debit balance of HK$1,006.9 million at 31 December 2016. For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB while the bank borrowings are denominated in HKD, the Group would strike a balance to minimise the risk of currency mismatch between the source of revenue with bank borrowings and the advantage of the lower borrowing rates of HKD as compared to those of the RMB.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. The Group may use financial instruments for hedging purposes as and when required. During the year ended 31 December 2016, the Group did not use any financial instrument for hedging purpose.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had about 3,462 full-time employees of whom 3,035 were based in Mainland China and 427 were based in Hong Kong, Malaysia and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$252.2 million for the year ended 31 December 2016.

The Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are generally consistent with the prevailing levels in the market and are reviewed on a regular basis. Apart from basic remuneration and the statutory retirement benefit scheme, discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Datuk LEE Yin Yee, B.B.S. (李賢義), aged 64, is a non-executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Datuk LEE Yin Yee, B.B.S. joined our Group in July 2006. Datuk LEE Yin Yee, B.B.S. has 28 years experience in the glass industry. Datuk LEE Yin Yee, B.B.S. is the founder of Xinyi Glass Holdings Limited ("Xinyi Glass") (stock code: 00868), a company listed on the Hong Kong Stock Exchange, and its subsidiaries ("Xinyi Glass Group") and is currently an executive director and the chairman of Xinyi Glass. Prior to establishing the Xinyi Glass Group, Datuk LEE Yin Yee, B.B.S. engaged in the trading of automobile parts. Datuk LEE Yin Yee, B.B.S. is a committee member of the 12th Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Datuk LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Datuk LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Datuk LEE Yin Yee, B.B.S. is the brother-in-law of Datuk TUNG Ching Sai, an executive Director, and an uncle of Mr. LEE Yau Ching, our Chief Executive Officer and an executive Director.

EXECUTIVE DIRECTORS

Datuk TUNG Ching Sai (董清世), aged 51, is an executive Director and our Vice Chairman and is responsible for the formulation of our Group's overall business strategy and overseeing the implementation of the business strategies. Datuk TUNG joined our Group in July 2006. Datuk TUNG has been working in Xinyi Glass Group for 28 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Datuk TUNG is a committee member of The Chinese People's Political Consultative Conference of Fujian Province, vice chairman of the China Architectural and Industrial Glass Association, and the chairman of the fourth and fifth Shenzhen Federation of Young Entrepreneurs. Datuk TUNG obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hongkong 2006". Datuk TUNG graduated from the Sun Yat-Sen University with a senior executive master degree in business administration in 2007. Datuk TUNG is the brother-in-law of Datuk LEE Yin Yee, B.B.S., our Chairman and a non-executive Director.

In November 2015, Datuk TUNG was appointed as the chairman and non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited ("**Xinyi Enterprises**"). In July 2016, Xinyi Enterprises (stock code: 8328) was spun off from Xinyi Glass and became separately listed on the Growth Enterprise Market of the Stock Exchange.

Profile of Directors and Senior Management

Mr. LEE Yau Ching (李友情), aged 41, is an executive Director and our Chief Executive Officer. Mr. LEE Yau Ching is responsible for the daily operation of our business operations. Upon graduating from The Hong Kong University of Science and Technology in 1999 with a bachelor's degree in business administration majoring in finance, Mr. LEE Yau Ching joined the Xinyi Glass Group in June 1999. From June 1999 until February 2004, Mr. LEE Yau Ching worked in various functions within Xinyi Glass Group, including overseas sales, finance, production and sales of construction glass and production and sales of automobile OEM glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass Group responsible for planning the overall marketing strategy and overseeing the marketing department. From February 2006 to February 2011, Mr. LEE Yau Ching was the chief operations officer of Xinyi Glass Group. Mr. LEE Yau Ching has since 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013. Mr. LEE Yau Ching started to involve in our business in mid-2006 and has since November 2010 been the Chief Executive Officer overseeing our business. Mr. LEE Yau Ching was a committee member of the 12th Chinese People's Political Consultative Conference of Dongguan, Guangdong Province and was awarded the "Young Industrialist Awards of Hong Kong 2014". Mr. LEE Yau Ching is a nephew of Datuk LEE Yin Yee, B.B.S., our Chairman and a non-executive Director, and a cousin of Mr. LEE Shing Put, our non-executive Director. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling shareholders of Xinyi Glass and Xiniy Solar.

Mr. LI Man Yin (李文演), aged 62, is an executive Director and is responsible for overseeing the purchase and procurement functions of our business since December 2011. Mr. LI Man Yin was appointed as our executive Director on 20 September 2013. Mr. LI Man Yin has since June 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013.

Mr. CHEN Xi (陳曦), aged 59, is an executive Director and is responsible for overseeing the new energy business. Mr. CHEN joined our Company in November 2010 as vice president of our TCO glass business. Mr. CHEN was appointed as our executive Director on 20 September 2013. Mr. CHEN obtained a bachelor's degree in machinery manufacturing technology, equipment and automation from Sichuan Industrial Institute (四川工業學院) in 1983. From December 1989 to February 1994, Mr. CHEN was an assistant engineer and engineer of Zhongshan Tractor Factory* (中山市拖拉機廠), responsible for machinery design and manufacture. From February 1994, Mr. CHEN started to work for Grand Engineering Glass Co., Ltd. (格蘭特工程玻璃(中山)有限公司) as production equipment manager. From September 1997 to April 2003, Mr. CHEN was the general manager of this company, overseeing its operation. Mr. CHEN joined Xinyi Glass Group in June 2003. From June 2003 to mid-2010, Mr. CHEN was principally responsible for the construction and operation of the construction glass production lines of Xinyi Glass Group in Dongguan.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Put (李聖潑), aged 39, is our non-executive Director. Mr. LEE Shing Put joined our Company in September 2013 and was appointed as our non-executive Director on 20 September 2013. Prior to joining us, Mr. LEE Shing Put had been engaged in information technology and investment businesses in Hong Kong and China since 2001. Mr. LEE Shing Put graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics. Mr. LEE Shing Put was the executive director of Xinyi Glass from June 2004 to October 2008. Mr. LEE Shing Put is currently a committee member of the 11th All-China Youth Federation and a committee member of the 5th Shenzhen Political Consultative Conference. Mr. LEE Shing Put is the son of Datuk LEE Yin Yee, B.B.S., our Chairman and a non-executive Director, a cousin of Mr. LEE Yau Ching, and a nephew of Datuk TUNG Ching Sai.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin Paul (鄭國乾), aged 65, is an independent non-executive Director. Mr. Cheng has over 30 years of experience in the accounting and finance disciplines. Mr. CHENG joined Leach & Co., Chartered Accountants, of London, United Kingdom in 1972, and qualified as a Chartered Accountant in 1976. Mr. CHENG became a partner of the firm in 1978 and retired from the partnership in 1992. Mr. CHENG was with Mitsubishi UFJ Securities (HK) Holdings, Limited between April 2006 and December 2012. Mr. CHENG joined the company initially as a managing director, head of legal, compliance and company secretary. Mr. CHENG was appointed as a board director and deputy president of the company in November 2007 and held these positions until his retirement in December 2012.

Mr. CHENG was admitted as an Associate of the Institute of Chartered Accountants in England and Wales ("ICAEW") and of the Hong Kong Institute of Certified Public Accountants ("HKICPA") in 1976 and 1982, respectively. He was made Fellow of ICAEW in 1982 and Fellow of HKICPA in 1990. Mr. CHENG was a member of Corporate Finance Committee of the HKICPA from 2006 to 2012. Currently, Mr. CHENG is a member of the Audit Profession Reform Working Group and the Professional Conduct Committee of HKICPA. Mr. CHENG serves as an independent non-executive director of Kin Yat Holdings Limited (stock code: 638), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Cheng was an independent non-executive director of Forterra Real Estate Pte. Ltd., which is a trustee manager of Forterra Trust ("Forterra"), a Singapore-based business trust that is formerly listed on the Singapore Exchange Securities Trading Limited ("Singapore Stock Exchange"). Forterra was delisted from the Singapore Stock Exchange on 13 February 2015, and deregistered under the Business Trusts Act (Cap.31A) of Singapore with effect from 31 August 2015, following the completion of a mandatory cash offer for Forterra which commenced in November 2014 by its largest unitholder, a member of the Nan Fung Group ("Nan Fung"), resulting in Nan Fung holding all of the issued units of Forterra. Mr. Cheng resigned as an independent non-executive director of Forterra Real Estate Pte. Ltd. in October 2015. Mr. Cheng was an independent non-executive director of RM Group Holdings Limited (stock code: 932), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited, during the year ended 31 December 2016. With effect from 6 December 2016, Mr. Cheng resigned as an independent non-executive director of RM Group Holdings Limited.

Profile of Directors and Senior Management

Mr. LO Wan Sing, Vincent (盧溫勝), aged 69, is an independent non-executive Director. Mr. LO is a member of the Chinese People's Political Consultative Conference, with a Bronze Bauhinia Star (BBS) awarded on 1 July 2011 by the government of Hong Kong. Mr. LO is an non-executive director of Good Resources Holdings Limited (Stock code: 00109), a company listed on the Hong Kong Stock Exchange.

Mr. KAN E-ting, Martin (簡亦霆), aged 34, is an independent non-executive Director. Mr. KAN graduated from the University of Sydney with a bachelor's degree in engineering majoring in software engineering in 2005 and a bachelor's degree in laws in 2007. Mr. KAN joined Mallesons Stephen Jaques (now known as King & Wood Mallesons) in August 2008 as a trainee solicitor and left the firm as a solicitor in corporate finance and capital markets practice in February 2013. Mr. KAN was admitted as a lawyer of the Supreme Court of New South Wales, Australia, in July 2008. Mr. KAN was admitted as a solicitor of the High Court of Hong Kong in April 2011. From April 2013 to December 2016, he was the deputy general manager and general manager of Ming Hong Technology (Shenzhen) Limited and Shenzhen Ming Hong Technology Limited respectively, which are primarily engaged in the business relating to the design and production of consumer electronics products.

SENIOR MANAGEMENT

Mr. CHU Charn Fai (朱燦輝), aged 47, is our Financial Controller and our Company Secretary. Mr. CHU joined us in April 2011. Prior to joining us, Mr. CHU was the financial controller of Minmetals Resources Limited (a company listed on the Hong Kong Stock Exchange, now known as MMG Limited) (stock code: 01208) during the period between August 2002 and August 2010. Mr. CHU started working with Minmetals Resources Limited in February 1998 and held various positions in the finance department during the period up to July 2002. Before joining Minmetals Resources Limited, Mr. CHU worked in an international accounting firm for more than four years. Mr. CHU obtained a higher diploma in business studies from City Polytechnic of Hong Kong in 1992, a bachelor's degree in applied computing from The Open University of Hong Kong in 2001 and a master's degree in corporate finance from The Hong Kong Polytechnic University in 2006. Mr. CHU is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. LIU Xiao Rong (劉笑榮), aged 37, is our General Manager, responsible for overseeing our ultra-clear photovoltaic glass business. Mr. LIU obtained a bachelor's degree in inorganic non-metal materials from Northwest Institute of Light Industry* (西北輕工業學院) (now known as Shanxi University of Science & Technology (陝西科技大學)) in July 2002. Mr. LIU joined Xinyi Glass Group in July 2007 as a raw material engineer of our solar glass business. From February to June 2009, Mr. LIU was transferred to the group management office of Xinyi Glass as an assistant of the chief executive officer, focusing on the development of our solar glass business. Since October 2008, Mr. LIU has been working for us and worked as our vice general manager of production from October 2010 to December 2013. In December 2013, Mr. LIU was appointed as general manager of our ultra-clear photovoltaic glass business.

Mr. WEN Jie (文杰), aged 55, is our Vice General Manager of Sales, responsible for overseeing the sales function of our photovoltaic glass business. Mr. WEN studied chemical technology at Tianjin Chemical Vocational University* (天津市化工職業大學) from 1980 to 1983. From 1997 to 2004, Mr. WEN worked in Tianjin Nippon Sheet Glass Co. Ltd.* (天津日板浮法玻璃有限公司) as a sales manager. From 2004 to 2009, Mr. WEN worked for Tianjin NFG Glass Fibre Co., Ltd. (天津日硝玻璃纖維有限公司). Mr. WEN joined us in May 2009 as the vice general manager of sales.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") throughout the year of 2016.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2016.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 17 to 20 of this annual report.

The four executive Directors are Datuk TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi. Datuk TUNG Ching Sai is the brother-in-law of Datuk LEE Yin Yee, B.B.S. Mr. LEE Yau Ching is a nephew of Datuk LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Shing Put.

The two non-executive Directors are Datuk LEE Yin Yee, B.B.S. and Mr. LEE Shing Put. Datuk LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Put, and also the brother-in-law of Datuk TUNG Ching Sai, and an uncle of Mr. LEE Yau Ching. Mr. LEE Shing Put is the son of Datuk LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Yau Ching and a nephew of Datuk TUNG Ching Sai.

The three independent non-executive Directors are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.

The Company has complied with Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors, one independent non-executive director of which has the appropriate professional qualifications or accounting or related finance management expertise and the independent non-executive directors represent at least one-third of the Board.

Where there is any casual vacancy in the Board, candidates will be proposed and put forward to the Board for consideration and approval, with a view to appointing to the Board individuals with the appropriate capabilities to fill the casual vacancy.

The Company has adopted the board diversity policy (the "**Diversity Policy**") as required by the CG code. The policy aims to achieve diversity on the members of the Board. In designing the Board's composition, a number of aspects would be considered, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

Corporate Governance Report

Datuk LEE Yin Yee, B.B.S. is the Chairman of the Group and Mr. LEE Yau Ching is the Chief Executive Officer of the Group. The Chairman is responsible for managing and providing leadership to the Board. Datuk LEE Yin Yee, B.B.S. is responsible for ensuring that the Group has maintained strong and effective corporate governance practices and procedures. The Chief Executive Officer is responsible for the day-to-day management of the business of the Group. With the assistance of other members of the Board and other senior management, Mr. LEE Yau Ching closely monitors the operating and financial results of the Group, identifies any weakness in the operation and takes all necessary and appropriate steps to remedy such weakness. Mr. LEE Yau Ching is also responsible for formulating the future business plans and strategies of the Group for the Board's approval.

The two non-executive Directors and the three independent non-executive Directors have been appointed for an initial term of three years commenced from 19 November 2013 and such terms of appointment have been renewed for three years from 19 November 2016. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

Attendance records of the Directors at board meetings and general meetings in 2016 are as follows:

	Meetings attended/held	
Directors	Annual general meeting	Board meetings
Executive		
TUNG Ching Sai	1/1	2/7
LEE Yau Ching	1/1	6/7
LI Man Yin	1/1	2/7
CHEN Xi	0/1	7/7
Non-executive		
LEE Yin Yee	1/1	2/7
LEE Shing Put	1/1	6/7
Independent non-executive		
CHENG Kwok Kin, Paul	1/1	7/7
LO Wan Sing, Vincent	1/1	6/7
KAN E-ting, Martin	1/1	7/7

At least four Board meetings are scheduled to be held during the year ending 31 December 2017.

In additions to board meetings, the Chairman also holds meetings from time to time with executive Directors and at least one meeting with non-executive Directors (including independent non-executive Directors) annually without the presence of executive Directors.

