彩虹集團新能源股份有限公司
IRICO GROUP NEW ENERGY COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0438)

2016
ANNUAL REPORT

*For identification purposes only

Contents

Financial Highlights

1. Results

	2016 *(RMB'000)*	2015 *(RMB'000)*	Increase/ (decrease) *(RMB'000)*	Percentage *(%)*
Turnover	**1,809,333**	1,485,918	323,415	21.77
Cost of sales	**(1,599,201)**	(1,453,783)	(145,418)	10.00
Gross profit	**210,132**	32,135	177,997	553.90
Gross profit margin *(%)*	**11.61%**	2.16%	9.45%	N/A
Operating profit/(loss)	**125,369**	(433,253)	558,622	(128.94)
Operating profit margin	**6.93%**	-29.16%	36.09%	N/A
Profit for the year attributable to owners of the Company	**105,712**	643,996	-538,284	(83.58)
Profit margin *(%)*	**5.84%**	43.34%	-37.50%	N/A
Profit per share attributable to owners of the Company *(expressed in RMB per share)*	**0.0474**	0.2885	-0.2411	(83.57)
Dividend per share *(RMB)*	**–**	–	–	–

Financial Highlights (Continued)

2. Financial position

	2016 (RMB'000)	2015 (RMB'000)
Property, plant and equipment	1,297,645	1,211,724
Net current liabilities	(1,131,197)	(1,371,657)
Cash and bank balances	428,178	252,596
Total liabilities	3,486,123	3,029,253
Bank and other borrowings due within one year	1,552,684	1,466,365
Total equity	152,499	128,253

3. Operating indicators

	2016	2015
Returns on equity *(on annualised basis)*	4.74%	28.85%
Inventory turnover *(days)*	25.00	32.00
Trade receivable turnover *(days)*	125.00	151.00
Trade payable turnover *(days)*	158.00	161.00
Current ratio	0.59	0.48
Debt to equity ratio	0.93	0.76

Chairman's Statement

Dear Shareholders,

I am pleased to present the results of IRICO Group New Energy Company Limited* ("**IRICO**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**reporting period**").

Business Review

During the reporting period, the Group enhanced its strategic deployment and realised the vertical integration of the photovoltaic industry chain. Lean management and technological innovations were promoted, and the results in sales marketing effect was remarkable. The operating income and profitability increased significantly, and there is a continuous positive trend in the results of our business operation.

Si Yuncong, Chairman

Chairman's Statement (Continued)

1. Enhanced strategic deployment for industry upgrade

During the reporting period, the Group has established a unique vertical industry chain in the photovoltaic industry which encompasses quartz sand mine, photovoltaic glass and photovoltaic parts and power station. In particular, the photovoltaic glass business experienced a rapid growth with record high production and sales. We are expediting the construction of modules and photovoltaic power stations for mass production. Hanzhong Quartz Sand Mine Processing Plant has been successful in achieving bulk supply of goods. Other businesses such as lithium battery anode materials also experienced significant growth. We are entering the development stage of large scale production.

2. Promotion of lean management and technological innovations

During the reporting period, the Group actively pursued lean management. Improvements in quality and efficiency were achieved through measures such as costs reduction by benchmarking, costs reduction in procurement, and innovation in financing models, which resulted in overall reduction of production costs. Meanwhile, the strategy of quality customers and major customers was greatly promoted, with 70% of photovoltaic glass customers belonged to the top ten module manufacturers in the industry.

During the reporting period, the Group promoted technological innovations and established IRICO Photovoltaic Glass and Equipment Institute. The scientific achievement of the "process technology and industrialization of oxygen-fuel combustion furnace for photovoltaic glass with production capacity of 750 tons per day" in Hefei obtained the expert testimony from Chinese Institute of Electronics. The oxygen-fuel combustion furnace for photovoltaic glass with production capacity of 750 tons per day had the characteristics of low energy consumption, low emissions and high efficiency, contributing to a number of self-developed intellectual property rights. It won the Technology Advancement Second Class Award from the Chinese Institute of Electronics, which demonstrated that the level of its key technologies was at par with the international advanced standards.

Chairman's Statement (Continued)

3. Enhanced cooperation with governments and resources integration for the implementation of major projects

   During the reporting period, the Group strengthened its cooperation with local governments, which provided supports in relevant industries, project funds and policies. At the same time, it consolidated the resources internally and enhanced cooperation with external strategic partners.

   During the reporting period, the Group successively launched Yan'an Photovoltaic Glass Project, Hefei Photovoltaic Glass Phase II Project and Xianyang Photovoltaic Glass Relocation and Renovation Project. The solar photovoltaic power station projects were also progressing rapidly. The above will further enhance the Group's position in the photovoltaic industry.

   With our great effort in 2016, the Group's operating performance has significantly improved. The operating income increased by 22% year-on-year and the gross margin increased by 5.5 times year-on-year. The Company's development is on a benign and fast growing track.

Future Prospects

The year of 2017 is a crucial year for the Group's industrial upgrading. The Group will make its best efforts in market expansion by upgrading its production scale in the industry, optimizing its industry chain and striving for capital appreciation, with a view to achieving leaps and bound development for the Company and becoming an internationally recogised green energy service provider.

In 2017, we will focus on the following tasks:

(1) Further consolidate and enhance the advantage of solar photovoltaic industry chain's vertical integration and the advantage of large scale production; actively explore the overseas market and push for upgrade of the electronic materials industry.

(2) Improve the building of talents pool by vigorously recruiting talented people.

(3) Strengthen capital operation to facilitate the Company's business development.

(4) Make the best effort in major project developments of photovoltaic glass and photovoltaic power stations and improve corporate business scale and competitiveness.

Chairman's Statement (Continued)

Acknowledgement

On behalf of the board of directors (the "**Board**") of the Company and its members (the "**Director(s)**"), I would like to thank the Company's Shareholders (the "**Shareholder(s)**"), business partners and the community for their care and support. I would also like to press my heartfelt gratitude to the management team and all of the employees for their hard work.

IRICO Group New Energy Company Limited
Si Yuncong
Chairman

Xianyang, the People's Republic of China
22 March 2017

Management Discussion and Analysis

1. Industry Analysis

(1) Solar Photovoltaic Power Station

During the reporting period, the global installed capacity of solar photovoltaic reached 77GW, representing a year-on-year increase of 34%, and was the second consecutive year with growth rate higher than 30%. Newly installed capacity of solar photovoltaic power in China was 34GW, representing a year-on-year increase of 130%, (including 4GW of installed capacity in distributed photovoltaic power stations, representing a year-on-year increase of 200%). The capacity of which was ranked number one globally.

Looking into 2017, the global solar photovoltaic market will continue to maintain its growth trend, despite a slower rate of growth.

(2) Solar Photovoltaic Glass

During the reporting period, the solar photovoltaic glass market demand has maintained its growth trend as a result of the increase of installed photovoltaic power capacity. But with constant increase of new production capacity, the photovoltaic glass market remained oversupplied.

Looking into 2017, solar photovoltaic glass market will maintain its steady growth. Changes in photovoltaic demand and glass production capacity will alternately affect the market supply and demand. The overall global photovoltaic demand will continue to show an upward trend.

(3) New Materials

For the lithium battery anode materials, due to the stable consumer electronics demand and the rapid development of new energy vehicles, the lithium battery anode material market has experienced a rapid growth trend. According to the prediction by Nikkei Industry Institute, the annual global demand for lithium battery anode materials will increase sharply from 120,000 tons in 2016 to 200,000 tons by 2017.

2. Business Review

(1) Operation Summary

In 2016, the Group recorded a turnover of RMB1,809,333,000, representing an increase of 21.77% as compared with the corresponding period last year. Gross profit was RMB210,132,000, representing an increase of 5.5 times as compared with the corresponding period last year. Gross profit margin was 11.61%, representing a year-on-year increase of 9.45 percentage points. Profit attributable to owners of the Company amounted to RMB105,712,000, compared with RMB643,996,000 for the same period last year. The decrease was mainly attributable to an one-off gain on investment of RMB1,105,862,000 due to the disposal of equity interest in IRICO Display Devices Co., Ltd. (the "**A Share Company**") in 2015.

