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

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock code: 00968)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2016	2015	Change
	HK$'million	*HK$'million*	
Revenue	**6,007.1**	4,750.4	+26.5%
Profit attributable to equity holders of the Company	**1,985.6**	1,205.6	+64.7%
Earnings per share - Basic	**29.42 HK cents**	18.53 HK cents	+58.8%
Proposed final dividend per share	**6.0 HK cents**	4.5 HK cents	

The board of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**" or "**Xinyi Solar**") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	3	**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	4	**175,540**	142,710
Other gains, net	5	**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	6	**9,338**	4,602
Finance costs	6	**(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
Income tax expense	8	**(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	1,250,597
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
- Basic and diluted	10	**29.42**	18.53

Details of the dividends proposed for the year are disclosed in note 9.

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

	2016	2015
	HK$'000	*HK$'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

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**11,078,655**	7,104,061
Land use rights		**326,821**	180,372
Prepayments for property, plant and equipment, land use rights and operating leases	12	**383,913**	380,457
Interests in a joint venture		**329,827**	175,263
Investments in associates		**61,747**	—
Goodwill		**1,066**	—
Deferred income tax assets		**197**	1,442
Total non-current assets		**12,182,226**	7,841,595
Current assets			
Inventories		**288,428**	199,078
Amount due from customers for construction work		**211,739**	33,046
Trade and bills receivables	11	**2,020,372**	853,625
Prepayments, deposits and other receivables	12	**1,240,286**	780,116
Amount due from a joint venture		**—**	158,470
Cash and cash equivalents		**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		**674,880**	674,880
Other reserves		**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

	Note	2016 HK$'000	2015 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	**4,713,543**	3,116,052
Other payables	13	**53,901**	—
Deferred income tax liabilities		**—**	17,340
Total non-current liabilities		**4,767,444**	3,133,392
Current liabilities			
Bank borrowings	14	**1,952,388**	474,212
Trade and other payables	13	**2,538,635**	2,156,399
Amounts due to related companies		**16,028**	4,272
Amount due to a joint venture		**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

NOTES:

1 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 Basis of preparation

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

The preparation of financial statements in conformity with HKFRSs 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.

(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
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

(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.

3 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.

Among these operating segments, they are aggregated into three segments based on product type: (1) sales of solar glass; (2) solar farm and solar power generation; and (3) EPC services. In previous year, ultra-clear photovoltaic raw glass was classified as a reportable operating segment. As the Executive Directors no longer consider the performance of business of ultra-clear photovoltaic raw glass separately, it was aggregated with ultra-clear photovoltaic processed glass and presented as a single segment, namely sales of solar glass, for the year ended 31 December 2016. Certain comparative figures have been re-presented to conform with 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.

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

	Year ended 31 December 2016			
	Sales of solar glass	**Solar farm and solar power generation**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'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	Solar farm and solar power generation	EPC services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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

Other segment information

	Other segment information				
	Solar glass	**Solar farm and solar power generation**	**EPC services**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***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**
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

	Assets and liabilities				
	Solar glass	**Solar farm and solar power generation**	**EPC services**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***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	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'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)

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

	2016	2015
	HK$'000	*HK$'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

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:

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

4 Other income

	2016	2015
	HK$'000	*HK$'000*
Rental income	**1,478**	1,141
Government grants (Note (i))	**137,042**	115,040
Others (Note (ii))	**37,020**	26,529
	175,540	142,710

Notes:

(i) 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 relation to assets. Such grants were netted off with the cost of related assets.

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

5 Other gains, net

	2016	2015
	HK$'000	*HK$'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	**—**	62,500
	8,264	61,589

6 Finance income and costs

	2016	2015
	HK$'000	*HK$'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	**(34,039)**	(27,741)
	103,867	21,095

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	2015
	HK$'000	*HK$'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	**396,362**	221,493
Amortisation charge of land use rights	**4,013**	4,083
Employee benefit expenses (including directors' emoluments)	**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	**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 Income tax expense

	2016	2015
	HK$'000	*HK$'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	**(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.

9 Dividends

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).

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 (31 December 2015: 6,748,800,000 shares in issue). These financial statements do not reflect the proposed final dividend for the year ended 31 December 2016.

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 closure day for cash dividend will be disclosed in the notice of Annual General Meeting.

10 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
Earnings		
Profit attributable to equity holders 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
Adjustments for:		
- Share options (thousands)	**645**	453
	6,749,445	6,506,866
Diluted earnings per share (HK cents)	**29.42**	18.53

11 Trade and bills receivables

	2016	2015
	HK$'000	*HK$'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	**Solar farm and solar power generation**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'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.

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

(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	2015
	HK$'000	*HK$'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).

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).

12 Prepayments, deposits and other receivables

	2016	2015
	HK$'000	*HK$'000*
Prepayments	**513,718**	431,856
Deposits and other receivables	**150,957**	90,860
Other tax receivables	**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

13 Trade and other payables

	2016	2015
	HK$'000	*HK$'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

Notes:

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

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

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

	2016	2015
	HK$'000	*HK$'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.

14 Bank borrowings

The bank borrowings are unsecured and repayable as follows:

	2016	2015
	HK$'000	*HK$'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

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.

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 cut 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 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.

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.

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.

BUSINESS REVIEW

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.

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.

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.

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.

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 mostly 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.

Final Dividend

The Company paid an interim dividend of 8.0 HK cents per share for the year ended 31 December 2016. At the meeting of the board of Directors held on 28 February 2017, the Directors proposed a final cash dividend of 6.0 HK cents per share for 2016.

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Code on Corporate Governance Practices (the "**Code**") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2016.

Audit Committee of the Board

The Company has established an audit committee, comprising three independent non-executive Directors. 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 advice to the Board. The audit committee has reviewed the audited consolidated financial statements of the Group in 2016.

Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code in 2016.

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 announcement, the Company has maintained sufficient public float with at least 25% of the shares held by the public as required under the Listing Rules.

Publication of Final Results

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2016 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

Figures in Preliminary Announcement Agreed by Auditor

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong ("**PwC HK**"), to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

Annual General Meeting

The annual general meeting of the Company will be held on or before 30 June 2017. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders on or about 30 April 2017.

On behalf of the Board
Xinyi Solar Holdings Limited
Datuk LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 28 February 2017

As of the date of this announcement, the Board comprises four executive Directors, namely Datuk TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Datuk LEE Yin Yee, B.B.S. (Chairman of the Board) and Mr. LEE Shing Put, and three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.