The Board is responsible for the formulation of the overall strategies and objectives of the Group, monitoring and evaluating the operating and financial performance, the review of the corporate governance measures and supervision of the overall management of the Group. The senior management of the Group is responsible for the implementation of the business strategies and the day-to-day operations of the Group under the leadership of the Chief Executive Officer. The Directors have full access to all the information of the Group in relation to the business operation and financial performance of the Group. Senior management of the Group also provides the Directors from time to time with information on the business operation of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2016 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. The chairman of the Remuneration Committee is Mr. LO Wan Sing, Vincent.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2016, a meeting of the Remuneration Committee was held on 15 March 2016 and all the committee members, except Mr. LO Wan Sing, Vincent, attended this meeting. Mr. CHENG Kwok Kin, Paul was elected to act as chairman of this meeting.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2016 is set forth below:

In the band of:	Number of individuals
Below HK$1,000,000	1
HK$1,000,001 to HK$1,500,000	1
HK$1,500,001 to HK$2,000,000	1

Details of the Directors' remuneration is set out in Note 38 to the consolidated financial statements of the Group on pages 142 to 143 in this annual report.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. Mr. CHENG Kwok Kin, Paul is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control and risk management systems and oversee the auditing processes of the Group. The Audit Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2016 on 15 March 2016, 2 August 2016 and 17 October 2016, respectively. Mr. CHENG Kwok Kin, Paul and Mr. KAN E-ting, Martin attended all these meetings. Mr. LO Wan Sing, Vincent attended two of these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of five members, namely Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. The chairman of the Nomination Committee is Datuk LEE Yin Yee, B.B.S.

The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The Nomination Committee held no meeting during the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 54 of this annual report.

AUDITOR'S REMUNERATION

For the year under review, the professional fees charged by the external auditor of the Company, PricewaterhouseCoopers, in respect of the auditing services is disclosed in the notes to the financial statements of the Group during the year, which amounted to HK$1,400,000.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board and the management of the Group maintain a sound and effective system of risk management and internal control so as to ensure the effectiveness and efficiency of the operations of the Group in achieving the established corporate objectives, safeguarding assets of the Group, rendering reliable financial reporting and complying with the applicable laws and regulations. The systems are designed to provide reasonable but not absolute assurance against material misstatement or loss, and to manage rather than eliminate risk of failure to meet the business objectives of the Group.

The key elements of the Group's risk management and internal control structure are as follows:

- Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;
- Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;
- Important business functions or activities are managed by experienced, qualified and suitably trained staff;
- Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and
- Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2016.

A risk-based approach is adopted to ensure that a methodical coverage of the Group's operations and resources are focused on high risk areas. The internal audit team takes the lead to evaluate the risk management and internal control systems of the Group by reviewing the major operations of the Group on a rotational basis every year. The review covers all material controls including financial, operational, compliance controls and risk management. Review results and recommendations in the form of written reports are submitted to the Audit Committee for discussion and review. Follow up actions will be taken up by the internal audit team to ensure that findings previously identified have been properly resolved.

Based on the results of the internal control review for the year ended 31 December 2016 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2016.

Corporate Governance Report

INSIDE INFORMATION POLICY

The Company has established an inside information policy which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished inside information) of the Group to ensure that the inside information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulation.

DIRECTORS’ INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group’s business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

COMPANY SECRETARY

The company secretary is Mr. CHU Charn Fai, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. CHU is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2016, Mr. CHU has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS’ RIGHT TO CONVENE A SHAREHOLDERS’ MEETING

Pursuant to Article 58 of the articles of association (the “**Articles**”) of the Company, an extraordinary general meeting (“**EGM**”) shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following channels:

(i) the annual general meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the annual general meetings of the Company to address shareholders' queries;

(ii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iii) the Company maintains a website at www.xinyisolar.com, where updated key information/news of the Group is available for public access.

(iv) Shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xinyisolar.com".

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2016.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2016.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The activities of the subsidiaries are mainly production and sale of solar glass products, development and operation of solar farms and the provision of engineering, procurement and construction ("**EPC**") services. Particulars of the subsidiaries are set forth in Note 13 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities of the Group for the year ended 31 December 2016 and the future development are set out in the Chairman's Statement from pages 4 to 8 and Management Discussion and Analysis from pages 9 to 16 of this Annual Report. The discussion forms part of the Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 55 in this annual report. During the year, an interim dividend of 8.0 HK cents per share, amounting to a total of cash dividend of approximately HK$539.9 million was paid to shareholders on 8 September 2016.

The Board proposes the payment of a final dividend of 6.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 23 June 2017. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before Tuesday, 4 July 2017.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Thursday, 25 May 2017 to Wednesday, 31 May 2017, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 9:30 a.m. on Monday, 29 May 2017.

The register of members will be closed from Wednesday, 21 June 2017 to Friday, 23 June 2017, both days inclusive, during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 20 June 2017 for such purpose.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's solar glass production may generate air pollutants, waste water and other industrial waste at different stages of the production process. To ensure compliance with the applicable PRC environmental protection laws and regulations, the Group has implemented the following environmental protection measures:

— *Energy* - Natural gas has been used as the principal energy source for the Group's glass melting furnaces.

— *Power generation from residual heat* – The Group's solar glass production plants have used the residual heat generated in the production processes for electricity generation.

— *Glass recycling* - Scraped and unused glass produced during the production process have been recycled to the glass melting furnaces for production of solar glass products.

During the year under review, the Group has substantially increased its investment in ground-mounted solar farms, which can help to improve air quality and the environment by reducing the consumption of fossil fuels and emission of carbon dioxide.

COMPLIANCE WITH LAWS AND REGULATIONS

During year under review and to the best knowledge of the Company's directors, the Group had obtained and completed all material licenses, certifications, permits and registration necessary for its business operations, and that the Group had complied in all material aspects with all laws, rules and regulations that have a significant impact on the Group's business and operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group is in the process of preparing its Environmental, Social and Governance ("**ESG**") report for the year ended 31 December 2016 and will publish it on the Stock Exchange's website and the Company's website on or before 19 July, 2017.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2016, there were no material dispute between the Group and its customers, suppliers and employees.

DONATIONS

Donations by the Group for charitable and other purposes during the year ended 31 December 2016 amounted to HK$9,325,000 (2015: Nil).

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The business performance of the Group is subject to the following principal risks and uncertainties:

Solar glass business

– The levels of demand and supply of solar glass are not entirely within the Group's control and are generally affected by the solar energy industry, the overall macroeconomic factors in the principal solar energy markets, and the production capacity of other solar glass manufacturers.

– The Group may not be able to adjust our production levels promptly in response to the changing market environment and as a result, any unbalance between the demand and supply of solar glass could create significant pressure on the selling prices.

– As a solar glass manufacturer, the Group follows the technology development which may cause demand for its solar products to be reduced significantly.

– The Group also relies on a constant supply of energy and raw materials for its production requirement.

All of the above factors could adversely and materially affect the Group's operating results and profitability.

Solar farm business

– Climate change and unpredictable weather patterns can cause output shortfalls and volatile returns.

– Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. The delay in the collection of tariff adjustment receivables may affect the cash flow and liquidity of the Group.

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuation in Exchange Rates" in the Management Discussion and Analysis on page 16 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 80 to 84 of this Annual Report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 25 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2016 and without taking into account the proposed final dividend of 6.0 HK cents per Share for the year then ended, share premium amounting to approximately HK$2,108.8 million (2015: HK$2,952.4 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

Save for disclosed above, the Company had no distributable reserve available for distribution to Shareholders at 31 December 2016 and 2015.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Datuk TUNG Ching Sai *(Vice Chairman)*
Mr. LEE Yau Ching *(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHEN Xi

NON-EXECUTIVE DIRECTORS

Datuk LEE Yin Yee, B.B.S. *(Chairman)*
Mr. LEE Shing Put

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul
Mr. LO Wan Sing, Vincent
Mr. KAN E-ting, Martin

In accordance with article 84 of the Company's articles of association, Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai and Mr. LEE Yau Ching will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange (the "**Listing Rules**"). The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has entered or has proposed to enter into any service agreements with the Company or any other member of the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, taking into account the Group's operating results, individual performance as well as market trends and practices. The Company's policies concerning remuneration of the executive Directors are:-

(i) the amount of remuneration is determined on the basis of the relevant executive Director's experience, responsibility, workload and the time devoted to the Group;

(ii) non-cash benefits may be provided to the executive Directors under their remuneration package;

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Share Option Scheme, as part of their remuneration package;

(iv) annual director's fees are as follows:

Chairman of the Audit Committee	:	HK$250,000 per annum for the year ended 31 December 2016 and HK$300,000 per annum for the year ending 31 December 2017.
All other directors	:	HK$200,000 per annum for the year ended 31 December 2016 and HK$250,000 per annum for the year ending 31 December 2017.

During the year ended 31 December 2016, two directors waived emoluments of aggregate amount of HK$400,000. Details of the remuneration of the Directors are set out in note 38 to the consolidated financial statements in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the continuing connected transaction disclosed on pages 43 to 47 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2016.

SHARE OPTION SCHEME

The following table sets forth movements in the share options of the Company for the year ended 31 December 2016:

	Grant date	Exercise price (HK$)	Exercisable period	Number of share options At 1/1/2016	Granted	Lapsed	At 31/12/2016
Executive director							
– Mr. CHEN Xi	24/7/2014	2.29	24/7/2017-23/7/2018	375,000	—	—	375,000
	12/5/2015	2.86	1/4/2018-31/3/2019	375,000	—	—	375,000
	23/3/2016	2.80	1/4/2019-31/3/2020	—	375,000	—	375,000
Continuous contract employees	24/7/2014	2.29	24/7/2017-23/7/2018	3,537,500	—	(184,250)	3,353,250
	12/5/2015	2.86	1/4/2018-31/3/2019	4,642,500	—	(265,250)	4,377,250
	23/3/2016	2.80	1/4/2019-31/3/2020	—	5,695,000	(33,000)	5,662,000
Total				8,930,000	6,070,000	(482,500)	14,517,500

No shares were issued during the year ended 31 December 2016 in respect of the shares options granted as shown in the above table. Taking the share options lapsed subsequent to 31 December 2016, as at 28 February 2017, a total of 14,445,000 option shares were still outstanding under the Share Option Scheme which represents approximately 0.21% of the issued ordinary shares of the Company.

A summary of the principal terms of the Share Option Scheme is as follows:

(i) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants (the "**Participants**") had or may have made to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants

The Participants include: (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultants, advisers, managers, officers who provide research, development, other technological support or services to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

(iii) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). The shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate Limit.

Notwithstanding the above, the aggregate number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(iv) Maximum entitlement of each eligible participant

Unless with the approval of the Shareholders in general meeting, the maximum number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

(v) Option period

The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(vii) Option price for subscription of shares

The subscription price of a share in respect of any particular share option granted under the Share Option Scheme will be such price as determined by the Board in its absolute discretion, but in any event will not be less than the higher of:

(a) the official closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, which must be a business day;

(b) the average of the official closing prices of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 6 June 2014.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 17 to 20 of this annual report.

Changes in information of Directors which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, since the publication of the Company's interim report for the six months ended 30 June 2016, are set out below:

With effect from 6 December 2016, Mr. CHENG Kwok Kin, Paul, an independent non-executive director of the Company, resigned as an independent non-executive director of RM Group Holdings Limited (stock code: 932), a company listed on the Main Board of the Stock Exchange.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2016, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

THE COMPANY AND ASSOCIATED CORPORATIONS

(i) Long position in the Shares of the Company

Name of Director	Capacity	Name of the controlled corporations	Number of Shares held	Approximate percentage of the Company's issued share
Datuk LEE Yin Yee, B.B.S. (1)	Interest in a controlled corporation(1)	Realbest (as defined below)	725,209,552	10.746%
	Interest in a controlled corporation(2)	Full Guang (as defined below)	73,190,000	1.084%
	Personal interest(1)		46,448,000	0.688%
	Interest in persons acting in concert (3)		2,206,813,059	32.699%
Datuk TUNG Ching Sai(3)	Interest in a controlled corporation(4)	Copark (as defined below)	246,932,579	3.659%
	Personal interest(4)		77,284,000	1.145%
	Interest in persons acting in concert (3)		2,206,813,059	32.699%
Mr. LI Man Yin(4)	Interest in a controlled corporation(5)	Perfect All (as defined below)	79,041,911	1.171%
	Personal interest(5)		3,960,000	0.059%
	Interest in persons acting in concert (3)		2,206,813,059	32.699%
Mr. LEE Yau Ching(5)	Interest in a controlled corporation(6)	Telerich (as defined below)	251,595,089	3.728%
Mr. CHEN Xi(7)	Personal interest		200,000	0.003%

Notes:

(1) Datuk LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") which in turn is the registered owner of 725,209,552 Shares. Datuk LEE Yin Yee, B.B.S. also has 46,448,000 Shares through his spouse, Madam Tung Hai Chi.

(2) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"). Full Guang is owned by Datuk LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Datuk TUNG Ching Sai as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(3) Pursuant to an agreement dated 31 May 2013 and entered into by Datuk LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Datuk TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of Shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.

(4) Datuk TUNG Ching Sai is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") which is the registered owner of 246,932,579 Shares. Datuk TUNG Ching Sai also has 13,782,000 Shares held in his own name and 63,502,000 Shares through his spouse, Madam Sze Tang Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited ("**Perfect All**") which is the registered owner of 79,041,911 Shares. Mr. LI Man Yin also has 2,000,000 Shares in his own name and 1,960,000 Shares through his spouse, Madam Li Sau Suet.

(6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 251,595,089 Shares.

(7) Mr. CHEN Xi has 200,000 Shares held through his spouse, Madam Mao Ke.

(ii) Share options of the Company

As at 31 December 2016, there were a total of 1,125,000 outstanding share options of the Company granted to an executive director of the Company under the Share Option Scheme of the Company. Details of which are summarised as follows:

Name of Director	:	Mr. CHEN Xi	Mr. CHEN Xi	Mr. CHEN Xi
Date of grant	:	23 March 2016	12 May 2015	24 July 2014
Number of share options granted	:	375,000	375,000	375,000
Number of share options outstanding at 31 December 2016	:	375,000	375,000	375,000
Exercise period	:	1 April 2019 to 31 March 2020	1 April 2018 to 31 March 2019	24 July 2017 to 23 July 2018
Exercise price per Share	:	HK$2.80	HK$2.86	HK$2.29
Capacity in which interest is held	:	Beneficial owner	Beneficial owner	Beneficial owner
Approximate percentage of the Company's issued share capital	:	0.006%	0.006%	0.006%

(iii) Long positions in an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a non-wholly owned subsidiary of the Company, as at 31 December 2016:

Name of Director	Capacity	Name of the controlled corporations	Number of shares held in Xinyi Energy	Approximate percentage of Xinyi Energy's issued shares
Datuk LEE Yin Yee, B.B.S.	Interest in a controlled corporation	Charm Dazzle Limited	610	9.65%
Datuk TUNG Ching Sai	Interest in a controlled corporation	Sharp Elite Holdings Limited	250	3.96%
Mr. LI Man Yin	Interest in a controlled corporation	Will Sail Limited	60	0.95%

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2016, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

THE COMPANY

Long position in the Shares

Name of substantial Shareholders	Nature of interest and capacity	Number of Shares held	Approximate percentage of the Company's issued share capital
Xinyi Group (Glass) Company Limited	Beneficial owner	1,778,709,301	26.356%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	1,778,709,301	26.356%
Xinyi Glass Holdings Limited	Beneficial owner	214,038,000	3.171%
	Interest in a controlled corporation	1,778,709,301	26.356%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	266,766,456	3.953%
	Personal interest(1)	26,500,000	0.393%
	Interest in persons acting in concert(2)	2,206,813,059	32.699%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	251,595,089	3.728%
	Personal interest	21,770,000	0.323%
	Interest in persons acting in concert(2)	2,206,813,059	32.699%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	116,580,868	1.727%
	Interest in persons acting in concert(2)	2,206,813,059	32.699%
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	105,630,781	1.565%
	Personal interest	2,196,000	0.033%
	Interest in persons acting in concert(2)	2,206,813,059	32.699%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	77,853,912	1.154%
	Personal interest	2,200,000	0.033%
	Interest in persons acting in concert(2)	2,206,813,059	32.699%
Mr. LI Ching Leung	Interest in a controlled corporation(7)	77,853,911	1.154%
	Personal interest(7)	5,800,000	0.086%
	Interest in persons acting in concert(2)	2,206,813,059	32.699%

Notes:

(1) Mr. Tung Ching Bor's interests in the Shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. Tung Ching Bor's person interest in the Shares is held through a joint account with his spouse, Madam Kung Sau Wai.