(2) Principal Business Review

During the reporting period, the Group strived to strengthen its solar photovoltaic and new electronic materials business, resulting in a significant improvement in the profitability of its main businesses.

(i) Solar Photovoltaic Business

- Solar photovoltaic glass

During the reporting period, the solar photovoltaic glass business of the Group experienced a rapid growth with increased production and sales. As compared with 2015, production increased by 76% and sales volume increased by 74%. In terms of production size, we were ranked in the top three of the industry. The Yan'an photovoltaic glass project and the Hefei photovoltaic glass phase II project are in progress at full speed, and the Xianyang photovoltaic glass relocation and renovation project will also be launched soon.

During the reporting period, the "process and industrialization of oxygenfuel combustion furnace for solar photovoltaic glass with production capacity of 750 tons per day", a self-developed scientific achievement of the Group, won the Technology Advancement Second Class Award from the Chinese Institute of Electronics. This breakthrough in photovoltaic glass technology made the top ten news stories of the electronic industry in 2016. The Group's technical know-how in the process and industrialization of oxygen-fuel combustion furnace for photovoltaic glass has reached a globally advanced level.

Management Discussion and Analysis (Continued)

2. Business Review *(Continued)*

(2) Principal Business Review *(Continued)*

(i) Solar Photovoltaic Business (Continued)

- Solar photovoltaic power station

  During the reporting period, the Group completed the construction of photovoltaic power stations in Nanjing, Liquan, and Hefei. The photovoltaic power stations in Wuhan, Shenmu and Yangjiang are under construction or being planned for construction. Photovoltaic power station projects with capacity of 57MW were initiated, and projects with capacity of 60MW were approved, which demonstrated a rapid progress in the construction of large-scale production facilities. Meanwhile, with the support of CEC rooftop resources, the shared resources from strategic cooperation partners and the provision of resources for ground-mounted power stations by the government, the Group expects to have advantages in future development which will eventually provide a steady profit growth point.

- Quartz sand processing

  During the reporting period, the Group's Hanzhong Quartz Sand Mine Processing Plant achieved the scale of mass production and bulk supply. Its supply of quartz sand to Xianyang Photovoltaic Glass effectively lowered the production cost of photovoltaic glass and at the same time extended the industry chain.

(ii) New Materials Business

During the reporting period, the Group's lithium battery anode materials, electronic silver paste and related businesses experienced a rapid growth, with great breakthrough in the sales volume of lithium battery anode materials and electronic silver paste.

(iii) Trading and Others Business

During the reporting period, the operations of the Group's trading and other businesses were steady.

Management Discussion and Analysis (Continued)

3. Future Prospects

Looking into 2017, the Group will leverage on the development opportunity of the new energy industry, and continue to develop the solar photovoltaic business and the new material business vigorously by further enhancing its production efficiency, strengthening cost control, exploring new opportunities, improving its financial condition to promote corporate development.

For the photovoltaic glass business, the Group will accelerate the construction of new projects in solar photovoltaic glass, striving to become the second largest supplier globally, achieve a better advantage in terms of scale and improve its comprehensive competitive strength.

For photovoltaic power stations, the Group plans to build 100MW high-quality photovoltaic power stations in 2017, further increasing the proportion of the Group's solar cells, modules and PV power stations businesses, and at the same time drives the sales of photovoltaic glass, thus fostering the advantage of the entire industry chain.

For new materials, the Group strives to develop core technologies and build up a pillar industry, by taking advantage of the development opportunities in new energy vehicles. Product quality will be constantly improved, with increased production capacity in lithium battery anode materials.

Management Discussion and Analysis (Continued)

4. Financial Review

(1) Results

Profit and loss data for 2012–2016 *(RMB'000)*

Items	2012	2013	2014	2015	2016
Turnover	2,645,213	2,279,758	2,218,276	1,561,609	**1,809,333**
Sales of CPT products, parts and others	318,701	166,879	20,457	1,172	**226**
New materials business	520,064	352,136	277,418	192,330	**257,155**
Trading business	1,552,654	1,219,279	1,349,269	723,862	**524,321**
Solar photovoltaic business	171,827	389,145	424,924	568,554	**1,027,631**
Fushan Flat Panel and glass substrate	81,967	152,319	146,208	75,691	**–**
Cost of sales	(2,744,232)	(2,214,203)	(2,263,015)	(1,543,418)	**(1,599,201)**
Gross profit	(99,019)	65,555	(44,739)	18,191	**210,132**
Operating expenses					
Administrative expenses	(522,193)	(450,912)	(420,024)	(226,769)	**(129,491)**
a) General administrative expenses	(503,378)	(441,060)	(414,752)	(223,123)	**(133,094)**
b) Research and development expenses	(18,815)	(9,852)	(5,272)	(3,646)	**3,603**
Sales and distribution costs	(66,830)	(84,465)	(80,695)	(88,620)	**(87,382)**
Other operating expenses	(8,883)	(5,927)	(37,139)	(35,914)	**(4,579)**
Operating profit	(2,959,088)	(182,572)	(1,597,163)	(550,406)	**125,369**
Finance costs	(180,632)	(227,029)	(276,938)	(191,407)	**(39,847)**
Profit attributable to equity holders of the Company	(1,662,002)	(226,352)	(814,280)	643,996	**105,712**

Turnover by product *(RMB'000)*

Name	2016	2015	Increase/ (decrease)	Change
Solar photovoltaic business	**1,027,631**	568,554	459,077	80.74%
New materials business	**257,155**	192,330	64,825	33.71%
Trading business	**524,321**	723,862	(199,541)	-27.57%
Other	**226**	1,172	(946)	-80.71%
Total	**1,809,333**	1,485,918	323,415	21.77%

4. Financial Review *(Continued)*

(2) Change over Last Year and Reasons

- *Turnover and gross profit margin*

  In 2016, the Group recorded a sales of RMB1,809,333,000, representing an increase of RMB323,415,000, or 21.77% as compared with the same period in 2015. In particular, sales of solar photovoltaic business amounted to RMB1,027,631,000, representing an increase of RMB459,077,000 or 80.74% as compared with the same period in 2015; sales of new materials business amounted to RMB257,155,000, representing an increase of RMB64,825,000 or 33.71% as compared with the same period in 2015; sales of trading business amounted to RMB524,321,000, representing a decrease of RMB199,541,000 or 27.57% as compared with the same period in 2015; and other sales amounted to RMB226,000, representing a decrease of RMB946,000 or 80.71% as compared with the same period of 2015. The overall gross profit margin of the Group increased from 2.16% in 2015 to 11.61% in 2016, which was mainly attributable to the significant decrease in the costs of Xianyang Photovoltaic Glass as a result of internal improvement in quality and efficiency through benchmarking management; the increase in the income from the mass production of Hefei Photovoltaic Glass; and the market price of photovoltaic glass remained stable.

- *Administrative expenses*

  The Group's administrative expenses for 2016 decreased by RMB39,446,000, or 23.35%, to RMB129,491,000 as compared with RMB168,937,000 for the corresponding period in 2015. The decrease in administrative expenses was mainly attributable to a more stringent cost control by the Company and a decrease in employees' compensation.

- *Finance costs*

  The Group's finance costs included in profit and loss for 2016 was RMB39,847,000 (net of interest expense capitalized of RMB34,699,000), representing a decrease of RMB66,494,000, or 62.53%, as compared with RMB106,341,000 for the corresponding period in 2015. The decrease in finance costs included in profit and loss was mainly attributable to lower borrowing rate and capitalised interest.

Management Discussion and Analysis (Continued)

4. Financial Review *(Continued)*

(3) Current Assets and Financial Resources

As at 31 December 2016, the Group's cash and bank balances amounted to RMB428,178,000, representing an increase of 69.51% as compared with RMB252,596,000 as at 31 December 2015.

As at 31 December 2016, the Group's capital expenditures totaled RMB199,163,000 (31 December 2015: RMB504,658,000).