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Datuk LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Datuk TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of Shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.

(3) Mr. Lee Sing Din's interests in the Shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din.

(4) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.

(5) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(6) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.

(7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 5,400,000 Shares held in his own name and 400,000 Shares through his spouse, Madam DY Maria Lumin.

Report of the Directors

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive, as at the Latest Practicable Date, the following Directors is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Directors	Name of companies which had such discloseable interest or short positions	Position within such companies
Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai	Xinyi Group (Glass) Company Limited	Director
Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai	Xinyi Automobile Glass (BVI) Company Limited	Director
Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai	Xinyi Glass Holdings Limited	Director
Datuk LEE Yin Yee, B.B.S.	Realbest Investment Limited	Director
Datuk TUNG Ching Sai	Copark Investment Limited	Director
Mr. LI Man Yin	Perfect All Investments Limited	Director
Mr. LEE Yau Ching	Telerich Investment Limited	Director

Saved as disclosed above, the Directors are not aware of any persons who were directly or indirectly interested in 10% or more of the Shares then in issue, or equity interest in any member of the Group representing 10% or more of the equity interest in such company, or who had any interests or short positions in the Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 31 December 2016.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2016, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2016, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition dated 19 November 2013 entered by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Convenantors.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Saved as disclosed in the "Share Option Scheme" in the "Report of Directors" section and Note 26 in the "Notes to the Consolidated Financial Statements" section to the annual report, at no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the largest customer and the five largest customers of the Group in aggregate accounted for 12.0% and 38.1% of the total sales of the Group respectively. Purchases from the five largest suppliers in aggregate accounted for less than 30% of the total purchases of the Group.

None of the Directors, their associates or any shareholder of the Company which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any interest in the share capital of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2016 amounted to HK$6,665.9 million (2015: HK$3,590.3 million). Particulars of the bank borrowings are set out in Note 29 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2016, the Group had about 3,462 full-time employees of whom 3,035 were based in Mainland China and 427 were based in Hong Kong, Malaysia and other countries. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that the Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2016 are set out in Note 35 to the consolidated financial statements. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules, as identified below.

Report of the Directors

Continuing connected transactions

During the year ended 31 December 2016, the Group had the following continuing connected transactions, details of which are set out below:

1) *Lease of properties*

a) From Xinyi EnergySmart (Wuhu)

As disclosed in the Company's announcement dated 21 January 2016, Xinyi PV Products (Anhui) Holdings Limited ("**Xinyi Solar (Wuhu)**") has renewed a lease agreement with Xinyi EnergySmart (Wuhu) Company Limited ("**Xinyi EnergySmart (Wuhu)**"), pursuant to which Xinyi Solar (Wuhu) has agreed to lease factory premises with a gross floor area of approximately 11,000 square metre ("sq. m.") from Xinyi EnergySmart (Wuhu) at the then market rental of RMB924,000 per annum from 1 January 2016 to 31 December 2018.

b) From Xinyi Glass (Tianjin)

As disclosed in the Company's announcement dated 21 January 2016, Xinyi PV Products (Anhui) Holdings Limited Tianjin Branch Company ("**Xinyi Solar (Tianjin Branch)**") has renewed a lease agreement with Xinyi Glass (Tianjin) Company Limited ("**Xinyi Glass (Tianjin)**"), pursuant to which Xinyi Solar (Tianjin Branch) has agreed to lease factory premises with a gross floor area of approximately 28,680 sq. m. from Xinyi Glass (Tianjin) at the then market rental of RMB3,441,600 per annum from 1 January 2016 to 31 December 2018.

c) To Xinyi EnergySmart (Wuhu)

As disclosed in the Company's announcement dated 21 January 2016, Xinyi Solar (Wuhu) has renewed a lease agreement with Xinyi EnergySmart (Wuhu), pursuant to which Xinyi EnergySmart (Wuhu) has agreed to lease factory premises with a gross floor area of approximately 11,000 sq.m. from Xinyi Solar (Wuhu) at the then market rental of RMB924,000 per annum from 1 January 2016 to 31 December 2018.

Xinyi EnergySmart (Wuhu) and Xinyi Glass (Tianjin) are connected persons of the Company by virtue of their being wholly-owned subsidiaries of Xinyi Group (Glass) Company Limited, a substantial shareholder of the Company. The above transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

For the year ended 31 December 2016, the rent paid to Xinyi EnergySmart (Wuhu) in the amount of approximately HK$1,053,000 and the rent paid to Xinyi Glass (Tianjin) in the amount of approximately HK$4,504,000 pursuant to the relevant lease agreements, in aggregate amounted to approximately HK$5,557,000, which was within the annual cap of HK$5,946,000 as set forth in the Company's announcement dated on 21 January 2016.

For the year ended 31 December 2016, the rent received from Xinyi EnergySmart (Wuhu) in the amount of approximately HK$1,053,000 pursuant to the relevant lease agreement was within the annual cap of HK$1,087,000 as set forth in the Company's announcement dated on 21 January 2016.

2) Purchase of glass products

As disclosed in the Company's announcements dated 23 December 2015 and 29 June 2016, the Group entered into glass supply framework agreements ("**Glass Supply Framework Agreements**") with Xinyi Glass Holdings Limited ("**Xinyi Glass**") in relation to the purchase of float glass and construction glass products by the Group from Xinyi Glass and its subsidiaries ("**Xinyi Glass Group**") for the year ended 31 December 2016. The purpose of the Glass Supply Framework Agreements was to secure a stable and reliable supply source of float glass and construction glass products with savings in transportation and handling costs.

The annual cap and the actual transaction amount of the transactions contemplated under the Glass Supply Framework Agreements for the year ended 31 December 2016 are HK$180,230,000 and HK$90,186,000 respectively.

Xinyi Glass is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Glass Supply Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) Transportation fees

As disclosed in the Company's announcement dated 18 May 2016, the Group entered into a supplementary agreement ("**Supplementary Agreement**") with Wuhu Xinhe Logistics Company Limited ("**Xinhe Logistics**") to renew the annual transportation volume of glass products and raw materials for the year ended 31 December 2016 from 1.04 million tonnes, pursuant to a glass transportation service agreement ("**Transportation Service Agreement**") entered into with Xinhe Logistics on 12 August 2015 in relation to the provision of road and river transportation services by Xinhe Logistics, to 2.08 million tonnes.

The Supplementary Agreement and Transportation Service Agreement were entered into for cost saving purpose. Xinhe Logistics was in a better position in negotiating lower freight rates or higher discount percentages to the standard freight rates charged by the third-party transportation service providers. Administrative cost could be reduced amid the transportation services of both the Group and the Xinyi Glass Group were handled and arranged by Xinhe Logistics.

The annual cap and the actual transaction amount of the transactions contemplated under the Supplementary Agreement and Transportation Service Agreement for the year ended 31 December 2016 are HK$222,100,000 and HK$206,100,000 respectively.

4) Purchase of machineries

As disclosed in the Company's announcements dated 21 January 2016 and 26 July 2016, the Group entered into equipment purchase framework agreements ("**Equipment Purchase Framework Agreements**") with Wuhu Jinsanshi Numerical Control Technology Company Limited ("**Wuhu Jinsanshi**") in relation to the purchase of automation equipment from Wuhu Jinsanshi by the Group for the year ended 31 December 2016. The purpose of entering into the Equipment Purchase Framework Agreement was to enable the Group to continue to purchase from Wuhu Jinsanshi the required automation equipment for production purpose.

The annual cap and the actual transaction amount of the transactions contemplated under the Equipment Purchase Framework Agreements for the year ended 31 December 2016 are HK$55,900,000 and HK$37,286,000 respectively.

Wuhu Jinsanshi is a non-wholly owned subsidiary of the substantial shareholder of the Company, Xinyi Glass, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equipment Purchase Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

5) *Provision of corporate guarantees to connected subsidiaries not in proportion to the equity interest held by the Company or its subsidiaries*

Prior to the equity investments ("**Equity Investments**") on 31 December 2015 by the controlling shareholders of the Company in Xinyi Energy Holdings Limited ("**Xinyi Energy**"), Xinyi Energy and its subsidiaries were wholly-owned subsidiaries of the Company. The Company and its subsidiaries, namely Xinyi Solar (Hong Kong) Limited, Xinyi Solar (BVI) Limited, Xinyi Power (BVI) Limited and Xinyi Solar (Wuhu), have provided the following corporate guarantees to the subsidiaries of Xinyi Energy:

Borrowers	Guarantees provided	Available facilities	Facilities utilised at 31 December 2016	Maturity date
		HK$ million	*HK$ million*	
1) Wise Regal Investments Limited	Guarantee for HK$400 million by (a) the Company and (b) Xinyi Solar (Hong Kong) Limited.	400.0	285.7	February 2018
2) Xinyi Energy (BVI) Limited	Guarantee for HK$1,600 million by (a) the Company; (b) Xinyi Solar (BVI) Limited; and (c) Xinyi Power (BVI) Limited.	1,600.0	1,600.0	January 2019
3) Xinyi Solar (Wuhu) Limited, Xinyi Solar (Fanchang) Limited and Xinyi Solar (Shou Xian) Limited	Guarantee for RMB300 million (equivalent to approximately HK$361 million) by Xinyi Solar (Wuhu).	361.0	—	May 2016

Upon completion of the Equity Investment, Xinyi Energy and its subsidiaries have become non-wholly owned subsidiaries and connected subsidiaries of the Company. As such the corporate guarantees set forth in the above table constitutes continuing connected transactions of the Company. Further details of these transactions have been disclosed in the Company's circular dated 7 November 2015 and Company's announcement dated 31 December 2015.

6) *Additional capital commitment to Xinyi Energy Group*

The Company (which holds 75% equity interest in Xinyi Energy) and certain investors (which in aggregate holds 25% equity interest in Xinyi Energy) have agreed that they would provide or to procure their respective nominees to provide additional equity investment ("**Additional Capital Commitment**") to Xinyi Energy up to HK$3,000 million in aggregate on a pro rata basis within one year from the date of completion of the Equity Investment or such other period of time as required by Xinyi Energy depending on its business development. This additional capital commitment would be used for the existing solar farm projects of Xinyi Energy Group as of 18 October 2016. For the year ended 31 December 2016, there was no additional issue of Xinyi Energy's shares pursuant to the Additional Capital Commitment.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 43 to 47 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set out in this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2016.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained sufficient public float with at least 25% of the Shares held by the public as required under the Listing Rules.

AUDITOR

The retiring auditor, PricewaterhouseCoopers, has signified its willingness to continue in office. A resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 31 May 2017, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong , at 9:30 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyisolar.com, and will be dispatched to the shareholders in due course.

On Behalf of the Board
Datuk LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 28 February 2017

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF XINYI SOLAR HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 143, which comprise:

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

OUR OPINION

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Estimation of construction contract revenue and costs
- Recoverability of overdue and long-aged trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of construction contract revenue and costs Refer to Notes 2.15, 5 and 21 to the consolidated financial statements Revenue and costs arising from construction contracts represent 11% and 16% of the Group's total revenue and cost of sales, respectively, for the year ended 31 December 2016. The Group uses the "percentage-of-completion method" to recognise revenue and costs for construction contracts. We focus on this area because significant management judgement and estimates are involved to determine the appropriate amount of revenue and costs to be recognised in a given period for each contract with reference to a percentage of work performed and certified up to date to the total contract value. The total contract costs for each contract are estimated based on management's budget on the cost of each component such as materials, wages and subcontractors' fees, etc., and are reviewed and revised, when necessary, by the management on a periodic basis to reflect the latest cost projection as the contract progresses.	We understood the controls designed and implemented by the Group over its process to recognise construction contract revenue and costs. Our audit procedures included an evaluation of the significant judgements and estimates made by management. Regarding the percentage-of-completion of the construction contracts, we examined, on a sample basis, the status certificates prepared and signed by the customers (and architects if applicable). We also obtained collaborating evidence on the percentage-of-completion by conducting interviews with the management, finance and operation staff. Regarding the estimated total costs of each construction contract, we tested the Group's budgetary process by comparing the budgeted cost and gross profit margin to the actual results of similar projects recently completed. For the cost of different components for the construction contracts, we checked against the source of information, on a sample basis, used by management in developing the budgeted cost such as quotation from subcontractors, vendors' invoices on raw materials and standard wages of labour.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We performed recalculation of contract revenue and costs recognised, on a sample basis, based on the percentage-of-completion and the total contract revenue and costs. Based on the procedures described, we consider estimation of construction contract revenue and costs are supported by available evidence.
Recoverability of overdue and long-aged trade receivables Refer to Note 22 to the consolidated financial statements. Trade receivables amounted to HK$1,895,278,000 as at 31 December 2016. The Group had certain amounts of overdue and long-aged trade receivables which were exposed to a higher risk of collectability issue. In particular, the collection of tariff adjustment receivables, being the subsidy receivable in respect of the sales of renewable energy, is subject to the successful registration of the solar farm to the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue") issued by the government authority. The timing for settlement of the tariff adjustment receivables under normal operating cycle may be over 1 year. The Group makes provision on trade receivables based on an assessment of the recoverability of these balances, including the overdue and long-aged trade receivables, on individual customer basis. We focus on this area due to the size of the trade receivables as at year end date, and the identification of doubtful debts requires a high degree of judgement and estimates, including an assessment on the successfulness of the respective solar farm's registration to the Catalogue.	We understood and evaluated the controls procedures over management's recoverability assessment on the overdue and long-aged trade receivables. We tested management's assessment by comparing to supportable evidence about the collectability of the overdue and long-aged trade receivables balance such as subsequent settlement after year end date within ordinary settlement cycle of respective customers, credit history, business performance and financial capability of the customers. In relation to the tariff adjustment receivables, we assessed the status of the Catalogue registration process of individual solar plants by making enquiries with the management, checking the government publications and industry news and performing research on the settlement pattern of tariff adjustment receivables for other market participants. We also tested, on a sample basis, the accuracy of the ageing profile of the trade receivables for the purpose of identifying overdue trade receivables and their overdue period. Based on the procedures described, we consider management's assessment on recoverability of trade receivables is supportable by available and comparable market evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Kin Bong.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2017

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	5	6,007,081	4,750,410
Cost of sales	7	(3,257,198)	(3,040,159)
Gross profit		2,749,883	1,710,251
Other income	5	175,540	142,710
Other gains, net	6	8,264	61,589
Selling and marketing expenses	7	(164,310)	(186,521)
Administrative and other operating expenses	7	(321,056)	(317,550)
Operating profit		2,448,321	1,410,479
Finance income	9	9,338	4,602
Finance costs	9	(103,867)	(21,095)
Share of profits of a joint venture	15	31,125	—
Share of profits of associates	16	5,547	—
Profit before income tax		2,390,464	1,393,986
Income tax expense	10	(240,777)	(188,389)
Profit for the year		2,149,687	1,205,597
Profit for the year attributable to:			
– the equity holders of the Company		1,985,630	1,205,597
– non-controlling interests		164,057	—
		2,149,687	1,205,597
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic and diluted	11	29.42	18.53

The notes on pages 62 to 143 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Profit for the year	**2,149,687**	1,205,597
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(765,912)**	(434,887)
Share of other comprehensive income of a joint venture accounted for under equity method		
– Share of currency translation differences	**(12,604)**	(6,606)
Total comprehensive income for the year	**1,371,171**	764,104
Total comprehensive income for the year attributable to:		
– the equity holders of the Company	**1,310,639**	764,104
– non-controlling interests	**60,532**	—
	1,371,171	764,104

The notes on pages 62 to 143 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	11,078,655	7,104,061
Land use rights	19	326,821	180,372
Prepayments for property, plant and equipment, land use rights and operating leases	23	383,913	380,457
Interests in a joint venture	15	329,827	175,263
Investments in associates	16	61,747	—
Deferred income tax assets	30	197	1,442
Goodwill	17	1,066	—
Total non-current assets		12,182,226	7,841,595
Current assets			
Inventories	20	288,428	199,078
Amounts due from customers for construction work	21	211,739	33,046
Trade and bills receivables	22	2,020,372	853,625
Prepayments, deposits and other receivables	23	1,240,286	780,116
Amount due from a joint venture	15	—	158,470
Cash and cash equivalents	24	843,332	2,868,703
Total current assets		4,604,157	4,893,038
Total assets		16,786,383	12,734,633
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	674,880	674,880
Other reserves	27	1,835,734	3,133,083
Retained earnings		3,705,011	1,937,040
		6,215,625	5,745,003
Non-controlling interests		1,212,163	1,146,365
Total equity		7,427,788	6,891,368

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	29	4,713,543	3,116,052
Other payables	28	53,901	—
Deferred income tax liabilities	30	—	17,340
Total non-current liabilities		4,767,444	3,133,392
Current liabilities			
Bank borrowings	29	1,952,388	474,212
Trade and other payables	28	2,538,635	2,156,399
Amounts due to related companies	35	16,028	4,272
Amount due to a joint venture	15	20,582	—
Current income tax liabilities		63,518	74,990
Total current liabilities		4,591,151	2,709,873
Total liabilities		9,358,595	5,843,265
Total equity and liabilities		16,786,383	12,734,633

The financial statements on pages 55 to 143 were approved by the Board of Directors on 28 February 2017 and were signed on its behalf.

TUNG Ching Sai
Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

The notes on pages 62 to 143 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital (Note 25) HK$'000	Share premium (Note 27) HK$'000	Other reserves (Note 27) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
	For the year ended 31 December 2016 — Attributable to owners of the Company						
Balance at 1 January 2016	674,880	2,952,390	180,693	1,937,040	5,745,003	1,146,365	6,891,368
Comprehensive income							
Profit for the year	—	—	—	1,985,630	1,985,630	164,057	2,149,687
Other comprehensive income							
Currency translation differences	—	—	(662,387)	—	(662,387)	(103,525)	(765,912)
Share of other comprehensive income of a joint venture accounted for using the equity method	—	—	(12,604)	—	(12,604)	—	(12,604)
Total comprehensive income for the year	—	—	(674,991)	1,985,630	1,310,639	60,532	1,371,171
Transactions with owners							
Acquisition of a subsidiary	—	—	—	—	—	5,266	5,266
Employee's share option scheme:							
– value of employee services	—	—	3,583	—	3,583	—	3,583
– release of share option reserve upon exercise	—	—	(2,073)	2,073	—	—	—
Dividend paid to shareholders	—	(843,600)	—	—	(843,600)	—	(843,600)
Appropriation to statutory reserve	—	—	219,732	(219,732)	—	—	—
Balance at 31 December 2016	674,880	2,108,790	(273,056)	3,705,011	6,215,625	1,212,163	7,427,788

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	For the year ended 31 December 2015						
	Attributable to owners of the Company						
	Share capital (Note 25) HK$'000	Share premium (Note 27) HK$'000	Other reserves (Note 27) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2015	608,000	1,779,076	72,774	846,038	3,305,888	—	3,305,888
Comprehensive income							
Profit for the year	—	—	—	1,205,597	1,205,597	—	1,205,597
Other comprehensive income							
Currency translation differences	—	—	(434,887)	—	(434,887)	—	(434,887)
Share of other comprehensive income of a joint venture accounted for using the equity method	—	—	(6,606)	—	(6,606)	—	(6,606)
Total comprehensive income for the year	—	—	(441,493)	1,205,597	764,104	—	764,104
Transactions with owners							
Issuance of shares, net of transaction costs	66,880	1,607,594	—	—	1,674,474	—	1,674,474
Employee's share option scheme:							
– value of employee services	—	—	1,182	—	1,182	—	1,182
– release of share option reserve upon exercise	—	—	(9)	9	—	—	—
– lapse of share options	—	—	(4,081)	4,081	—	—	—
Dividend paid to shareholders	—	(434,280)	—	—	(434,280)	—	(434,280)
Appropriation to statutory reserve	—	—	118,685	(118,685)	—	—	—
Changes in ownership interests in subsidiaries without loss of control (Note 14)	—	—	433,635	—	433,635	1,146,365	1,580,000
Balance at 31 December 2015	674,880	2,952,390	180,693	1,937,040	5,745,003	1,146,365	6,891,368

The notes on pages 62 to 143 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**1,081,708**	1,026,699
Interest paid		**(136,233)**	(45,248)
Income tax paid		**(264,657)**	(130,330)
Net cash generated from operating activities		**680,818**	851,121
Cash flows from investing activities			
Purchases of and prepayment for purchases of land use rights		**(188,162)**	(51,287)
Purchases of and prepayment for purchase of property, plant and equipment		**(4,621,865)**	(3,531,662)
Government grants received		**111,309**	19,412
Acquisition of a subsidiary, net of cash acquired	17	**(997)**	—
Capital injections into a joint venture		**—**	(149,988)
Advance to a joint venture	15	**(150,267)**	—
Capital injections into associates	16	**(56,200)**	—
Proceeds from disposal of property, plant and equipment	31(b)	**155**	96,049
Interest received		**9,338**	4,602
Net cash used in investing activities		**(4,896,689)**	(3,612,874)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		**—**	1,674,474
Proceeds from bank borrowings		**3,549,953**	2,861,692
Repayment of bank borrowings		**(474,286)**	(571,428)
Dividend paid to Company's shareholders		**(843,600)**	(434,280)
Capital contribution from non-controlling interests		**—**	1,580,000
Net cash generated from financing activities		**2,232,067**	5,110,458
Net (decrease)/increase in cash and cash equivalents		**(1,983,804)**	2,348,705
Cash and cash equivalents at beginning of year		**2,868,703**	542,726
Effect of foreign exchange rate changes		**(41,567)**	(22,728)
Cash and cash equivalents at end of year	24	**843,332**	2,868,703

The notes on pages 62 to 143 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in the production and sale of solar glass products, which are carried out internationally, through the production complexes located in Mainland China (the "PRC"). In addition, the Group is also engaged in the development and operation of solar farms and the engineering, procurement and construction ("EPC") services in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section to the annual report.

The Company is a limited liability company incorporated in the Cayman Islands. The shares of the Company are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(a) The following new standard and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2016. The adoption of these new and amended standards does not have any significant impact to the results and financial position of the Group:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle	1 January 2016
HKAS 1 (Amendment)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(a) The following new standard and amendments to standards are mandatory for accounting periods beginning on or after 1 January 2016. The adoption of these new and amended standards does not have any significant impact to the results and financial position of the Group (Continued):

		Effective for accounting periods beginning on or after
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

(b) New standards and amendments to standards have been issued but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Note (i)
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

Notes:

(i) The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

Management is in the process of making an assessment of the impact of these new standards and amendments to standards and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES

2.2.1 Consolidation

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or the present ownership interest's proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 ASSOCIATES

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 ASSOCIATES (Continued)

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profits of associates" in the profit or loss.

2.4 JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the entities now comprising the Group that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses are presented in the consolidated income statement within "other gains, net".

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 PROPERTY, PLANT AND EQUIPMENT

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Construction in progress represents buildings, solar power electricity generating equipment and plants ("Solar Farms") and other equipment on which construction work has not been completed and which, upon completion, management intends to hold for generation of electricity income or solar glass production purposes. Construction in progress is carried at cost which includes development and construction expenditures incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

Depreciation of completed Solar Farms commences when the Solar Farms are successfully connected to grids and completed trial operation. Depreciation of completed other property, plant and equipment commences when the assets are ready for use.

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

– Buildings	30 years
– Plant and machinery	5-20 years
– Solar Farms	25 years
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 LAND USE RIGHTS

All land in the PRC is state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayments for operating leases and recorded as land use rights, which are amortised over the lease period using the straight-line method.

2.9 GOODWILL

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.11 FINANCIAL ASSETS

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.14) and "cash and cash equivalents" (Note 2.16) in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 FINANCIAL ASSETS (Continued)

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 TRADE AND OTHER RECEIVABLES

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

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

2.15 CONSTRUCTION CONTRACTS

A construction contract is defined by HKAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an asset.

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

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

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

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed up to date as a percentage of the total contract value to the end of the reporting period for each contract.

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 TRADE AND OTHER PAYABLES

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

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

2.18 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.19 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 BORROWING COSTS

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 GOVERNMENT GRANT

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are initially included in liabilities as deferred government grants and when such property, plant and equipment are built or purchased, the received government grants are netted off with cost of the related assets.

2.22 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.23 CURRENT AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 CURRENT AND DEFERRED INCOME TAX (Continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a joint venture, including the taxable temporary differences arising from undistributed profits, as the timing of the reversal of the temporary difference is not controlled by the Group.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, a joint venture and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transactions and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Sales of electricity

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted.

(c) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the sale of electricity to the customer pursuant to the government policy on subsidies of solar energy in respect of solar power electricity generation. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that additional tariff will be received and the Group will comply with all attached conditions, if any.

(d) Revenue from construction contracts (EPC services)

Revenue from construction contracts (EPC services) is recognised based on the stage of completion of the contracts as detailed in Note 2.15 above.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables are recognised using the original effective interest rate.

(f) Rental income

Rental income is recognised in the consolidated income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 EMPLOYEE BENEFITS

(a) Pension obligations

The Group participates in a number of defined contribution plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are generally funded by payments from employees and by the relevant group companies. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.26 SHARE-BASED PAYMENTS

(a) Equity-based share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specified period of time).

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 SHARE-BASED PAYMENTS (Continued)

(a) Equity-based share-based payment transactions (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entities revise their estimates of the number of options that are expected to vest based on the non-market marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium).

(b) Share-based payment transaction among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.27 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.28 FINANCIAL GUARANTEE

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 FINANCIAL GUARANTEE (Continued)

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with HKAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within "other gains, net".

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment in the financial statements of the Company.

2.29 DIVIDEND DISTRIBUTION

Dividend distribution to the shareholders of the Company is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to various types of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates internationally and is exposed to foreign exchange risk primarily arising from Chinese Renminbi ("RMB"), HK$, US dollar ("US$") and Malaysian Ringgit ("MYR"), some of which are not the functional currencies of respective operating subsidiaries within the Group. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews when considered necessary.

As at 31 December 2016, if US$ had strengthened/weakened by 5% (2015: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$5,426,000 (2015: HK$4,714,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade and other receivables and cash and cash equivalents.

As at 31 December 2016, if HK$ had strengthened/weakened by 5% (2015: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$6,849,000 (2015: HK$7,782,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ denominated intercompany balances and cash and cash equivalents.

As at 31 December 2016, if MYR had strengthened/weakened by 5% (2015: 10%) against the HK$, which is the functional currency of a Hong Kong subsidiary, with all other variables held constant, profit after income tax for the year would have been approximately HK$116,000 (2015: HK$9,927,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of MYR denominated intercompany balances and cash and cash equivalents.

Details of the Group's trade and bills receivables and cash and cash equivalents are disclosed in Note 22 and Note 24.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Except for bank borrowings with variable interest, the Group has no other significant interest-bearing assets or liabilities. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Other financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 24 and Note 29 to the consolidated financial statements.

As at 31 December 2016, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$12,155,000 (2015: HK$1,609,000) lower/higher mainly as a result of higher/lower interest expense being incurred.

(b) *Credit risk*

The Group's credit risk arises from cash and cash equivalents, bills receivables, trade and other receivables and amount due from a joint venture. Management has a credit policy in place and the exposures to these credit risks are monitored on an on-going basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2016 HK$'000	2015 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	**2,046,235**	896,643
Bills receivables (Note 22)	**125,094**	47,842
Cash at bank (Note 24)	**842,278**	2,867,168
Amount due from a joint venture (Note 15)	**—**	158,470
Maximum exposure to credit risk	**3,013,607**	3,970,123

As at 31 December 2016 and 2015, most of the bank deposits are deposited with state-owned banks in the PRC and reputable banks in Hong Kong. Bills receivables are issued from state-owned banks in the PRC. The credit quality of cash at bank and bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

In respect of trade and other receivables arising from sales of solar glass, the Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluations of these counterparties and customers. The credit periods of the majority of these trade receivables are within 90 days and largely comprise amounts receivable from business customers.

Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy. The Group has another twelve ground-mounted solar farms with aggregate approved grid-connection capacity of 1,214 MW ready for applying the "Renewable Energy Tariff Subsidy Catalogue" when the registration period open. The directors are of the opinion that the risk of default by these customers is not significant.

Trade receivables arising from EPC services construction contract revenue were due from third parties and a joint venture. Given the track record of regular repayment of receivables from EPC services, the directors are of the opinion that the risk of default by these customers is not significant.

The Group's sales are made to several major customers and there is some concentration of credit risks. Sales to the top five customers constituted approximately 38% (2015: 42%) of the Group's total sales. They accounted for approximately 44% (2015: 64%) of the gross trade receivable balances as at 31 December 2016.

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. Depending on the customer's credit worthiness and historical relationship with us, the Group may require cash payment before delivery of products, and record such receipts as advances from customers.

The Group grants extended credit terms to customers with overall creditworthiness, as determined by its credit assessment. For customers to whom credit terms are extended, the Group assesses a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk

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

The Group maintains liquidity by a number of means including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and other credit lines available. The Group monitors rolling forecasts of its working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2016				
Trade and other payables excluding accruals, provision and receipt in advance	2,442,091	53,901	—	2,495,992
Bank borrowings	2,068,924	2,741,993	2,115,216	6,926,133
Total	4,511,015	2,795,894	2,115,216	9,422,125
At 31 December 2015				
Trade and other payables excluding accruals, provision and receipt in advance	2,007,909	—	—	2,007,909
Bank borrowings	505,025	1,867,842	1,338,757	3,711,624
Total	2,512,934	1,867,842	1,338,757	5,719,533

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations.

The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings, and repurchase its own shares when the Company's shares are trading at a discount to the expected net assets value per share, as necessary.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents.

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

	2016 HK$'000	2015 HK$'000
Total bank borrowings (Note 29)	**6,665,931**	3,590,264
Less: Cash and cash equivalents (Note 24)	**(843,332)**	(2,868,703)
Net debt	**5,822,599**	721,561
Total equity	**7,427,788**	6,891,368
Gearing ratio	**78.4%**	10.5%

The increase in the gearing ratio during 2016 resulted primarily from usage of cash and cash equivalent and additional bank borrowings for construction of solar farms as well as expansion of solar glass production capacity.

3.3 FAIR VALUE ESTIMATION

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

The Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed.

(b) CONSTRUCTION CONTRACTS

The Group recognised its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

(c) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) CURRENT AND DEFERRED INCOME TAX

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax is provided in full, using the liability methods, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities of the Group mainly arise from the unremitted earnings of its PRC subsidiaries. The realisability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue and other income recognised during the year are as follows:

	2016 HK$'000	2015 HK$'000
Revenue		
Sales of solar glass	4,276,494	3,910,910
Solar farm and solar power generation		
– Sales of electricity	391,213	129,142
– Tariff adjustment	658,632	183,888
	1,049,845	313,030
Construction contracts revenue		
– EPC services	680,742	526,470
Total revenue	6,007,081	4,750,410
Other income		
Rental income	1,478	1,141
Government grants (Note (a))	137,042	115,040
Others (Note b)	37,020	26,529
	175,540	142,710

Notes:

(a) Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations and certain tax payments. There are other government grants received in respect of assets. Such grants were netted off with the cost of the related assets (Note 18).

(b) It mainly represents scrap sales and tariff adjustments in relation to the electricity generated by the solar power system installed on the roof-top at the Group's production complex.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Executive Directors consider the business from product type perspective. Generally, the Executive Directors consider the performance of business of each product type within the Group separately. Thus, the performance of each product type within the Group is an individual operating segment.