As at 31 December 2016, net cash in operating activities amounted to RMB100,277,000 (31 December 2015: RMB108,692,000), while net cash in financing activities amounted to RMB305,617,000 (31 December 2015: RMB-383,562,000) and net cash in investing activities amounted to RMB-230,485,000 (31 December 2015: RMB271,432,000).

As at 31 December 2016, the Group's total borrowings amounted to RMB2,069,294,000, of which borrowings due within one year was RMB1,552,684,000 and borrowings due beyond one year was to RMB516,610,000. As at 31 December 2015, the Group's total borrowings was RMB1,692,985,000, of which borrowings due within one year amounted to RMB1,466,365,000 and borrowings due beyond one year amounted to RMB226,620,000.

As at 31 December 2016, the Group's bank loans amounting to approximately RMB137,500,000 (31 December 2015: RMB52,000,000) were secured by certain properties, plants and equipment, land use rights, available-for-sale financial assets and bank balances of the Group with an aggregate net carrying amount of approximately RMB306,503,000 (31 December 2015: RMB14,720,000). As at 31 December 2016, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB120,000,000 (31 December 2015: RMB441,620,000).

For the year ended 31 December 2016, the turnover days for trade receivables of the Group was 125 days, representing a decrease of 26 days as compared with 151 days for the year ended 31 December 2015. It was mainly attributable to the strengthening of the management and control over trade receivables and reduction of trade receivables balances through factoring and securitization of trade receivables by the Company. For the year ended 31 December 2016, the inventory turnover days of the Group was 25 days, representing a decrease of 7 days as compared with 32 days for the year ended 31 December 2015. The decrease in inventory turnover days was mainly attributable to effective control of inventory size as a result of the continued effort in management and control over the inventory by the Company in consuming its stock, as well as the reasonable coordination of materials procurement and production.

4. Financial Review *(Continued)*

(4) Capital Structure

As at 31 December 2016, the Group's borrowings were mainly denominated in Renminbi and US dollars, while its cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities, to ensure an effective capital structure. As at 31 December 2016, the liabilities (including bank borrowings and other borrowings) of the Group totaled RMB2,069,294,000 (31 December 2015: RMB1,692,985,000); cash and bank balances was RMB428,178,000 (31 December 2015: RMB252,596,000); and the gearing ratio was 96% (31 December 2015: 96%).

(5) Dividend

The Company's dividend policy remains unchanged. As there was no retained profit for the year 2016, the Board resolved not to distribute final dividend for the year ended 31 December 2016, subject to the approval by Shareholders at the forthcoming annual general meeting. Further details in relation to the closure of register of members of H shares will be announced by the Company after confirming the arrangement in relation to the general meeting.

(6) Foreign Exchange Risk

The Group's income and most of its expenses are denominated in Renminbi and US dollar. For the twelve months ended 31 December 2016, operating cost of the Group increased by RMB1,004,000 (31 December 2015: RMB49,000) as a result of exchange rate fluctuations.

(7) Commitments

As at 31 December 2016, capital expenditure commitments of the Group amounted to RMB214,384,000 (31 December 2015: RMB4,138,000), which were mainly financed by the Group's working capital.

(8) Contingent Liabilities

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

(9) Pledged Assets

As at 31 December 2016, bank loans amounted to approximately RMB137,500,000 (31 December 2015: RMB52,000,000), which were secured by certain properties, plants, equipment, land use rights, available-for-sale financial assets and bank balances of the Group with a net carrying amount of approximately RMB306,503,000 (31 December 2015: RMB14,720,000).

Management Discussion and Analysis (Continued)

5. Substantial Acquisition and Disposal

On 9 May 2016, the Company and Xianyang IRICO entered into the equity transfer agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire, 60% of the equity interest in Xianyang IRICO Electronic Accessories Co., Ltd.* (咸陽彩虹電子配件有限公司) ("**IRICO Accessories**") at a cash consideration of approximately RMB45,946,000. Such disposal was completed during the reporting period, and the Company had ceased to control and consolidate IRICO Accessories into its financial statements. For details, please refer to the announcement of the Company dated 9 May 2016.

On 28 September 2016, the Company and CEC entered into the assignment agreement in relation to accounts receivable, pursuant to which the Company agreed to transfer the relevant accounts receivable to CEC at a consideration of approximately RMB36,199,000. The transfer of accounts receivable was completed during the reporting period. For details, please refer to the announcement of the Company dated 28 September 2016.

On 28 December 2016, the Company and Xianyang IRICO entered into the assets transfer agreement, pursuant to which the Company agreed to transfer the relevant assets of the operation department of special railway lines to Xianyang IRICO at a cash consideration of approximately RMB4,658,000. The transactions under the assets transfer agreement was completed during the reporting period. For details, please refer to the announcement of the Company dated 28 December 2016.

During the reporting period, save as disclosed in this report, the Company did not have any other material acquisition or disposal of its subsidiaries and associated companies.

6. Significant Investments

During the reporting period, save as disclosed in this report, the Company had not made any other significant investment.

7. Major Events after the Reporting Period

(1) Change of Auditor

On 2 December 2016, according to the needs of business development and future audit of the Company, the Board proposed to dismiss the Company's then domestic auditor ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合夥)) and overseas auditor ShineWing (HK) CPA Limited (信永中和(香港)會計師事務所有限公司) (collectively, the "**ShineWing**"), subject to the approval by the Shareholders at the extraordinary general meeting of the Company held on 18 January 2017 (the "**EGM**"). The Board proposed to appoint WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) and PKF (大信梁學濂(香港)會計師事務所) (collectively, the "**WUYIGE**") as the domestic auditor and overseas auditor of the Company, respectively, to fill the vacancies arising from the dismissal of ShineWing. On 18 January 2017, the appointment of WUYIGE was approved by the Shareholders at the EGM, the term of which commenced on the date of approval by the Shareholders at the EGM up to the date of the 2016 annual general meeting of the Company.

(2) Disposal of 90% Equity Interest in Kunshan IRICO

On 28 February 2017, the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司) ("**IRICO Shadow Mask**") entered into the equity transfer agreement with Xianyang IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Xianyang IRICO agreed to acquire 90% equity interest in Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司) ("**Kunshan IRICO**") at a cash consideration of approximately RMB71,439,000. The transaction has yet to be completed, and is subject to the independent Shareholders approvals at the general meeting. Upon completion of the disposal, the Company will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Company. For details, please refer to the announcement dated 28 February 2017.

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors		
Si Yuncong	52	Chairman
Zou Changfu	58	
Non-executive Directors		
Huang Mingyan*	51	
Chen Changqing	44	
Independent Non-executive Directors		
Feng Bing*	50	
Wang Jialu*	56	
Wang Zhicheng*	42	

* : Member of the Audit Committee

Mr. Si Yuncong (司雲聰), aged 52, is the chairman and an executive Director of the Company. He joined the Group in May 2013. Mr. Si graduated from East China Institute of Technology (華東工學院) with a bachelor's degree in environmental monitoring. Mr. Si is a senior engineer and currently serves as the general manager of IRICO Group Corporation, vice chairman of IRICO Display Devices Co., Ltd., a director of Xianyang Zhongdian IRICO Group Holdings Ltd, chairman of Shanghai Epilight Technology Co., Ltd. (上海藍光科技有限公司), chairman of Hefei Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司) and chairman of Shanghai Hongzheng Assets Operation Co., Ltd. (上海鴻正資產經營有限公司). He served as the head of the production safety department, assistant to the general manager and the deputy factory manager of East China Electronic Tube Factory (華東電子管廠), the deputy general manager of Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子集團股份有限公司), a member of the Party Committee of Huadong Electronics Group Company (華東電子集團公司), the general manager of Huadong Electronics Information & Technology Co., Ltd. (華東電子信息科技股份有限公司), and an executive director (legal representative) and the general manager of Huadong Electronics Group Co., Ltd. (華東電子集團有限公司).

Mr. Zou Changfu (鄒昌福), aged 58, is an executive director and the general manager of the Company. He joined the Group in August 1981. Mr. Zou has a bachelor's degree and is a senior engineer. He currently serves as the chairman of Shaanxi IRICO Phosphor Materials Co., Ltd., the chairman of Kunshan IRICO MFG. Co., Ltd., the executive director of Zhuhai Caizhu Industrial Co., Ltd., an executive director of Xi'an IRICO Zixun Co., Ltd (西安彩虹資訊有限公司), chairman of Xi'an Cairui Display Technology Co., Ltd* (西安彩瑞顯示技術有限公司), the chairman of Xianyang IRICO Electronics Parts Co., Ltd., and an executive director of IRICO (Hefei) Photovoltaic Co., Ltd.. He was the head of No. 2 Color Screen workshop, finished product section, quality assurance section and technical and quality section of the glass factory under IRICO Color Picture Tube Plant, the general manager of Hongyang (Shenzhen) Industrial and Trading Company, the general manager of Kunshan IRICO MFG. Co., Ltd., the chairman of Kunshan IRICO Yingguang Electronics Limited Company, and the general manager of the purchase department, the assistant to the president and the vice president of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors *(Continued)*

Mr. Huang Mingyan (黃明巖), aged 51, is a non-executive Director of the Company and joined the Group in May 2013. Mr. Huang graduated from Zhejiang University (浙江大學) with a bachelor's degree in architecture engineering and later from Chongqing Jianzhu University (重慶建築大學) with a master's degree in construction economics and management, Mr. Huang is a senior engineer and currently serves as the deputy general manager of IRICO Group Corporation, a director of Xianyang Zhongdian IRICO Group Holdings Ltd., a supervisor of Shanghai Epilight Technology Co., Ltd. (上海藍光科技有限公司), the general manager of China National Electronics Imp. & Exp Caihong Company (中國電子進出口彩虹公司) and the chairman of Xi'an Xinjiyuan Club (西安新紀元俱樂部). He used to work as deputy head of the group work department of China National Real Estate Development Group Corporation (中國房地產開發集團公司), the general manager of the property department of China Electronics Corporation (中國電子信息產業集團公司), the general manager of China Electronics Technology Applications Corporation (中國電子技術應用公司) and the general manager and the Party secretary of China Electronics Industry Development Corporation (中國電子產業開發公司).

Mr. Chen Changqing (陳長青), aged 44, graduated from Xi'an University of Technology with a bachelor's degree in accounting. He is an accountant and a member of the Chinese Communist Party. He served as the head of the settlement centre of IRICO Group Corporation. He served as the deputy head of capital operation department of IRICO Group Corporation since January 2010. He served as the head of financial department of IRICO Color Picture Tube Plant from January 2011 to February 2012 and has been the chief financial officer of IRICO Display Devices Co., Ltd. since February 2012. He currently serves as the assistant to general manager of Xianyang IRICO Optoelectronics Technology Co., Ltd., and concurrently serves as the head of assets finance department of Xianyang IRICO Optoelectronics Technology Co., Ltd..

Mr. Feng Bing (馮兵), aged 50, is an independent non-executive Director of the Company, currently the chairman of Shanghai Dare Technologies Co., Ltd. (上海大亞科技有限公司), the chief strategy officer of Dare Group (大亞集團首席戰略官) and the chief executive officer of HomeLegend, whose headquarters are located in Georgia, USA. Mr. Feng has served as an executive member for China Mergers & Acquisition Association (中國併購公會) and the deputy director for its Jiangsu branch since 2002. He joined the Group in September 2004. He obtained his master's degree in engineering from Calculation Technology Research Institute of Chinese Academy of Sciences (中國科學院計算技術研究所) and his master of science degree in finance from the Faculty of Commerce at Syracuse University. He was an executive director of and partner with China Financial and Consulting Company (中華財務諮詢公司), a senior manager of Deloitte Consulting in New York, USA, and a part-time tutor of the Faculty of Commerce at Syracuse University.

Mr. Wang Jialu (王家路), aged 56, is an independent non-executive Director of the Company and a partner of Commerce & Finance Law Office (通商律師事務所). Mr. Wang joined the Group in September 2004. He completed his course for master's degree in business administration from Guanghua Management College of Peking University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Peking University and his LLM degree from the Law School of Marburg University of Germany. He is an arbitrator in China International Economic and trade Arbitration Commission (中國國際貿易仲裁委員會), an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會) and an adjunct lecturer for master's degree course in the Law Faculty of Peking University.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors *(Continued)*

Mr. Wang Zhicheng (王志成), aged 42, is an independent non-executive Director of the Company. He is a PhD in management (accounting), a teacher of Beijing National Accounting Institute (北京國家會計學院), a tutor of postgraduates, and a PRC certified public accountant. He is also an independent director of Beijing Autelan Technology Co., Ltd. (北京傲天動聯技術股份有限公司), an independent director of Bomesc Marine Engineering Co., Ltd. (博邁科海洋工程股份有限公司), an independent director of Beijing Timeloit Technology Co., Ltd. (北京時代凌宇科技股份有限公司) and an independent director of Cangzhou Mingzhu Plastic Co., Ltd. (滄州明珠塑料股份有限公司). He served as the manager of the enterprise risk management services department in one of the four largest international accounting firms and a non-executive director of Beijing Guodian SolarWe Clean Energy Technology Co., Ltd. (北京國電四維清潔能源技術有限公司). Mr. Wang has engaged in the trainings in respect of enterprise risk management and internal control, budget management, and accounting standards for a long period at Beijing National Accounting Institute (北京國家會計學院) and Xiamen National Accounting Institute (廈門國家會計學院).

Supervisors

Ding Wenhui	56	Shareholder Supervisor, Chairman of the Supervisory Committee
Tang Haobo	57	Staff Supervisor
Zhao Lefei	48	Staff Supervisor
Sun Haiying	73	Independent Supervisor
Wu Xiaoguang	59	Independent Supervisor

Mr. Ding Wenhui (丁文惠), aged 56, is the shareholder supervisor and chairman of the supervisory comittee of the Company and holds a bachelor's degree and is a member of the Chinese Communist Party and a senior engineer. He had held various positions at No. 2 Colour Picture Tube Factory of IRICO Group including a technician, the head of the workshop, the deputy factory manager and then the factory manager. He served as the deputy general manager and then the general manager of IRICO Display Devices Co., Ltd. He served as the head of human resource department and the head of executive department of the Chinese Communist Party (discipline inspection and supervision department) of IRICO Group Corporation. He currently serves as the deputy secretary of the Chinese Communist Party, the deputy secretary of discipline inspection commission and the chairman of the employee union of IRICO Group Corporation.

Mr. Tang Haobo (唐浩波), aged 57, is a staff supervisor of the Company. He joined the Group in August 1981. Mr. Tang graduated from Xi'an School of Radio Industry (西安無線電工業學校) majoring in radio with the educational background of secondary technical school, and then obtained a tertiary diploma in corporate management from IRICO University for Staff and Workers. Mr. Tang is currently the general manager of the investment operation and management department of the Company and once held positions including vice head of the motor driving section and head of the equipment design office of the No. 2 Colour Picture Tube Factory, deputy general manager of Shenzhen IRICO Huangqi Company Limited (深圳彩虹皇旗公司), vice head of No. 1 Colour Picture Tube Factory, manager of IRICO Equipment Company Limited, vice head of IRICO Electron Gun Factory (彩虹電子槍廠), and vice general manager of operation and management department of the Company.