For the year ended 31 December 2016, there are three operating segments based on business type: (1) sales of solar glass; (2) solar farm and solar power generation; and (3) EPC services. The operating segment of sales of solar glass, during the year ended 31 December 2015, includes (a) ultra-clear photovoltaic raw glass, and (b) ultra-clear photovoltaic processed glass and other glass. As the Executive Directors no longer considers the performance of business of each business type separately for ultra-clear photovoltaic raw glass and ultra-clear photovoltaic processed glass and other glass, these two operating segments are aggregated as "sales of solar glass", for the year ended 31 December 2016. Certain comparative figures have been re-presented to conform to current year presentation.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The Group does not allocate operating costs to its segments as this information is not reviewed by the Executive Directors.

Sales between segments are carried out at terms mutually agreed by both parties. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

The segment information provided to the Executive Directors for the reportable segments is as follows:

	Year ended 31 December 2016			
	Sales of solar glass HK$'000	Solar farm and solar power generation HK$'000	EPC services HK$'000	Total HK$'000
Segment revenue	4,277,961	1,049,845	680,742	6,008,548
Inter-segment revenue	(1,467)	—	—	(1,467)
Revenue from external customers	4,276,494	1,049,845	680,742	6,007,081
Cost of sales	(2,472,158)	(271,062)	(513,978)	(3,257,198)
Gross profit	1,804,336	778,783	166,764	2,749,883

	Year ended 31 December 2015			
	Sales of solar glass HK$'000	Solar farm and solar power generation HK$'000	EPC services HK$'000	Total HK$'000
Segment revenue	3,912,193	313,030	526,470	4,751,693
Inter-segment revenue	(1,283)	—	—	(1,283)
Revenue from external customers	3,910,910	313,030	526,470	4,750,410
Cost of sales	(2,546,363)	(83,276)	(410,520)	(3,040,159)
Gross profit	1,364,547	229,754	115,950	1,710,251

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

	Other segment information				
	Solar glass HK$'000	Solar farm and solar power generation HK$'000	EPC services HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2016					
Depreciation charge of property, plant and equipment	154,622	241,675	65	—	396,362
Amortisation charge of land use rights	4,013	—	—	—	4,013
Additions to non-current assets (other than deferred income tax assets)	1,556,030	3,628,702	2,409	217,377	5,404,518

	Other segment information				
	Solar glass HK$'000	Solar farm and solar power generation HK$'000	EPC services HK$'000	Unallocated HK$'000	Total HK$'000
Year ended 31 December 2015					
Depreciation charge of property, plant and equipment	144,164	77,329	—	—	221,493
Amortisation charge of land use rights	4,083	—	—	—	4,083
Additions to non-current assets (other than deferred income tax assets)	525,302	3,695,064	3,187	—	4,223,553

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

	Assets and liabilities				
	Solar glass HK$'000	Solar farm and solar power generation HK$'000	EPC services HK$'000	Unallocated HK$'000	Total HK$'000
At 31 December 2016					
Total assets	**5,477,696**	**10,318,610**	**587,524**	**402,553**	**16,786,383**
Total liabilities	**1,549,441**	**4,710,291**	**192,328**	**2,906,535**	**9,358,595**
At 31 December 2015					
Total assets	6,050,022	6,243,876	265,352	175,383	12,734,633
Total liabilities	1,205,165	1,722,741	182,071	2,733,288	5,843,265

Reportable segment assets/(liabilities) are reconciled to total assets/(liabilities) as follows:

	Assets		Liabilities	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Segment assets/(liabilities)	**16,383,830**	12,559,250	**(6,452,060)**	(3,109,977)
Unallocated:				
Property, plant and equipment	**213**	—	**—**	—
Interests in a joint venture	**329,827**	175,263	**—**	—
Investments in associates	**61,747**	—	**—**	—
Prepayments, deposits and other receivables	**10,199**	—	**—**	—
Cash and cash equivalents	**567**	120	**—**	—
Dividend payables	**—**	—	**(2)**	—
Other payables	**—**	—	**(1,306)**	(1,306)
Bank borrowings	**—**	—	**(2,905,227)**	(2,714,642)
Deferred income tax liabilities	**—**	—	**—**	(17,340)
Total assets/(liabilities)	**16,786,383**	12,734,633	**(9,358,595)**	(5,843,265)

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

A reconciliation of segment gross profit to profit before income tax is provided as follows:

	2016 HK$'000	2015 HK$'000
Segment gross profit	2,749,883	1,710,251
Unallocated:		
Other income	175,540	142,710
Other gains, net	8,264	61,589
Selling and marketing expenses	(164,310)	(186,521)
Administrative and other operating expenses	(321,056)	(317,550)
Finance income	9,338	4,602
Finance costs	(103,867)	(21,095)
Share of profits of a joint venture	31,125	—
Share of profits of associates	5,547	—
Profit before income tax	2,390,464	1,393,986

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

The Group's revenue is mainly derived from customers located in the PRC and other countries, while the Group's business activities are conducted predominately in the PRC. An analysis of the Group's sales by geographical area of its customers is as follows:

The analysis of revenue by category is as follows:

	2016 HK$'000	2015 HK$'000
Revenue from sales of solar glasses		
The PRC	3,644,735	3,209,826
Other countries	631,759	701,084
	4,276,494	3,910,910
Revenue from sales of electricity in the PRC		
Sales of electricity	391,213	129,142
Tariff adjustment	658,632	183,888
	1,049,845	313,030
Revenue from construction contracts in respect of EPC services		
The PRC	659,181	526,470
Other countries	21,561	—
	680,742	526,470
	6,007,081	4,750,410

Revenue of approximately HK$721,560,000 was derived from customer A from solar farm business for the year ended 31 December 2016 and revenues of approximately HK$592,234,000 and HK$526,656,000 were derived from customer B and customer C, respectively, from solar glass business for the year ended 31 December 2015. The respective revenues derived from these customers accounted for more than 10% of the Group's revenue for the respective years.

An analysis of the Group's non-current assets other than deferred income tax assets by geographical area in which the assets are located is as follows:

	2016 HK$'000	2015 HK$'000
The PRC	11,560,186	7,746,084
Other countries	621,843	94,069
	12,182,029	7,840,153

6 OTHER GAINS, NET

	2016 HK$'000	2015 HK$'000
Foreign exchange gains/(losses), net	9,165	(10,500)
(Loss)/gain on disposal of property, plant and equipment	(901)	9,589
Gain on deemed disposal of a subsidiary (Note 15)	—	62,500
	8,264	61,589

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing expenses and administrative and other operating expenses are analysed as follows:

	2016 HK$'000	2015 HK$'000
Auditor's remuneration		
– Audit services	1,400	1,300
– Non-statutory audit and other services	—	1,450
Depreciation charge of property, plant and equipment (Note 18)	396,362	221,493
Amortisation charge of land use rights (Note 19)	4,013	4,083
Employee benefit expenses (including directors' emoluments) (Note 8)	252,234	199,554
Raw material and consumables used	2,076,852	2,350,694
Changes in inventories	89,350	(100,120)
Cost of inventories sold (Note 20)	2,166,202	2,250,574
Construction contracts costs	513,978	410,520
Operating lease payments in respect of land and buildings	29,993	12,611
Transportation costs	133,135	152,503
Research and development expenditures	154,170	182,302
Other expenses	91,077	107,840
	3,742,564	3,544,230

8 EMPLOYEE BENEFIT EXPENSES

	2016 HK$'000	2015 HK$'000
Wages and salaries	217,439	170,742
Retirement benefit - defined contribution plans (Note (i))	31,212	27,630
Share options granted to employees (Note 26)	3,583	1,182
	252,234	199,554

Note (i):

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings to the MPF scheme. The only obligation of the Group with respect to the MPF scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its PRC employees. The schemes are administered by the relevant government authorities in the PRC. The Group and the PRC eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC and the relevant government authorities undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group's subsidiaries in the PRC. No forfeited contribution is available to reduce the contribution payable in future years.

(a) PENSIONS - DEFINED CONTRIBUTION PLANS

There are no forfeited contributions for the year ended 31 December 2016 and 2015.

No contributions (2015: HK$2,221,000) were payable to the fund at the year-end.

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three (2015: three) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining two (2015: two) individuals during the year are as follows:

	2016 HK$'000	2015 HK$'000
Basic salaries, bonus, other allowances and benefits	3,453	2,710
Retirement benefits - defined contribution scheme	33	26
Share options granted	109	118
	3,595	2,854

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK$1,000,001 - HK$1,500,000	—	2
HK$1,500,001 - HK$2,000,000	2	—
	2	2

9 FINANCE INCOME AND COSTS

	2016 HK$'000	2015 HK$'000
Finance income		
Interest income from bank deposits	9,338	4,602
Finance costs		
Interest on bank borrowings	137,906	48,836
Less: amounts capitalised on qualifying assets (Note 18)	(34,039)	(27,741)
	103,867	21,095

10 INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000
Current income tax		
– Hong Kong profits tax (Note (ii))	—	279
– PRC corporate income tax ("CIT") (Note (iii))	256,872	174,337
– Under-provision in prior years	—	6,250
	256,872	180,866
Deferred income tax (Note 30)	(16,095)	7,523
Income tax expense	240,777	188,389

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year.

(iii) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2015: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. Solar farm companies of the Group in the PRC enjoyed tax holiday and the profits are fully exempted from CIT for three years starting from its first year of profitable operations, followed by 50% reduction in CIT in next three years.

(iv) 5%-10% withholding income tax is imposed on dividends relating to profits remitted from the PRC subsidiaries to the Hong Kong intermediate holding companies.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax	2,390,464	1,393,986
Calculated at weighted average tax rate of 19.5% (2015: 17.8%)	465,661	248,130
Associates and a joint venture's results reported net of tax	(7,144)	—
Preferential tax rates on income of certain PRC subsidiaries	(235,518)	(84,297)
Under provision in prior years	—	6,250
Income not subject to tax	(15,654)	(1,866)
Expenses not deductible for tax purposes	49,527	12,451
Deferred income tax assets written back	1,245	—
Deferred income tax liabilities written back	(17,340)	—
Others	—	7,721
Income tax expense	240,777	188,389

11 EARNINGS PER SHARE

(a) BASIC

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

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	1,985,630	1,205,597
Weighted average number of ordinary shares in issue (thousands)	6,748,800	6,506,413
Basic earnings per share (HK cents)	29.42	18.53

(b) DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares from share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2016	2015
Profit attributable to owners of the Company used to determine diluted earnings per share (HK$'000)	1,985,630	1,205,597
Weighted average number of ordinary shares in issue (thousands)	6,748,800	6,506,413
Adjustment for share options (thousands)	645	453
	6,749,445	6,506,866
Diluted earnings per share (HK cents)	29.42	18.53

12 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim dividend paid of 8.0 HK cents (2015: 4.2 HK cents) per share (Note a)	**539,904**	276,360
Proposed final dividend of 6.0 HK cents (2015: Final dividend of 4.5 HK cents) per share (Note b)	**404,928**	303,696

Notes:

(a) An interim dividend of 8.0 HK cents per share (2015: 4.2 HK cents) was paid to shareholders whose names appeared on the Register of Members of the Company on 19 August 2016 (2015: 14 August 2015).

(b) A final dividend in respect of the financial year ended 31 December 2016 of 6.0 HK cents per share (2015: 4.5 HK cents), amounting to a total dividend of HK$404,928,000 (2015: HK$303,696,000) is to be proposed at the forthcoming Annual General Meeting. The amount of 2016 proposed final dividend is based on 6,748,800,000 shares in issue as at 31 December 2016. The amount of 2015 final dividend is based on 6,748,800,000 shares in issue as at the book closure date for the dividend entitlement. These financial statements do not reflect the dividend payable as at 31 December 2016.

(c) Subject to the approval by the shareholders at the forthcoming annual general meeting, the final dividend of 6.0 HK cents per share will be payable on or before Tuesday, 4 July 2017 to the shareholders whose names appear on the register of members of the Company at the closure day of register of members. The book closure day for cash dividend will be disclosed in the notice of Annual General Meeting.

Notes to the Consolidated Financial Statements

13 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2016 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Solar (Hong Kong) Limited ("Xinyi Solar (Hong Kong)")	Hong Kong, limited liability company	Trading of solar glass products	200 ordinary shares of HK$1 each	100%	—
Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV")	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid up capital of US$438,000,000	100%	—
Xinyi Solar (Malaysia) Sdn Bhd	Malaysia, limited liability company	Manufacturing of solar glass in the Malaysia	Authorised and paid up capital of 20,000,000 ordinary shares of MYR1 each	100%	—
Tianjin Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB10,000,000	100%	—
Xinyi Energy Holdings Limited ("Xinyi Energy") (Note (i))	The British Virgin Islands, limited liability company	Investment holding	6,320 ordinary shares of US$1 each	75%	25%
Wuhu Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	75%	25%
Lu'an Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	75%	25%

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2016 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Nanping Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD18,000,000	75%	25%
Hongan Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	75%	25%
Xinyi Solar (Wuhu) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	75%	25%
Xinyi Renewable Energy (Bozhou) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	75%	25%
Xinyi Solar (Fanchang) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB75,000,000	75%	25%
Xinyi Solar (Tianjin) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD53,000,000 and paid up capital of USD44,394,390	75%	25%
Xinyi Solar (Shouxian) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB215,000,000	75%	25%
Xinyi Solar (Wangjiang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB75,000,000 and paid up capital of RMB10,000,000	100%	—

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2016 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Solar (Xiaochang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD35,000,000 and paid up capital of USD26,939,700	100%	—
Xinyi Solar (Suiping) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB210,000,000	100%	—
Xinyi Renewable Energy (Shouxian) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD35,000,000 and paid up capital of USD23,201,000	100%	—
Xinyi Solar (Huainan) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD12,000,000	100%	—
Xinyi Solar (Wuwei) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD25,000,000 and paid up capital of USD1,289,392	100%	—
Polaron Solartech Corporation	Canada, limited liability company	Provision of solar power systems in Canada	353,000 common shares	60%	40%

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Note:

(i) Companies are Xinyi Energy and subsidiaries of Xinyi Energy (together, the "Xinyi Energy Group").

(ii) Subsidiaries listed in above table are indirectly held by the Company.

13 SUBSIDIARIES (Continued)

(a) MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interest as at 31 December 2016 is HK$1,212,163,000 (2015: HK$1,146,365,000), of which HK$1,208,095,000 (2015: HK$1,146,365,000) is for Xinyi Energy Group and HK$4,068,000 (2015: nil) is attributed to Polaron Solartech Corporation and its subsidiary ("Polaron Solartech").

Significant restrictions

Cash and short-term deposits of HK$98,883,000 (2015: HK$314,092,000) are held by Xinyi Energy Group in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Xinyi Energy Group that has non-controlling interests that are material to the Group. See Note 14 for transactions with non-controlling interests.

Summarised balance sheet

	2016 HK$'000	2015 HK$'000
Current		
Assets	2,113,015	1,405,679
Liabilities	(917,526)	(781,647)
Total current net assets	1,195,489	624,032
Non-current		
Assets	6,280,706	4,754,864
Liabilities	(2,643,815)	(793,435)
Total non-current net assets	3,636,891	3,961,429
Net assets	4,832,380	4,585,461

13 SUBSIDIARIES (Continued)

(a) MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statement of comprehensive income

	2016 HK$'000	2015 HK$'000
Revenue	968,291	313,030
Profit before income tax	659,647	181,058
Income tax expense	(62)	(25,478)
Profit after income tax	659,585	155,580
Currency translation difference	(417,109)	(76,771)
Total comprehensive income for the year	242,476	78,809
Total comprehensive income allocated to non-controlling interests	60,619	—
Dividends paid to non-controlling interests	—	—

Summarised cash flow statement

	2016 HK$'000	2015 HK$'000
Cash flows from operating activities		
Cash generated from/(used in) operations	394,209	(582,975)
Interest paid	(41,860)	(6,868)
Income tax paid	(11,449)	(6,173)
Net cash generated from/(used in) operating activities	340,900	(596,016)
Net cash used in investing activities	(2,552,804)	(3,755,543)
Net cash generated from financing activities	2,266,956	4,607,708
Net increase in cash and cash equivalents	55,052	256,149
Cash and cash equivalents at beginning of year	427,435	181,918
Effect of foreign exchange rate changes	(14,421)	(10,632)
Cash and cash equivalents at end of year	468,066	427,435

The information above is the amount before intercompany eliminations.