Profiles of Directors, Supervisors and Senior Management (Continued)

Supervisors *(Continued)*

Mr. Zhao Lefei (趙樂飛), aged 48, is a staff supervisor of the Company and joined the Group in November 1990. Mr. Zhao obtained a bachelor's degree from Xianyang Normal University (咸陽師範學院). He currently serves as the secretary of the disciplinary committee, the chairman of the labor union and the deputy director (in charge of the overall work) of the office of the party and labor relations (黨群辦) of the Company. Mr. Zhao successively served as an office member of the youth league committee office of CPT Plant (彩虹彩色顯像管總廠), the human resources manager of Haikou IRICO Hot Spring Hotel (海口彩虹溫泉大酒店), a member of the organisation department of the party committee (黨委組織部) and a director assistant of the disciplinary inspection and supervision division (紀檢監察處) of IRICO Group Corporation* (彩虹集團公司), the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations of IRICO Spare Parts Factory* (彩虹零件廠), and the secretary of the disciplinary committee, the chairman of the labor union and the director of the integrated management department (綜合管理部) of Xi'an IRICO Xinxi Co., Ltd.* (西安彩虹信息有限公司).

Mr. Sun Haiying (孫海鷹), aged 73, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwest University (西北大學) in geography. He is currently the head and a professor of the Environmental Science and Engineering Centre of Xi'an Jiao Tong University (西安交通大學) and a deputy executive chairman of China Science, Technology and Finance Promotion Association (中國科技金融促進會). He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Regional Science and Technology Development Group under the State Mid-and Long term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃區域科技發展專題組) in July 2003.

Ms. Wu Xiaoguang (吳曉光), aged 59, is an independent supervisor of the Company and joined the Group in September 2004. Ms. Wu received her bachelor's degree in economics from the Economic Management College of Northwest University (西北大學). She was a post graduate majoring in accounting in School of Management of Xi'an Jiao Tong University (西安交通大學), and was awarded a master's degree of business administration upon graduation from the Faculty of Business of The Hong Kong Polytechnic University (香港理工大學). Ms. Wu is currently an associate professor of the School of Management at Xi'an Jiao Tong University and the head of the ACCA (Association of Chartered Certified Accountants) Project Centre, an independent director of Nanjing Baose Co., Ltd., (南京寶色股份公司) and an independent director of Shaanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機床工具集團有限公司).

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management

Hong Yuan	56	Deputy general manager
Ma Zhibin	52	Deputy general manager
Chen Xiaoning	41	Deputy general manager
Yuan Guanqing	46	Deputy general manager
Gu Qiang	38	Chief financial officer
Chu Xiaohang	47	Company Secretary

Mr. Hong Yuan (洪淵), aged 56, is a deputy general manager of the Company and the general manager of IRICO (Yan'an) New Energy Co., Ltd., and joined the Group in August 1982. Mr. Hong obtained a bachelor's degree and is a senior engineer at a researcher level. Mr. Hong served as the vice head of the motor-driving section, head of workshop of melting and assembling, head of technical section, head of comprehensive management office of Glass Panel Technology Reform Project, assistant to the head and vice head of IRICO Glass Factory of IRICO Group Corporation, general manager of human resources department of the Company, manager of human resources department of IRICO Group Corporation, general manager of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司), deputy general manager of IRICO Display Devices Co., Ltd., head of Photovoltaic Glass Factory (光伏玻璃廠) under the Company and assistant to the president of the Company.

Mr. Ma Zhibin (馬志斌), aged 52, is the deputy general manager of the Company and joined the Group in July 1987. Mr. Ma graduated from Shanghai Construction Materials College (上海建材學院) majoring in glass with college education background. He is an engineer and a Chinese Communist Party member. Mr. Ma formerly served as the technician specializing in melting, engineer, assistant to the head of workshop, vice head of the workshop, head of the work shop and Party branch secretary of a glass factory and the vice head of a glass factory of the Company; the vice general manager and Party secretary of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司), the vice head, the head and the Party secretary in Photovoltaic Glass Factory of the Company, the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and other positions.

Mr. Chen Xiaoning (陳曉寧), aged 41, a deputy general manager of the Company and the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and Hefei IRICO New Energy Co., Ltd., joined the Group in July 1996. He graduated from Northwest University with an MBA degree and he is a member of the Chinese Communist Party and a senior economist. He served as a technician, a group leader and a plant secretary of No. 1 IRICO Color Picture Tube Plant, the head of secretariat office, the head of administrative office and an administrative assistant to the general manager of IRICO Group Corporation, a deputy head and the head of the office of the Company, the deputy head and a secretary of discipline inspection commission of IRICO Photovoltaic Glass Factory, deputy head of the office of Board and office of general manager as well as the assistant to the general manager of the Company and the deputy general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and Hefei IRICO New Energy Co., Ltd..

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management *(Continued)*

Mr. Yuan Guanqing (袁官清), aged 46, a deputy general manager of the Company and the general manager of Xianyang IRICO Green Energy Co., Ltd., joined the Group in February 2016. He graduated from the School of Economics & Management of Southeast University with a master's degree in marketing and sales management. He is a member of the Chinese Communist Party and an economist. He served as an engineer of the tools and moulds factory, a sino-foreign joint venture manager of international cooperation department, an economist of investment and development department of Nanjing Hua Dong Electronic Group, the general manager of Nanjing Hua Dong Electronic Group Hong Kong Hua Jing Chen Technology Company Limited, an assistant to the head and deputy department head of the export and import department of Nanjing Hua Dong Electronics Group Limited, the vice general manager and general manager of Nanjing Huadong Electron Import & Export Limited Company, the head of import and export department of Nanjing Hua Dong Electronics Group Limited and the general manager of the business department of the power station of the Company.

Mr. Gu Qiang (谷強), aged 38, the chief financial officer of the Company, joined the Group in November 2015. He graduated from Xi'an Jiaotong University with a bachelor's degree in accounting, is a member of the Chinese Communist Party and an accountant. He served as the accountant of Northwestern Electric Power Design Institute and the financial supervisor of Xi'an National Civil Aeronautics Industrial Base Development Company Limited, the financial manager of Huawei Technology Limited, the chief financial officer of Xi'an Juguang Technology Company Limited and an assistant to the chief financial officer of the Company.

Mr. Chu Xiaohang (褚曉航), aged 47, the Company Secretary of the Company. He is responsible for the securities management, legal matters and investor relations of the Company. Mr. Chu joined the Group in July 1991. Mr. Chu graduated from Northwest University (西北大學) with a bachelor's degree in computer science and is a senior engineer. He obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He served as a senior project management engineer in the strategic planning department of IRICO Group Corporation and head of the office of the board of directors of the Company. He acted as our Joint Company Secretary from November 2009 to November 2012. In November 2012, he was appointed as the sole Company Secretary.

Profiles of Directors, Supervisors and Senior Management (Continued)

Changes in Directors, Supervisors and Senior Management

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in particulars of Directors, supervisors and senior management during the reporting period are set out below:

Mr. Ma Jianchao has ceased to serve as the chief financial officer of the Company since April 2016.

Mr. Chen Xiaoning has served as a deputy general manager of the Company since April 2016.

Mr. Yuan Guanqing has served as a deputy general manager of the Company since April 2016.

Mr. Gu Qiang has served as the chief financial officer of the Company since April 2016.

Mr. Jiang Ahe has ceased to serve as an independent non-executive Director of the Company since May 2016.

Mr. Chen Changqing has served as an independent non-executive Director of the Company since May 2016.

Mr. Zhu Yiming has ceased to serve as the Shareholder supervisor and chairman of the supervisory committee of the Company since 18 January 2017.

Mr. Ding Wenhui has served as the Shareholder supervisor of the Company since 18 January 2017, and has served as the chairman of the supervisory committee of the Company since 22 March 2017.

Report of the Directors

The Board hereby presents the report of the Directors and the audited financial report of the Group for the year ended 31 December 2016 to the Shareholders.

Principal operations

The Group is principally engaged in the construction and operation of solar power station, the R&D, production and sales of solar photovoltaic glass, solar cell modules and related products, photovoltaic glass upstream quartz sand processing, lithium battery upstream materials and related materials of flat panel display.

Business review and future development

During the reporting period, the Group delivered the historically best results in the production and sales of solar photovoltaic glass. The construction of large-scale solar photovoltaic cells projects was in progress at full speed. Meanwhile, the Group is aggressively expanding lithium battery anode materials and related business segments by leveraging on the development opportunities of new energy vehicles.