14 TRANSACTION WITH NON-CONTROLLING INTERESTS

Disposal of interest in a subsidiary without loss of control

On 31 December 2015, an aggregate of 1,580 new shares of Xinyi Energy, representing 25% of its enlarged share capital were subscribed by the existing controlling shareholders of the Company for a total cash consideration of HK$1,580,000,000 (the "Subscription"). Immediately following completion of the Subscription, the Company continues to hold, through its subsidiary, 4,740 Xinyi Energy's shares, representing 75% of the equity interests in Xinyi Energy. The Group recognised an increase in non-controlling interests of HK$1,146,365,000 and an increase in equity attributable to owners of the Company of HK$433,635,000. The effect of changes in the ownership interest of Xinyi Energy on the equity attributable to owners of the Company in 2015 is summarised as follows:

	2015 HK$'000
Carrying amount of non-controlling interests disposed of	1,146,365
Consideration received from non-controlling interests	(1,580,000)
Gain on disposal within equity	(433,635)

The Company provided corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries.

	2016 HK$'000	2015 HK$'000
Corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries:		
– Wise Regal Investments Limited	835,714	400,000
– Xinyi Solar (Wuhu) Limited, Xinyi Solar (Fanchang) Limited and Xinyi Solar (Shouxian) Limited	—	352,941
– Xinyi Energy (BVI) Limited	2,260,000	1,300,000
	3,095,714	2,052,941
Additional capital commitment to a non-wholly owned subsidiary:		
– Xinyi Energy	—	2,250,000

15 INTERESTS IN A JOINT VENTURE AND BALANCES WITH A JOINT VENTURE

	2016 HK$'000	2015 HK$'000
Interests in a joint venture		
At 1 January	175,263	—
Capital injections	—	212,488
Advance to a joint venture	150,267	—
Share of profits	31,125	—
Currency translation differences	(12,604)	(6,606)
Elimination of unrealised profit	(14,224)	(30,619)
At 31 December	329,827	175,263
Balances with a joint venture		
Amount due (to)/from a joint venture (Note (ii))	(20,582)	158,470

Notes:

(i) *Interests in a joint venture*

The equity interest in the joint venture listed below is held directly by the Group.

The following is the joint venture at 31 December 2016 and 2015:

Name of entity	Place of business/ country of incorporation	Principal activities and place of operation	% of ownership interest	Measurement method
Xinyi Solar (Lu'an) Company Limited ("Xinyi Solar (Lu'an)")	The PRC	Management and operation of solar farm in Lu'an, Anhui Province, the PRC	50	Equity accounting

On 25 May 2015, Xinyi Solar (Lu'an) was incorporated as a wholly owned subsidiary of the Company, with registered capital of RMB125,000,000.

On the same date, the Group and Shenzhen Ruihe Construction Decoration Co., Ltd. ("Shenzhen Ruihe") entered into the Equity Increase Agreement whereby Xinyi Solar (Lu'an) to be formed as a joint venture. The transactions contemplated under the Equity Increase Agreement involved (a) the increase in the registered capital of Xinyi Solar (Lu'an) to RMB250,000,000, and (b) the provision of funding to Xinyi Solar (Lu'an) by Shenzhen Ruihe with an amount of RMB225,000,000 for 50% of the enlarged amount of the equity interest of Xinyi Solar (Lu'an). Upon completion of the deemed disposal on 18 June 2015, the Company continued to hold, through its subsidiary, 50% of the equity interest in Xinyi Solar (Lu'an).

15 INTERESTS IN AND BALANCE WITH A JOINT VENTURE (Continued)

Notes (Continued):

(i) *Interests in a joint venture* (Continued)

The equity investment of Shenzhen Ruihe was made at a premium, as compared with the amount to be contributed by the Group to Xinyi Solar (Lu'an), for recognising the capital injection by the Group through a concession right with a fair value of approximately HK$125,000,000 obtained prior to the incorporation of Xinyi Solar (Lu'an). The concession right represents the right to develop, acquire and operate the solar farm in Lu'an, Anhui Province, the PRC.

The Company's shareholdings in Xinyi Solar (Lu'an) decreased from 100% to 50%. The Group lost control in Xinyi Solar (Lu'an) upon completion of the deemed disposal, but retained the power to exercise joint control over Xinyi Solar (Lu'an). Therefore, Xinyi Solar (Lu'an) is regarded as a joint venture of the Company and is accounted for using the equity method of accounting immediate following the completion of the deemed disposal of 50% equity interest.

Gain on deemed disposal of a subsidiary amounting to HK$62,500,000 was recognised for the gain on contribution of a concession right to Xinyi Solar (Lu'an) to form a joint venture during the year ended 31 December 2015 (Note 6).

Up to 31 December 2015, capital injections to Xinyi Solar (Lu'an) of RMB125,000,000 (equivalent to HK$149,988,000) and RMB100,000,000 (equivalent to HK$125,000,000) were paid in cash by the Group and Shenzhen Ruihe, respectively. In January and February 2016, Xinyi Solar (Lu'an) received the remaining capital injection receivables due from Shenzhen Ruihe of RMB125,000,000 (equivalent to HK$149,988,000).

The profit and loss of the Xinyi Solar (Lu'an) from 25 May 2015 (date of its incorporation) to the date of deemed disposal were nil.

Xinyi Solar (Lu'an) is a private company and there is no quoted market price available for its shares.

The Company provided corporate guarantees in respect of banking facilities provided to a joint venture.

	2016 **HK$'000**	2015 HK$'000
Corporate guarantees in respect of banking facilities provided to a joint venture:		
- Xinyi Solar (Lu'an)	—	117,647

Except the commitment above, there are no other contingent liabilities relating to the Group's interest in the investment in the joint venture.

During the year ended 31 December 2016, the Group advanced cash of RMB135,000,000 (equivalent to HK$150,267,000) to the joint venture as part of investment to finance its construction of a solar farm.

15 INTERESTS IN AND BALANCE WITH A JOINT VENTURE (Continued)

Notes (Continued):

(ii) Amount due (to)/from a joint venture

As at 31 December 2016, the amount due to a joint venture of HK$20,582,000 is unsecured, interest free and repayable on demand.

As at 31 December 2015, the amount due from a joint venture of HK$158,470,000 represented receivables from the joint venture for the construction contracts revenue from EPC services. The balance was with 90 days based on invoice date, and neither past due nor impaired.

The balances approximate their fair values and are denominated in RMB.

SUMMARISED FINANCIAL INFORMATION FOR THE JOINT VENTURE

Set out below are the summarised financial information for Xinyi Solar (Lu'an) which is accounted for using the equity method.

Summarised balance sheet

	2016 HK$'000	2015 HK$'000
Current		
Cash and cash equivalents	**1,077**	19,676
Other current assets (excluding cash)	**140,948**	149,988
Total current assets	**142,025**	169,664
Financial liabilities	**(3,453)**	(165,148)
Total current liabilities	**(3,453)**	(165,148)
Non-current		
Assets	**610,768**	407,248
Net assets	**749,340**	411,764

15 INTERESTS IN AND BALANCE WITH A JOINT VENTURE (Continued)

SUMMARISED FINANCIAL INFORMATION FOR THE JOINT VENTURE (Continued)

Summarised statement of comprehensive income

	2016 HK$'000	2015 HK$'000
Revenue	83,701	—
Depreciation and amortisation	(17,159)	—
Interest income	24	—
Profit before income tax	62,250	—
Income tax expense	—	—
Profit after income tax	62,250	—
Currency translation differences	(25,208)	(13,212)
Total comprehensive income for the year	37,042	(13,212)
Dividends received from the joint venture	—	—

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	2016 HK$'000	2015 HK$'000
Opening net assets at 1 January	411,764	—
Capital injections from owners	—	424,976
Advance from shareholders	300,534	—
Total comprehensive income for the year	37,042	(13,212)
Closing net assets at 31 December	749,340	411,764
The Group's ownership interest	50%	50%
Carrying value before elimination of unrealised profit	374,670	205,882
Elimination of unrealised profit	(44,843)	(30,619)
Carrying value	329,827	175,263

16 INTERESTS IN ASSOCIATES

	HK$'000
At 31 December 2015 and 1 January 2016	—
Capital injections	56,200
Share of profits	5,547
At 31 December 2016	61,747

Notes:

(*i*) *Interests in associates*

The equity interests in associates listed below is held indirectly by the Group.

The following are the associates as at 31 December 2016:

Name of entity	Place of business/country of incorporation	Principal activities and place of operation	% of ownership interest held indirectly by the Group	Measurement method
Ultimate Luck Global Limited	British Virgin Islands	Investment holding	40%	Equity accounting
Cheer Wise Investments Limited ("Cheer Wise")	Hong Kong	Property and car parks holding in Hong Kong	40%	Equity accounting

On 26 April 2016, Ultimate Luck Global Limited was incorporated as an associate of the Company, with registered capital of USD50,000. Cheer Wise is a wholly owned subsidiary of Ultimate Luck Global Limited.

The associates are private companies and there are no quoted market price available for their shares.

There are no contingent liabilities relating to the Group's interest in the associates.

16 INTERESTS IN ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR THE ASSOCIATES

Set out below are the summarised financial information for Ultimate Luck Global Limited and its subsidiary which is accounted for using the equity method.

Summarised balance sheet

	2016 HK$'000
Current	
Cash and cash equivalents	—
Other current assets (excluding cash)	199
Total current assets	199
Financial liabilities	(4,288)
Total current liabilities	(4,288)
Non-current	
Assets	158,456
Net assets	154,367

Summarised statement of comprehensive income

	2016 HK$'000
Gross rental income from an investment property	40
Valuation gain on an investment property	14,500
Depreciation and amortisation	247
Interest income	—
Profit before income tax	13,867
Income tax expense	—
Profit after income tax	13,867
Other comprehensive income	—
Total comprehensive income for the year	13,867
Dividends received from the associates	—

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

16 INTERESTS IN ASSOCIATES (Continued)

RECONCILIATION OF SUMMARISED FINANCIAL INFORMATION

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the associates.

	2016 HK$'000
Opening net assets at 1 January	—
Capital injections from owners	140,500
Total comprehensive income for the year	13,867
Closing net assets at 31 December	154,367
The Group's ownership interest	40%
Carrying value	61,747

17 BUSINESS COMBINATION

On 30 April 2016, the Group completed the acquisition of 60% equity interest in Polaron Solartech for a consideration of Canadian dollars ("CAD") 1,500,000 (equivalent to HK$8,964,000). Since then, Polaron Solartech has become a non-wholly owned subsidiary of the Company. The principal activities of Polaron Solartech are the provision of solar power systems in Canada, including design development, financial planning, permit acquisition and installation and maintenance services for solar energy systems, for both residential and commercial customers.

The following table summarises the consideration paid for the acquisition, the identifiable assets acquired and liabilities assumed and the non-controlling interest at the acquisition date.

	2016 HK$'000
Cash consideration for 60% equity interest in Polaron Solartech	8,964
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	308
Amounts due from customers for construction work	5,217
Trade and other receivables	14,493
Cash and cash equivalents	7,967
Trade and bills payables, accruals and other payables	(14,821)
Total identifiable net assets	13,164
Non-controlling interest	(5,266)
Goodwill	1,066
	8,964

The revenue included in the consolidated income statement since 1 May 2016 contributed by Polaron Solartech was HK$21,561,000. Polaron Solartech also recorded losses of HK$2,097,000 over the same period.

Notes to the Consolidated Financial Statements

18 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Solar Farms HK$'000	Office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2015						
Cost	210,094	1,584,771	808,355	4,579	1,404,198	4,011,997
Accumulated depreciation	(18,318)	(303,153)	(3,348)	(1,951)	—	(326,770)
Net book amount	191,776	1,281,618	805,007	2,628	1,404,198	3,685,227
Year ended 31 December 2015						
Opening net book amount	191,776	1,281,618	805,007	2,628	1,404,198	3,685,227
Additions	—	27,467	609,757	90	3,485,238	4,122,552
Transfers	202,185	902,973	2,825,926	—	(3,931,084)	—
Disposals	—	(286)	(86,174)	—	—	(86,460)
Depreciation charge	(10,040)	(133,525)	(76,855)	(353)	—	(220,773)
Currency translation differences	(20,323)	(113,271)	(201,573)	(133)	(61,185)	(396,485)
Closing net book amount	363,598	1,964,976	3,876,088	2,232	897,167	7,104,061
At 31 December 2015						
Cost	390,406	2,377,938	3,952,674	4,409	897,167	7,622,594
Accumulated depreciation	(26,808)	(412,962)	(76,586)	(2,177)	—	(518,533)
Net book amount	363,598	1,964,976	3,876,088	2,232	897,167	7,104,061
Year ended 31 December 2016						
Opening net book amount	**363,598**	**1,964,976**	**3,876,088**	**2,232**	**897,167**	**7,104,061**
Additions	**3,433**	**42,925**	**1,671,661**	**371**	**3,295,735**	**5,014,125**
Transfers	**173,265**	**128,148**	**2,464,255**	**56**	**(2,765,724)**	**—**
Acquisition of a subsidiary (Note 17)	**—**	**—**	**—**	**308**	**—**	**308**
Disposals	**—**	**(1,056)**	**—**	**—**	**—**	**(1,056)**
Depreciation charge	**(14,835)**	**(147,574)**	**(239,452)**	**(529)**	**—**	**(402,390)**
Currency translation differences	**(28,564)**	**(108,119)**	**(414,980)**	**(121)**	**(84,609)**	**(636,393)**
Closing net book amount	**496,897**	**1,879,300**	**7,357,572**	**2,317**	**1,342,569**	**11,078,655**
At 31 December 2016						
Cost	**536,424**	**2,410,585**	**7,659,897**	**4,889**	**1,342,569**	**11,954,364**
Accumulated depreciation	**(39,527)**	**(531,285)**	**(302,325)**	**(2,572)**	**—**	**(875,709)**
Net book amount	**496,897**	**1,879,300**	**7,357,572**	**2,317**	**1,342,569**	**11,078,655**

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2016 HK$'000	2015 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	380,929	212,252
– Administrative and other operating expenses	15,433	9,241
	396,362	221,493
Depreciation charges capitalised in inventories	10,462	4,434

Government grants received from the PRC government in relation to the construction of factory buildings and production facilities of HK$111,309,000 (2015: HK$19,412,000) were netted off with the cost of the related assets.

During the year, the Group capitalised borrowing costs amounted to HK$34,039,000 (2015: HK$27,741,000) on qualifying assets (Note 9). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.25% (2015: 2.29%).

19 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their movements are analysed as follows:

	2016 HK$'000	2015 HK$'000
At 1 Januay	180,372	180,186
Additions	169,252	15,533
Amortisation charge	(5,402)	(4,215)
Currency translation differences	(17,401)	(11,132)
At 31 December	326,821	180,372

All of the Group's land use rights are located in the PRC and are held on leases between 10 to 50 years.

During the year, amortisation charge of HK$1,389,000 (2015: HK$132,000) was capitalised as direct cost of construction in progress when the buildings thereon were not yet ready for production purposes. Amortisation of the Group's land use rights amounted to HK$4,013,000 (2015: HK$4,083,000) was charged to the consolidated income statement.

20 INVENTORIES

	2016 HK$'000	2015 HK$'000
Raw materials	141,374	116,277
Work in progress	23,978	22,591
Finished goods	123,076	60,210
	288,428	199,078

The cost of inventories included in cost of sales amounted to approximately HK$2,166,202,000 (2015: HK$2,250,574,000).