The Group formulated its photovoltaic business plan according to the "Thirteenth Five-Year Plan". It is committed to becoming an advantaged enterprise with substantial competitiveness in the areas of new energy and new materials, as well as a service provider of green energy and a mainstream supplier of new materials.

Major risks and uncertainties

In 2016, the overall photovoltaic market realized a stable growth. As there was still surplus supply in the photovoltaic glass market, certain risks existed in the Company's trade receivables for photovoltaic glass. In response to this, the Company has stepped up its analysis of the industry conditions and carried out close monitoring and tracking of debtors' production and operation while adopting various control measures against customers with higher receivable risk in order to control the overall receivable risk at a normal level.

Environmental protection policy

For the corporate survival and development, the Group will perform the corporate social responsibility and strictly comply with the Environmental Protection Law of the People's Republic of China and requirements of environmental protection under other applicable laws and regulations. By making the best efforts in environmental protection technological improvement, monitoring and controling over environmental protection indicators, regulating the management of operation and maintenance of environmental protection facilities, and improving the efficiency of environmental protection facilities, the Group will ensure high efficiency operation and achievement of emission standards and continuously push forward the implementation technological improvement in environmental protection.

Report of the Directors (Continued)

Compliance with relevant laws and regulations

During the reporting period, the Company has complied with relevant laws and regulations which have material impacts on the Company.

The Group strictly complied with the requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the articles of association of the Company (the "**Articles of Association**") to improve the Material Decision-making Management Measures while amending, supplementing and formulating the Administrative Measures which formed a governance system with standardized decision making, high efficiency operation and effective supervision. The Company will continue to push forward the corporate governance standard and the development of its business.

Results and dividend

In 2016, the turnover of the Group was RMB1,809,333,000; profit for the year was RMB104,518,000, with the gross profit margin of 11.61%; profit attributable to owners of the Company for the year was RMB105,712,000; and the comprehensive income for the year attributable to owners of the Company amounted to RMB43,551,000.

For the analysis on the financial indicator of the results of the Company for the year 2016, please see the section headed "Management Discussion and Analysis" in this report.

The annual results of the Group for the year ended 31 December 2016 prepared in accordance with accounting principles generally accepted in Hong Kong and its financial position as at the same date are set out from page 58 to 163 of this annual report.

The Company's dividend policy remains unchanged. In light of the absence of accumulated surplus in 2016, the Board has decided not to distribute final dividend for the year ended 31 December 2016, which is subject to the approval by the Shareholders at the 2016 annual general meeting to be held in 2017. Further details in relation to the closure of register of member for H shares will be announced by the Company after confirming the arrangement of the general meeting.

Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 164 of this annual report. This summary does not form part of the audited financial statements.

Share capital

Details of the Company's share capital in 2016 and as at 31 December 2016 are set out in note 37 to the consolidated financial statements.

Purchase, redemption and sale of shares of the Company

Neither has the Company nor any of its subsidiaries purchased, redeemed or sold any shares of the Company during this reporting period.

Reserves

Details of the movements of reserves of the Company and of the Group during 2016 are set out in note 38 to the consolidated financial statements.

Major customers and suppliers

The percentage of purchases from the major suppliers and sales to the major customers of the Group is set out as follows:

Purchase

– The largest supplier accounted for 12% of the total purchase amount

– The five largest suppliers accounted for 31% of the total purchase amount

Sales

– The largest customer accounted for 8% of the total sales amount

– The five largest customers accounted for 31% of the total sales amount

To the best knowledge of the Directors, none of the Directors, their respective associates or any Shareholder holding more than 5% of the issued share capital of the Company, had any interest in the above-mentioned major suppliers and customers.

Report of the Directors (Continued)

Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the Company for the year were as follows:

Name	Positions	Date of appointment/ re-designation/resignation during the reporting period
Si Yuncong	Executive Director and Chairman	
Zou Changfu	Executive Director	
Huang Mingyan	Non-executive Director	
Jiang Ahe	Non-executive Director	Resigned on 18 May 2016
Chen Changqing	Non-executive Director	Appointed on 18 May 2016
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Wang Zhicheng	Independent non-executive Director	
Zhu Yiming	Supervisor	Resigned on 18 January 2017
Ding Wenhui	Supervisor and Chairman of Supervisory Committee	Appointed on 18 January 2017
Tang Haobo	Supervisor	
Zhao Lefei	Supervisor	
Sun Haiying	Supervisor	
Wu Xiaoguang	Supervisor	
Hong Yuan	Deputy General Manager	
Ma Zhibin	Deputy General Manager	
Ma Jianchao	Chief Financial Officer	Resigned on 6 April 2016
Chen Xiaoning	Deputy General Manager	Appointed on 6 April 2016
Yuan Guanqing	Deputy General Manager	Appointed on 6 April 2016
Gu Qiang	Chief Financial Officer	Appointed on 6 April 2016
Chu Xiaohang	Company Secretary	

Brief biographical details of Directors, supervisors and senior management are set out on pages 18 to 24.

Each of the independent non-executive Directors has issued a confirmation in respect of the requirement set out in Rule 3.13 of the Listing Rules concerning his independence. The Company considers all of the independent non-executive Directors to be independent.

Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the five highest paid individuals of the Group are set out in note 14 to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2016.

Remuneration of senior management

According to Code B.1.5 of the Corporate Governance Code, the details of the annual remuneration of the senior management for the year 2016 which contained in note 14 to the consolidated financial statements in this report are as follow:

Name	Salary and allowance *(RMB'000)*	Contribution to pension scheme *(RMB'000)*	Total *(RMB'000)*
Zou Changfu	301	61	362
Hong Yuan	292	61	353
Ma Zhibin	284	61	345
Chen Xiaoning	263	61	324
Yuan Guanqing	136	47	183
Gu Qiang	153	46	199
Chu Xiaohang	212	61	273

Directors' and supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2016.

Directors' and supervisors' service contracts

Each of the Directors and supervisors has entered into a service contract with the Company. None of the Directors or supervisors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not terminable by the Company or its subsidiaries within a year without payment of any compensation (other than statutory compensation).

Permitted indemnity provision

During the reporting period and as at 31 December 2016, the Company has arranged for liability insurance policies for the Directors and supervisors and to provide adequate protection for the Directors and supervisors.

Report of the Directors (Continued)

Interests of Directors, supervisors and chief executives in shares of the Company and its associated corporations

As at 31 December 2016, none of the Directors, supervisors or chief executives and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were (a) required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; (c) required 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**") as set out in Appendix 10 to the Listing Rules.

During the reporting period, no Directors, chief executives, supervisors, senior management or their spouses and minor children under 18 was vested by the Company any right to subscribe shares or bonds of the Company or any associated corporation (as defined in the SFO).

Interests and short positions of substantial Shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 2016 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

CEC, through IRICO Group Corporation, had interests in 1,601,468,000 domestic shares of the Company (representing 100% of the domestic share capital of the Company), whereas HKSCC Nominees Limited had interests in 628,725,989 H shares of the Company (representing 99.64% of the H share capital of the Company).

Si Yuncong and Huang Mingyan act as the Directors. Si Yuncong concurrently acts as the general manager of IRICO Group Corporation whereas Huang Mingyan concurrently acts as the deputy general manager of IRICO Group Corporation. Ding Wenhui acts as the supervisor and the chairman of the supervisory committee of the Company and concurrently acts as the deputy secretary of the Communist Party Committee, the deputy secretary of Discipline Inspection Committee and the chairman of Employee Union, of IRICO Group Corporation.

Interests and short positions of substantial Shareholders and other parties *(Continued)*

Notes:

As at 31 December 2016, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 628,725,989 H shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H shares of the Company (representing approximately 7.85% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same number of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 5.35% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and the remaining 544,000 H shares of the Company were held by JF International Management Inc.

Pictet Asset Management Limited held direct interests in 27,488,000 H shares of the Company (representing approximately 4.36% of the share capital of H shares) on behalf of Pictet Funds Asian Equities (holding interests in 28,504,400 shares).

Competing Interests

None of the Directors, the controlling Shareholder or their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group or has or may have any other conflicts of the interest with the Group.