21 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

	2016 HK$'000	2015 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	618,139	559,516
Progress billings to date	(406,400)	(526,470)
	211,739	33,046
Included in current assets are the following:		
Due from customers for contract work	211,739	33,046

22 TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade receivables	1,895,278	805,783
Bills receivables	125,094	47,842
Trade and bills receivables (Note (a))	2,020,372	853,625
Less: Provision for impairment of trade receivables (Note (b))	—	—
Trade and bills receivables, net	2,020,372	853,625

(a) TRADE AND BILLS RECEIVABLES

Breakdown of trade and bills receivables by segment is as follows:

	Solar glass HK$'000	Solar farm and solar power generation HK$'000	EPC services HK$'000	Total HK$'000
At 31 December 2016				
Sales of solar glass	747,343	—	—	747,343
Sales of electricity	—	56,140	—	56,140
Tariff adjustment	—	879,980	—	879,980
EPC service revenue	—	—	336,909	336,909
Total	747,343	936,120	336,909	2,020,372
At 31 December 2015				
Sales of solar glass	537,861	—	—	537,861
Sales of electricity	—	21,331	—	21,331
Tariff adjustment	—	224,761	—	224,761
EPC service revenue	—	—	69,672	69,672
Total	537,861	246,092	69,672	853,625

The credit terms granted by the Group to its customers in respect of sales of solar glass are generally from 30 to 90 days.

Notes to the Consolidated Financial Statements

22 TRADE AND BILLS RECEIVABLES (Continued)

(a) TRADE AND BILLS RECEIVABLES (Continued)

Receivables from sales of electricity were usually settled on a monthly basis by the state grid companies. Tariff adjustment receivables represented the government subsidies on renewable energy to be received from the state grid companies in accordance with the prevailing government policies.

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 to 90 days	**1,034,692**	559,116
91 days to 180 days	**338,924**	137,572
181 days to 365 days	**388,079**	108,770
Over 1 year	**133,583**	325
	1,895,278	805,783

The maturity of the bills receivables is within 6 months.

The carrying amounts of the Group's trade and bills receivables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
RMB	**1,958,336**	794,476
US$	**51,296**	58,387
Other currencies	**10,740**	762
	2,020,372	853,625

22 TRADE AND BILLS RECEIVABLES (Continued)

(b) PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

Sales of solar glass

As at 31 December 2016, trade receivables of HK$94,451,000 (2015: HK$54,015,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

The ageing analysis of these trade receivables based on due date is as follows:

	2016 HK$'000	2015 HK$'000
0 to 90 days	82,416	48,667
91 days to 180 days	10,031	5,131
Over 180 days	2,004	217
	94,451	54,015

Sales of electricity

Given the track record of regular repayment of receivables from sales of electricity, all trade receivable from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. There is no due date for settlement (2015: Nil). Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the *"Renewable Energy Tariff Subsidy Catalogue"*. During the fourth quarter of 2016, the Group received aggregate payment of RMB61,425,000 (equivalent to HK$68,879,000) for the subsidies incurred up to April 2015 of these two solar farm projects. Given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the collection of tariff adjustment receivables is expected in the normal operating cycle, which is within 2 years, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognised as at 31 December 2016 (2015: Nil).

22 TRADE AND BILLS RECEIVABLES (Continued)

(b) PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES (Continued)

Sales of electricity (Continued)

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	2016 HK$'000	2015 HK$'000
Tariff adjustment receivables:		
Expected to be recover after more than 12 months	**576,906**	204,566
Expected to be recover within 12 months	**303,074**	20,195
	879,980	224,761

Construction contracts revenue from EPC services

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract. Trade and bills receivables of HK$336,909,000 (2015: HK$69,672,000) in respect of construction contracts revenue from EPC services were neither past due nor impaired. There is no recent history of default. Management believes that no impairment allowance is necessary.

As of 31 December 2016, all trade receivables were expected to be recoverable. Consequently, no provision for impairment of trade receivables was recognised as at 31 December 2016 (2015: Nil).

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	513,718	431,856
Deposits and other receivables (Note (a))	150,957	90,860
Other tax receivables (Note (b))	959,524	637,857
	1,624,199	1,160,573
Less: Non-current portion:		
Prepayments for property, plant and equipment, land use rights and operating leases	(383,913)	(380,457)
Current portion	1,240,286	780,116

(a) Deposits and other receivables were all expected to be recoverable and therefore no provision was made. Aging analysis of other receivables at the end of each reporting period is as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year	146,994	86,428
From 1 year to 2 years	3,963	4,432
	150,957	90,860

The carrying amounts of the Group's deposits and other receivable are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
RMB	150,386	89,708
HK$	—	1,152
Others	571	—
	150,957	90,860

(b) Other tax receivables mainly represent value added tax recoverable.

(c) Prepayments, deposits and other receivables approximate their fair values and do not contain impaired assets.

24 CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash at bank	842,278	2,867,168
Cash on hand	1,054	1,535
	843,332	2,868,703

As at 31 December 2016, funds of the Group amounting to HK$253,611,000 and HK$53,840,000 (2015: HK$756,862,000 and HK$18,160,000) were deposited in bank accounts opened with banks in the PRC and Malaysia, respectively, where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$534,827,000 (2015: HK$2,092,146,000) as at 31 December 2016 were deposited in reputable banks in Hong Kong and Canada.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
HK$	548,777	2,146,851
RMB	195,010	587,735
US$	78,656	125,255
CAD	8,187	—
MYR	7,886	6,075
Other currencies	4,816	2,787
	843,332	2,868,703

25 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2015, 31 December 2015 and 2016	80,000,000	8,000,000
Issued:		
At 1 January 2015	6,080,000	608,000
Issuance of shares (Note (a))	668,800	66,880
At 31 December 2015	6,748,800	674,880
At 31 December 2016	6,748,800	674,880

Note:

(a) In March 2015, the Company allotted and issued 500,000,000 shares by way of placing at HK$2.30 each. Proceeds of approximately HK$1,150,000,000 were received and the related transaction costs of approximately HK$13,025,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

In October 2015, the Company allotted and issued 168,800,000 shares by way of placing at HK$3.22 each. Proceeds of approximately HK$543,536,000 were received and the related transaction costs of approximately HK$6,037,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

26 SHARE-BASED PAYMENTS

(a) SHARE OPTION SCHEME ESTABLISHED IN 2014

In June 2014, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of the Company on the Stock Exchange, unless the Company obtains further approval from the shareholders.

26 SHARE-BASED PAYMENTS (Continued)

(a) SHARE OPTION SCHEME ESTABLISHED IN 2014 (Continued)

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

Movements in the number of share options granted by the Company to the employees of the Group and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share	Options ('000)	Average exercise price in HK$ per share	Options ('000)
At 1 January	2.61	8,930	2.29	4,040
Granted	2.80	6,070	2.86	5,087
Forfeited	2.64	(482)	2.49	(197)
At 31 December	2.69	14,518	2.61	8,930

In July 2014, 4,039,500 share options were granted to the Company's selected employees and an executive director. The exercise price is HK$2.29 per share, which is equal to the closing price of the Company's share on the date of grant. The share options are conditional on the employee completing three years' service (the vesting period) and exercisable starting three years from the grant date. No option was exercised from the date of the grant to 31 December 2016 and a total of 184,250 options (2015: 127,000) were forfeited during the year ended 31 December 2016. The expiry date of these share options is 23 July 2018.

In May 2015, 5,087,500 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.86 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 12 May 2015 to 31 March 2019. One third of the Options will vest on each of the year-end date of 2015, 2016 and 2017 if each grantee has met the conditions of vesting as stated in the letter of grant. No option was exercised from the date of the grant to 31 December 2016 and a total of 265,250 options (2015: 70,000) were forfeited during the year ended 31 December 2016. The expiry date of these share options is 31 March 2019.

26 SHARE-BASED PAYMENTS (Continued)

(a) SHARE OPTION SCHEME ESTABLISHED IN 2014 (Continued)

In March 2016, 6,070,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.80 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 23 March 2016 to 31 March 2020. One third of the options will vest on each of the year-end date of 2016, 2017 and 2018 if each grantee has met the conditions of vesting as stated in the letter of grant. No option was exercised from the date of the grant to 31 December 2016 and a total of 33,000 options were forfeited during the year ended 31 December 2016. The expiry date of these share options is 31 March 2020.

Out of the above outstanding share options, no options were exercisable at 31 December 2016 (2015: Nil).

These outstanding share options at the end of 2016 have the following expiry dates and exercise prices:

	Exercise price in HK$ per share	Options ('000) 2016	2015
Expiry date			
23 July 2018	2.29	**3,729**	3,913
31 March 2019	2.86	**4,752**	5,017
31 March 2020	2.80	**6,037**	—
		14,518	8,930

The weighted average fair value of the share options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, and were approximately HK$0.69 per option (2015: HK$0.83). The significant inputs into the model are as follows:

	2016	2015
Weighted average share price, at the grant date (HK$)	**2.80**	2.86
Exercise price (HK$)	**2.80**	2.86
Volatility (%)	**41.08**	44.30
Dividend yield (%)	**3.09**	1.73
Expected share option life (years)	**3.5**	3.4
Annual risk-free interest rate (%)	**0.96**	0.94

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year. See Note 8 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

26 SHARE-BASED PAYMENTS (Continued)

(b) SHARE OPTION SCHEME ESTABLISHED IN 2005

Xinyi Glass Holdings Limited ("Xinyi Glass"), the former ultimate holding company, adopted a share option scheme ("Share Option Scheme 2005") in 2005. Under the Share Option Scheme 2005, Xinyi Glass's directors may, at their sole discretion, grant options to any employee of Xinyi Glass and its subsidiaries to subscribe for shares of Xinyi Glass at the highest of (i) the closing price of shares of Xinyi Glass as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of Xinyi Glass as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of Xinyi Glass must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of Xinyi Glass on the Stock Exchange, unless Xinyi Glass obtains further approval from the shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Xinyi Glass must not, in aggregate, exceed 30% of the relevant shares or securities of Xinyi Glass in issue from time to time.

Movements in the number of share options granted by Xinyi Glass to the employees of the Group and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share	Options ('000)	Average exercise price in HK$ per share	Options ('000)
At 1 January	4.84	4,208	5.37	6,496
Exercised	4.72	(3,570)	4.34	(6)
Lapsed	5.55	(3)	6.36	(2,282)
At 31 December	5.55	635	4.84	4,208

Out of the above outstanding share options, 635,000 (2015: 2,460,000) were exercisable at 31 December 2016. During 2016, options exercised resulted in 3,570,000 (2015: 6,000) shares being issued at weighted average price at the time of exercise of HK$4.72 (2015: HK$4.34) each. The related weighted average share price at the time of exercise was HK$5.68 (2015: HK$4.56) per share.

26 SHARE-BASED PAYMENTS (Continued)

(b) SHARE OPTION SCHEME ESTABLISHED IN 2005 (Continued)

These outstanding share options at the end of 2016 have the following expiry dates and exercise prices:

	Exercise price in HK$ per share	Options ('000) 2016	2015
Expiry date			
31 March 2016	4.34	—	2,460
31 March 2017	5.55	635	1,748
		635	4,208

27 OTHER RESERVES

	Share premium (Note 25(a)) HK$'000	Merger reserve (Note (a)) HK$'000	Capital reserve (Note (b)) HK$'000	Statutory reserve (Note (c)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 January 2016	2,952,390	(209,495)	438,111	280,331	3,660	(331,914)	3,133,083
Currency translation differences	—	—	—	—	—	(662,387)	(662,387)
Share of other comprehensive income of a joint venture accounted for using the equity method	—	—	—	—	—	(12,604)	(12,604)
Employee's share option scheme:							
– value of employee services	—	—	—	—	3,583	—	3,583
– release of share option reserve upon exercise	—	—	—	—	(2,073)	—	(2,073)
Appropriation to statutory reserve	—	—	—	219,732	—	—	219,732
Dividend paid to shareholders	(843,600)	—	—	—	—	—	(843,600)
At 31 December 2016	2,108,790	(209,495)	438,111	500,063	5,170	(1,006,905)	1,835,734
At 1 January 2015	1,779,076	(209,495)	26,744	161,646	6,568	87,311	1,851,850
Currency translation differences	—	—	—	—	—	(434,887)	(434,887)
Share of other comprehensive income of a joint venture accounted for using the equity method	—	—	—	—	—	(6,606)	(6,606)
Employee's share option scheme:							
– value of employee services	—	—	—	—	1,182	—	1,182
– release of share option reserve upon exercise	—	—	—	—	(9)	—	(9)
– lapse of share options	—	—	—	—	(4,081)	—	(4,081)
Appropriation to statutory reserve	—	—	—	118,685	—	—	118,685
Changes in ownership interests in subsidiaries without loss of control	—	—	411,367	—	—	22,268	433,635
Issuances of shares, net of transaction costs	1,607,594	—	—	—	—	—	1,607,594
Dividend paid to shareholders	(434,280)	—	—	—	—	—	(434,280)
At 31 December 2015	2,952,390	(209,495)	438,111	280,331	3,660	(331,914)	3,133,083

27 OTHER RESERVES (Continued)

(a) MERGER RESERVE

For the purpose of preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Group undertook a reorganisation (the "Reorganisation") in 2011. Merger reserve represents the difference between the share capital and share premium issued by the Company for acquisition of the subsidiaries pursuant to the Reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

(b) CAPITAL RESERVE

In 2011, the Group's PRC subsidiary declared dividends of RMB421,826,000 (equivalent to HK$514,423,000). The related withholding tax of HK$26,744,000 arising from the dividends distribution was paid on behalf by Xinyi Glass and Xinyi Glass has not recharged back the Group. Such amount was accounted for as capital reserve within equity.

Changes in capital reserve in 2015 represents changes in ownership interests in Xinyi Energy from a wholly-owned subsidiary to a 75% partially-owned subsidiary.

(c) STATUTORY RESERVE

The PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2016, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$219,732,000 (2015: HK$118,685,000) from retained earnings to statutory reserve.

28 TRADE AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000
Trade payables (Note (a))	403,778	368,295
Retention payables for EPC services (Note (a))	3,084	7,289
Bills payables (Note (a))	466,243	418,884
Trade, retention and bills payables	873,105	794,468
Accruals and other payables (Note (b))	1,719,431	1,361,931
	2,592,536	2,156,399
Less: Non-current portion:		
Retention payables for construction of solar farms	(53,901)	—
Current portion	2,538,635	2,156,399

28 TRADE AND OTHER PAYABLES (Continued)

Notes:

(a) The ageing analysis of the trade payables and retention payables for EPC services based on invoice date is as follows:

	2016 HK$'000	2015 HK$'000
0 to 90 days	344,181	354,498
91 days to 180 days	14,289	12,762
181 days to 365 days	24,999	6,052
Over 1 year	23,393	2,272
	406,862	375,584

The maturity of the bills payables is within 6 months.

The carrying amounts of the Group's trade, retention and bills payables are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
RMB	873,042	794,468
Other currencies	63	—
	873,105	794,468

(b) Details of accruals and other payables are as follows:

	2016 HK$'000	2015 HK$'000
Payables for property, plant and equipment	1,540,492	1,082,333
Accruals for employee benefits and welfare	60,086	64,081
Receipt in advance from customers	8,574	36,267
Payables for transportation costs and other operating expenses	26,284	52,105
Provision for value added tax and other taxes in the PRC	27,884	48,142
Payables for utilities	37,759	26,619
Others	18,352	52,384
	1,719,431	1,361,931

(c) The carrying amounts of trade and other payables approximate their fair values.

29 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2016 HK$'000	2015 HK$'000
Within 1 year	1,952,388	474,212
Between 1 and 2 years	2,634,280	1,704,727
Between 2 and 5 years	2,079,263	1,411,325
	6,665,931	3,590,264
Less: Non-current portion	(4,713,543)	(3,116,052)
Current portion	1,952,388	474,212

In the consolidated balance sheets, bank borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities. Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank borrowings, which contain repayment on demand clause, is within one year.

As at 31 December 2016, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2019. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2016, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the effective interest rate and are within level 2 of the fair value hierarchy.

The effective interest rate per annum at reporting date were as follows:

	2016	2015
Bank borrowings	2.67%	2.19%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are 6 months or less.

The bank borrowings were secured by corporate guarantee provided by the Company.

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income liabilities is as follows:

	2016 HK$'000	2015 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	**197**	1,442
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	**—**	(17,340)
Deferred income tax assets/(liabilities), net	**197**	(15,898)

The gross movement on the deferred income tax account is as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**15,898**	8,375
(Credited)/charged to the consolidated income statement (Note 10)	**(16,095)**	7,523
At 31 December	**(197)**	15,898

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction are as follows:

	Provisions	
	2016 HK$'000	2015 HK$'000
Deferred income tax assets		
At 1 January	**1,442**	1,244
(Charged)/credited to the consolidated income statement	**(1,245)**	198
At 31 December	**197**	1,442

	Undistributed profits of subsidiaries	
	2016 HK$'000	2015 HK$'000
Deferred income tax liabilities		
At 1 January	**17,340**	9,619
(Credited)/charged to the consolidated income statement	**(17,340)**	7,721
At 31 December	**—**	17,340

30 DEFERRED INCOME TAX (Continued)

Withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in the PRC that held by intermediate holding companies incorporated in Hong Kong, is subject to 5% to 10% withholding tax.

As at 31 December 2016, deferred income tax liabilities of approximately HK$190,797,000 (2015: HK$83,277,000) were not recognised for withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$3,815,936,000 (2015: HK$1,665,534,000).

Deferred tax assets are recognised for tax loss carrying-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2016, there was no significant unrecognised tax losses (2015: Nil).

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2016 HK$'000	2015 HK$'000
Profit before income tax	2,390,464	1,393,986
Adjustments for:		
Share options granted to employees (Note 8)	3,583	1,182
Interest income (Note 9)	(9,338)	(4,602)
Interest expense (Note 9)	103,867	21,095
Depreciation of property, plant and equipment (Note 7)	396,362	221,493
Amortisation of land use rights (Note 7)	4,013	4,083
Gain on deemed disposal of a subsidiary (Note 6)	—	(62,500)
Loss/(gain) on disposal of property, plant and equipment (Note 6)	901	(9,589)
Share of profits of associates (Note 16)	(5,547)	—
Share of profits of a joint venture (Note 15)	(31,125)	—
	2,853,180	1,565,148
Changes in working capital:		
Inventories	(83,322)	99,400
Trade and other receivables	(1,612,424)	(894,667)
Trade payables, accruals and other payables	(107,282)	413,443
Amount due from a joint venture	179,052	(127,851)
Amounts due to related companies	11,756	4,272
Amounts due from customers for construction work	(159,252)	(33,046)
Cash generated from operations	1,081,708	1,026,699

31 CASH GENERATED FROM OPERATIONS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2016 HK$'000	2015 HK$'000
Net book amount (Note 18)	1,056	86,460
(Loss)/gain on disposal of property, plant and equipment (Note 6)	(901)	9,589
Proceeds from disposal of property, plant and equipment	155	96,049

(c) Major non-cash transactions

During the year ended 31 December 2015, the Company recognised a gain on deemed disposal of a subsidiary without cash proceed, as a result of its shareholdings in Xinyi Solar (Lu'an) decreased from 100% to 50%.

As at 31 December 2016, purchases of property, plant and equipment amounting to HK$1,540,492,000 (2015: HK$1,082,333,000) was made without any cash paid (Note 28(b)).

32 OPERATING LEASE COMMITMENTS

The Group leases certain of its factory and office premises under non-cancellable operating lease agreements. As at 31 December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2016 HK$'000	2015 HK$'000
Not later than one year	29,152	21,383
Later than 1 year and not later than 5 years	101,314	62,345
More than 5 years	574,895	480,119
	705,361	563,847

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings with lease terms as follows:

	2016 HK$'000	2015 HK$'000
Not later than one year	1,799	725
Later than 1 year and not later than 5 years	4,253	—
	6,052	725

33 CAPITAL COMMITMENTS

Capital expenditures of HK$1,481,150,000 (2015: HK$2,410,847,000) was contracted for at the end of the year but not yet incurred.

34 BANKING FACILITIES AND GUARANTEES

The banking facilities made available to subsidiaries of the Group are as follows:

	2016		2015	
	Available facilities HK$'000	Facilities utilised HK$'000	Available facilities HK$'000	Facilities utilised HK$'000
Banking facilities granted to subsidiaries of the Group without securities	7,723,057	7,212,287	5,416,042	4,043,785

35 RELATED PARTY TRANSACTIONS

As at 31 December 2016, the Group is controlled by Datuk LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Datuk TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung (together, the "Controlling Shareholders"), which in aggregate owns 32.70% (2015: 32.43%) of the Company's shares. 29.53% (2015: 26.54%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 37.77% (2015: 41.03%) of the shares are widely held.

(a) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name of related parties	Relationship
Xinyi Glass	Note (i)
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited ("Xinyi Ultra-clear (Dongguan)")	Note (ii)
Xinyi EnergySmart (Wuhu) Company Limited ("Xinyi EnergySmart (Wuhu)")	Note (ii)
Xinyi Automobile Parts (Wuhu) Company Limited ("Xinyi Automobile Parts (Wuhu)")	Note (ii)
Xinyi Electronic Glass (Wuhu) Company Limited ("Xinyi Electronic Glass (Wuhu)")	Note (ii)
Xinyi Glass (Tianjin) Company Limited ("Xinyi Glass (Tianjin)")	Note (ii)
Xinyi Glass Japan Company Limited	Note (ii)
Wuhu Jinsanshi Numerical Control Technology Company Limited ("Wuhu Jinsanshi")	Note (ii)
Wuhu Xinhe Logistics Company Limited ("Xinhe Logistics")	Note (ii)
Wuhu Xinhe Logistics Company Limited Wuhu Branch ("Xinhe Logistics Wuhu Branch")	Note (ii)
Wuhu Xincai Logistics Company Limited	Note (ii)
Wuhu Xinzhi Logistics Company Limited	Note (ii)
Xinyi Solar (Lu'an)	Joint venture
Cheer Wise	Associate

35 RELATED PARTY TRANSACTIONS (Continued)

Notes:

(i) Ultimate holding company of a company which has a significant influence on the Group.

(ii) Companies under control of a company which has a significant influence on the Group.

(b) SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year.

	Note	2016 HK$'000	2015 HK$'000
Purchases of glass products from:	i, viii		
– Xinyi EnergySmart (Wuhu)		**37,381**	26,866
– Xinyi Automobile Parts (Wuhu)		**1,216**	505
– Xinyi Electronic Glass (Wuhu)		**35,293**	44,714
– Xinyi Glass (Tianjin)		**16,296**	12,802
		90,186	84,887

35 RELATED PARTY TRANSACTIONS (Continued)

(b) SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Note	2016 HK$'000	2015 HK$'000
Rental expenses paid to:	ii, viii		
– Xinyi EnergySmart (Wuhu)		1,053	1,141
– Xinyi Glass (Tianjin)		4,504	4,250
		5,557	5,391
Rental income received from:			
– Xinyi EnergySmart (Wuhu)	ii, viii	1,053	1,141
Purchases of machinery from:			
– Wuhu Jinsanshi	iii, viii	37,286	14,440
– Xinyi Ultra-clear (Dongguan)	ix	808	—
		38,094	14,440
Transportation fee paid to:	iv, viii		
– Xinhe Logistics		146,736	68,593
– Xinhe Logistics Wuhu Branch		41,041	—
– Wuhu Xincai Logistics Company Limited		11,351	—
– Wuhu Xinzhi Logistics Company Limited		6,972	—
		206,100	68,593
Sales of glass products to:	v, ix		
– Xinyi Glass (Tianjin)		854	45
– Xinyi EnergySmart (Wuhu)		995	—
– Xinyi Automobile Parts (Wuhu)		560	—
		2,409	45
Consultancy fee paid to:			
– Xinyi Glass Japan Company Limited	vi, ix	724	—
EPC services income received from:			
– Xinyi Solar (Lu'an)	vii	127,814	208,531

35 RELATED PARTY TRANSACTIONS (Continued)

(b) SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

Notes:

(i) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 23 December 2015 and 29 June 2016.

(ii) The leases of premises were charged at mutually agreed rental. Details of the transactions were disclosed in the Company's announcement dated 21 January 2016.

(iii) The purchases of machinery were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 21 January 2016.

(iv) The transportation fee paid was charged at mutually agreed fee. Details of the transactions were disclosed in the Company's announcement dated 12 August 2015 and 18 May 2016.

(v) The sales of glass products were charged at mutually agreed prices and terms.

(vi) The consultancy fee paid was charged at mutually agreed fee.

(vii) The EPC services income received were charged at considerations based on mutually agreed terms. Xinyi Solar (Lu'an) was not a connected person of the Company and the transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(viii) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ix) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms, exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.

(x) Approximately 3,600 sq. meter office areas and a car park in Hong Kong is provided by Cheer Wise, an associate owned as to 40% by the Company, for the Group's occupation starting 30 September 2016 without consideration paid.

(c) BALANCES WITH RELATED PARTIES

	2016 HK$'000	2015 HK$'000
Amounts due (to)/from a joint venture		
– Xinyi Solar (Lu'an)	**(20,582)**	158,470
Amounts due to related companies		
– Wuhu Jinsanshi	**(15,961)**	(4,272)
– Xinyi Glass Japan Company Limited	**(67)**	—
	(16,028)	(4,272)

The amounts due (to)/from a joint venture and due to related companies are unsecured, interest free and repayable on demand. The amounts approximate their fair values and are denominated in RMB.

35 RELATED PARTY TRANSACTIONS (Continued)

(d) KEY MANAGEMENT COMPENSATION

Key management includes executive and non-executive directors as well as senior management. The compensation paid or payable to key management for employee services is shown below:

	2016 HK$'000	2015 HK$'000
Basic salaries, bonus, other allowances and benefits	24,908	20,313
Retirement benefits - defined contribution scheme	110	89
Share options granted	783	277
	25,801	20,679

Details of directors' and the chief executive's emoluments are disclosed in Note 38.

36 FINANCIAL INSTRUMENTS BY CATEGORY

	2016 HK$'000	2015 HK$'000
Assets - loans and receivables		
Trade and other receivables excluding prepayments and other tax receivables	2,046,235	896,643
Amount due from a joint venture	—	158,470
Bills receivables	125,094	47,842
Cash and cash equivalents (Note 24)	843,332	2,868,703
	3,014,661	3,971,658
Liabilities - other financial liabilities at amortised cost		
Trade and other payables excluding accruals, provision and advance receipt	2,029,749	1,589,025
Bills payables	466,243	418,884
Bank borrowings (Note 29)	6,665,931	3,590,264
	9,161,923	5,598,173

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		899,852	899,852
Current assets			
Amounts due from subsidiaries		1,824,036	2,671,080
Cash and cash equivalents		113	105
Total current assets		1,824,149	2,671,185
Total assets		2,724,001	3,571,037
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	674,880	674,880
Share premium	(a)	2,108,790	2,952,390
Accumulated losses	(a)	(59,671)	(56,237)
Total equity		2,723,999	3,571,033
LIABILITIES			
Current liabilities			
Accruals and other payables		2	4
Total current liabilities		2	4
Total equity and liabilities		2,724,001	3,571,037

The balance sheet of the Company was approved by the Board of Directors on 28 February 2017 and was signed on its behalf.

TUNG Ching Sai	LEE Yau Ching
Executive Director	*Executive Director and Chief Executive Officer*

Notes to the Consolidated Financial Statements

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Movement of share premium and accumulated losses of the Company

	Share premium HK$'000	Accumulated losses HK$'000
At 1 January 2015	1,779,076	(51,837)
Issuance of shares	1,607,594	—
Loss for the year	—	(4,400)
Dividend paid to shareholders	(434,280)	—
At 31 December 2015	2,952,390	(56,237)
At 1 January 2016	**2,952,390**	**(56,237)**
Loss for the year	—	**(3,434)**
Dividend paid to shareholders	**(843,600)**	—
At 31 December 2016	**2,108,790**	**(59,671)**

The Cayman Islands law permits dividends or other distributions to be paid out of share premium.

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) DIRECTORS' EMOLUMENTS

The remuneration of every director is set out below:

For the year ended 31 December 2016:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonus (Note(ii)) HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Other benefits HK$'000	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	–	–	–	–	–	–	–	–	–	–
TUNG Ching Sai	–	–	–	–	–	–	–	–	–	–
LEE Yau Ching	200	–	9,268	–	18	–	4,066	–	–	13,552
LI Man Yin	200	–	3,707	–	18	–	1,647	–	–	5,572
CHEN Xi	200	–	–	–	16	–	564	69	292	1,141
LEE Shing Put	200	–	–	–	–	–	–	–	–	200
CHENG Kwok Kin, Paul	250	–	–	–	–	–	–	–	–	250
LO Wan Sing, Vincent	200	–	–	–	–	–	–	–	–	200
KAN E-ting, Martin	200	–	–	–	–	–	–	–	–	200
Total	1,450	–	12,975	–	52	–	6,277	69	292	21,115

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of every director is set out below: (Continued)

For the year ended 31 December 2015:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonus (Note(ii)) HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Other benefits HK$'000	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—	—	—	—
LEE Yau Ching	200	—	6,207	—	18	—	3,588	—	—	10,013
LI Man Yin	200	—	3,403	—	18	—	1,399	—	—	5,020
CHEN Xi	200	—	—	—	18	—	567	63	99	947
LEE Shing Put	200	—	—	—	—	—	—	—	—	200
CHENG Kwok Kin, Paul	250	—	—	—	—	—	—	—	—	250
LO Wan Sing, Vincent	200	—	—	—	—	—	—	—	—	200
KAN E-ting, Martin	200	—	—	—	—	—	—	—	—	200
Total	1,450	—	9,610	—	54	—	5,554	63	99	16,830

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of every director is set out below: (Continued)

Notes:

(i) The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group.

(ii) The discretionary bonus is determined with reference to the operating results of the Group, individual performance and comparable market statistics during the respective years.

(iii) No director of the Company was appointed/resigned during the year (2015: Same).

(iv) Datuk LEE Yin Yee, B.B.S. and Datuk TUNG Ching Sai waived emoluments of HK$200,000(2015: HK$200,000) and HK$200,000 (2015: HK$200,000) respectively for the year. Except these, no other directors waived or agreed to waive any emoluments for the year ended 31 December 2016 and 2015. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2016 and 2015.

(v) Mr. LEE Yau Ching is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

(vi) During the year ended 31 December 2016, none of the directors of the Company received any salary or housing allowance (2015: same).

(b) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Financial Summary

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Result					
Revenue	6,007,081	4,750,410	2,410,004	1,967,507	1,533,130
Cost of sales	(3,257,198)	(3,040,159)	(1,649,067)	(1,375,161)	(1,268,910)
Gross profit	2,749,883	1,710,251	760,937	592,346	264,220
Profit before income tax	2,390,464	1,393,986	571,648	370,458	143,743
Income tax expense	(240,777)	(188,389)	(78,676)	(66,659)	(23,894)
Profit for the year	2,149,687	1,205,597	492,972	303,799	119,849
Profit attributable to:					
– the equity holders of the Company	1,985,630	1,205,597	492,972	303,799	119,849
– non-controlling interests	164,057	—	—	—	—
	2,149,687	1,205,597	492,972	303,799	119,849

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and Liabilities					
Total assets	16,786,383	12,734,633	5,763,967	2,686,995	2,795,682
Total liabilities	9,358,595	5,843,265	2,458,079	376,560	1,730,564
	7,427,788	6,891,368	3,305,888	2,310,435	1,065,118
Equity attributable to equity holders of the Company	6,215,625	5,745,003	3,305,888	2,310,435	1,065,118
Non-controlling interests	1,212,163	1,146,365	—	—	—
	7,427,788	6,891,368	3,305,888	2,310,435	1,065,118