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 reporting period.

Report of the Directors (Continued)

Employees, retirement benefits and other benefits

As at 31 December 2016, the Group had 1,823* incumbent employees, of whom 10.4% were management and administrative personnel, 12.1% were technological personnel, 2.2% were accounting and audit personnel, 1.9% were sales and marketing personnel, and 73.4% were production employees. The employment and remuneration policy of the Company remained the same as set out in the Company's prospectus dated 8 December 2004. With full enthusiasm in work, the Group's employees are committed to ensure the high quality and reliability of products and services.

* : Excluding service dispatch workers.

Connected transactions

The connected transactions recorded during the year are as follows:

1. Continuing connected transactions during the year of 2016

For the year ended 31 December 2016, there were various continuing connected transactions (the "**Continuing Connected Transactions**") between the Group and the following connected persons of the Group (collectively, the "**Connected Persons**" and each a "**connected person**" under the Listing Rules):

(a) IRICO Group Corporation (the "**IRICO Group**"), a substantial Shareholder, the sole promoter of the Company and a connected person of the Company;

(b) Xianyang Zhongdian IRICO Group Holdings Ltd. ("**Xianyang IRICO**"), an associate of CEC and IRICO Group, both of which are in turn controlling Shareholders. Therefore Xianyang IRICO is a connected person of the Company; and

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2016 *(Continued)*

(c) Nanjing Electronics Information Industrial Corporation ("**NEIIC**"), a subsidiary and thus an associate of CEC. Therefore Nanjing Electronics is also a connected person of the Company.

For the year ended 31 December 2016, the approved annual caps for each of the Continuing Connected Transactions (the "**Annual Caps**") and the actual revenue or expenditure in respect of each of the Continuing Connected Transactions are set out below:

No.	Item	Annual Caps for Connected Transaction of 2016 *RMB'000*	Amount incurred for Connected Transaction of 2016 *RMB'000*
(i)	IRICO Group Master Purchase Agreement		
	Purchase of materials, utilities and other supporting services from IRICO Group	329,343	296,714
(ii)	Utilities Purchase Agreement		
	Purchase of utilities from Xianyang IRICO	74,424	4,010
(iii)	Premises Leasing Framework Agreement		
	Rentals paid and other payables to Xianyang IRICO	28,455	11,340
(iv)	Xianyang IRICO Premises Leasing Framework Agreement		
	Rentals received from Xianyang IRICO	4,628	4,346
(v)	Utilities and Preduete Sales Agreement		
	Sales of utilities and products to Xianyang IRICO	14,016	0
(vi)	NEIIC Master Sales Agreements		
	Sales of new energy materials and products to NEIIC	12,750	12,663
(vii)	NEIIC Master Purchase Agreement		
	Purchase of materials from NEIIC	26,400	24,283

The consideration for each of the Continuing Connected Transactions listed above during the reporting period is set out in the respective agreements with relevant Connected Persons, details of which were set out in the Company's circular dated 24 March 2016 and the announcement of the Company dated 18 February 2016.

Report of the Directors (Continued)

Connected transactions *(Continued)*

1. Continuing connected transactions during the year of 2016 *(Continued)*

The independent non-executive Directors had reviewed these Continuing Connected Transactions and confirmed to the Board that these transactions have been entered into:

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

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the terms of respective agreements governing such transactions which are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company had given a letter to the Directors, confirming that the above continuing connected transactions:

(1) were approved by the Board;

(2) were carried out in accordance with the pricing policies of the Company;

(3) were carried out in accordance with respective agreements governing such transactions; and

(4) did not exceed the specified annual caps.

Connected transactions *(Continued)*

2. One-off connected transactions

(1) On 9 May 2016, the Company and Xianyang IRICO entered into the equity transfer agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire, 60% of the equity interest in IRICO Accessories at a cash consideration of approximately RMB45,946,000. Such disposal was completed during the reporting period, and the Company had ceased to control and consolidate IRICO Accessories into its financial statements.

Xianyang IRICO is an associate of CEC and IRICO Group, being the controlling Shareholders, and thus a connected person of the Company. As such, such disposal constitutes a connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempt from the independent Shareholders' approval requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 9 May 2016.

(2) On 28 September 2016, the Company and CEC entered into the assignment agreement in relation to accounts receivable, pursuant to which the Company agreed to transfer the relevant accounts receivable to CEC at a consideration of approximately RMB36,199,000.

CEC, the ultimate controlling Shareholder, indirectly holds approximately 71.74% issued share capital of the Company through IRICO Group, a wholly-owned subsidiary of CEC, and is therefore a connected person of the Company. As such, the above transaction in relation to the transfer of relevant accounts receivables constitutes a connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempt from the independent Shareholders' approval requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 28 September 2016.

(3) On 28 December 2016, the Company and Xianyang IRICO entered into the assets transfer agreement, pursuant to which the Company agreed to transfer the relevant assets of the operation department of special railway lines to Xianyang IRICO at a cash consideration of approximately RMB4,658,000.

Xianyang IRICO is an associate of CEC and IRICO Group, being the controlling Shareholders, and thus a connected person of the Company. As such, such transaction in relation to the assets transfer constitutes a connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempt from the independent Shareholders' approval requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 28 December 2016.

Report of the Directors (Continued)

Connected transactions *(Continued)*

For each of the related party transactions set out in note 43 to the consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Company confirmed that it has complied with the relevant requirements under the Listing Rules (if applicable).

Saved as disclosed above, the related party transactions set out in note 43 to the consolidated financial statements prepared in accordance with the Hong Kong Financial Reporting Standards did not constitute connected transactions within the meaning of Chapter 14A of the Listing Rules.

Plan of the Group for material investment and acquisition of capital assets

Acquisition of a further 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited* (江蘇永能光伏科技有限公司)

On 29 September 2011, the Company, Sunlink Power Holdings Co., Ltd. (“**Sunlink Power**”), Suzhou Huilian Solar Energy Technology Co., Ltd. (蘇州惠利安太陽能科技有限公司) (“**Suzhou Huilian**”), Suzhou Yongjin Investment Co., Ltd. (蘇州永金投資有限公司) (“**Suzhou Yongjin**”) and other then shareholders of Jiangsu Yongneng Photovoltaic Technology Company Limited (江蘇永能光伏科技有限公司) (“**Jiangsu Yongneng**”) entered into a share purchase agreement, pursuant to which, among other things, the Company has conditionally agreed to acquire an aggregate of 30% equity interest in Jiangsu Yongneng.

Since the parties intend to complete the acquisition of 30% equity interest in Jiangsu Yongneng as soon as possible through friendly negotiation, on 22 March 2017, the Company, Sunlink Power, Suzhou Huilian, Suzhou Yongjin and Jiangsu Tiancheng Energy Development Co., Ltd.* (江蘇天成能源發展有限公司) (“**Tiancheng Energy**”) entered into the Equity Acquisition Variation Agreement, pursuant to which, the Company has conditionally agreed to acquire and Sunlink Power, Suzhou Huilian as well as Tiancheng Energy have conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng for a total cash consideration of RMB68,000,000. Upon completion of the acquisition, the Company will hold 51% equity interest in Jiangsu Yongneng in aggregate and Jiangsu Yongneng will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

For details, please refer to the announcements of the Company dated 29 September 2011 and 22 March 2017.

Report of the Directors (Continued)

Bank loans

As at 31 December 2016, details of bank loans of the Group are set out in note 35 to the consolidated financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles of Association**") or relevant laws and regulations which could oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Subsidiaries

Details of the subsidiaries of the Company are set out in note 22 to the consolidated financial statements.

External guarantee

The Group did not have any external guarantee during the year.

Material litigation

During the reporting period, the Company was involved in litigations in relation to disputes arising from the share purchase agreement pursuant to which the Company was to acquire 30% equity interest in Jiangsu Yongneng. Please refer to the announcement dated 4 November 2016 for details. The original first instance judgement of such litigations were not required to be enforced, and the cases were closed in March 2017.

The Directors consider that the above litigation cases have no material impact on the overall financial conditions or results of operation of the Company. Save as disclosed above, the Directors are not aware of any new litigations or claims of material adverse effect pending or threatened to be made by any member against the Group.

Report of the Directors (Continued)

Contingent liabilities

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

Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules. During the year ended 31 December 2016, the Company has complied with the Code Provisions of the CG Code.

Model Code

As to securities transactions by Directors, the Company has adopted the Model Code as the code for securities transactions by Directors. Having made specific enquiries of all Directors, the Company has confirmed that all Directors have fully complied with all the requirements set out in the Model Code.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the relevant minimum percentage applicable to listed securities was maintained at any time throughout the reporting period.

Audit committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2016, including the accounting principles adopted by the Group.

Auditor

PKF was appointed as the auditor of the Company for the year of 2016 at the EGM held on 18 January 2017.

The financial statements of the Company for the year 2016 have been audited by PKF who will retire and, being eligible, offer themselves for re-appointment subject to approval by Shareholders at the annual general meeting.

By order of the Board
Si Yuncong
Chairman

Xianyang, the People's Republic of China
22 March 2017

Report of the Supervisory Committee

In 2016, all members of the supervisory committee of the Company (the "**Supervisory Committee**") complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2016. I hereby present the work report of 2016 as follows:

During this year, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. In 2016, the Supervisory Committee held two meetings to review the following proposals: the 2015 work report of the Supervisory Committee, the audited financial report of 2015, the reviewed interim financial report for the first half of 2016 and the resolution of change of a Shareholder supervisor. The convening of the two meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

In 2016, the supervisors of the Company attended Board meetings and general meetings in 2016.

Pursuant to the Company Law and other applicable laws and regulations and the Articles of Association, the Supervisory Committee performed serious supervision and examination on the procedures of Board meetings, resolutions, the execution by the Board of the resolutions passed in general meetings, the performance of duties by senior management and the establishment, fulfillment and thorough execution of the Company's internal management systems.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company operated strictly in compliance with the PRC Company Law and Securities Law, the Articles of Association and other relevant regulations and rules of Hong Kong. The members of the Supervisory Committee performed their duties with integrity and diligence, and executed various resolutions and authorization passed in general meetings, to ensure that the operation of various businesses comply with the requirements of applicable laws and regulations. Through the establishment of a series of systems, the Company further improved the corporate governance structure and the internal management system and established and improved the internal control system. In the process of the examination of the financial status of the Company and the supervision of the performance of the duties of the Directors and senior management of the Company, the Supervisory Committee did not identify any behaviour prejudicial to the interest of the Company and the Shareholders, or any behaviour in contravention to laws and regulations, the Articles of Association and various rules and systems.

The Supervisory Committee is confident in the prospect of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the Shareholders and the Company as a whole.

By order of the Supervisory Committee
Ding Wenhui
Chairman of the Supervisory Committee

Xianyang, the People's Republic of China
22 March 2017

Corporate Governance Report

The Company strives to uphold the corporate governance standard in accordance with statutory and regulatory requirements. Through the establishment of a competent Board, a comprehensive internal control system and a stable corporate structure, the Company strives to ensure completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and benefit.

1. Corporate Governance Practices

Improvement of the internal control system was made by the Company by reviewing the Company's corporate governance practices against the CG Code to cater for the constant development and evolvement of corporate governance.

The Board has reviewed the Company's corporate governance practices. During the reporting period, the Company had applied and complied with the Code Provisions. The code on corporate governance practices adopted by the Company includes but is not limited to the following documents: the Articles of Association, Working Rules for the Board, Terms of Reference and Organisation Rules for the Audit Committee, Terms of Reference and Organisation Rules for the Nomination Committee, Terms of Reference and Organisation Rules for the Strategy Committee and Terms of Reference and Organisation Rules for the Remuneration Committee. The Board also formulated the Management Methods for Information Disclosure, Management Mechanism for Investor Relations, Management Mechanism for Implementation of Resolutions of the Board, Management Mechanism for Connected Transactions and Mechanism for Nomination of Candidates for Directors by Shareholders as relevant working rules of the Company. In addition, the Company has established the Strategy Committee.

2. The Board

Duties of the Board

The Board is responsible for leading and monitoring the Company's affairs. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs. The Board makes regular assessment on the management's business objectives and performance as well as exercises a variety of powers in accordance with the Articles of Association, which mainly includes:

- overseeing the implementation of resolutions passed at general meetings;
- approving the Company's business plans and investment schemes;
- formulating the Company's annual financial budget schemes;
- formulating the Company's profit distribution plan;
- formulating the Company's basic management system;

2. The Board *(Continued)*

Duties of the Board *(Continued)*

- approving the Company's accounting policies and adjustment thereof;
- approving various announcements including financial reports.

In respect of corporate governance, the Board performed the following duties in the reporting period:

- developing and reviewing the corporate governance policies and practices of the Company;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements of the Company;
- reviewing the compliance of the Code by the Company and corresponding disclosure in the corporate governance report of the annual report.

Composition

The Board comprises 7 Directors, including 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors, whose biographies are set out from page 18 to 24 in this annual report.

Directors (including non-executive Directors and independent non-executive Directors) are elected in general meetings with a term of three years from the date of their elections until the date of election of the next session of the Board.

All Directors shall, upon their initial appointment, report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflicting interest in any proposal under consideration, such Director shall report his/her interests and abstain from voting and may, when necessary, apply for absence. The Board requires Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries at each financial reporting period. Any material transactions relating to connected persons, which have been confirmed, will be disclosed in notes to the financial statements of an annual report.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Composition *(Continued)*

There are three independent non-executive Directors, representing over one-third of the Board. The independent non-executive Directors possess extensive professional expertise and experience, and can fully perform their important functions of supervision and balance to protect the interests of the Shareholders and the Company as a whole. In determining the independence of a non-executive Director, the Director is considered independent only after the Board has confirmed that there is no direct or indirect material relationship between the Director and the Company. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence as set out in Rule 3.13 of the Listing Rules.

The Company has complied with the requirement concerning the appointment of sufficient independent non-executive Directors, that at least one of them should possess appropriate professional qualification or accounting or relevant financial expertise and that independent non-executive Directors should represent one third or above of the Board as set out in Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

During the reporting period, the Company organized trainings in relation to the business of the Company for Directors.

The Company provides trainings to Directors in due course in accordance with the requirements under Rule A.6.5 of Appendix 14 to the Listing Rules. The Company has made appropriate arrangement to insure against the possible legal actions that the Directors, supervisors and senior management may be involved. The Board reviews annually the insurance arrangement.

Duties of the Management

The management is responsible for supervising the management of production and business operations, organising and implementing resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, formulating plans for the establishment of the Company's internal management structure, formulating the basic management system of the Company, formulating the basic rules of the Company, and exercising other powers conferred under the Articles of Association of the Company and by the Board. Meanwhile, the management reports to Directors on the Company's operations and businesses each month so as to enable the Directors to fully understand the operations and businesses of the Company.

2. The Board *(Continued)*

The Chairman and the general manager

The Chairman is responsible for the operation and management of the Board while the general manager takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of functions and authorisations, the offices and roles of the Chairman and the general manager are assumed by Mr. Si Yuncong (an executive Director) and Mr. Zou Changfu respectively. The offices and roles of the Chairman and the general manager are assumed by two individuals separately and explicitly differentiated. With the assistance of the vice Chairman, the Chairman leads and supervises the operation of the Board to ensure that the Board act in a manner consistent with the best interests of the Company.

Under the assistance of the deputy general manager, the general manager, as the chief manager of the Company's day-to-day affairs, is responsible for managing the day-to-day affairs of the Company, organising and implementing resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, assuming a direct responsibility for the operation performance of the Company and responsible to the Board for the overall operation of the Company.

The general manager and the deputy general manager make concerted efforts to collaborate with administrative departments of the Company to ensure the Board and the Board committees can access complete, reliable and proper information so that the Directors can make decisions with adequate data and to ensure proper implementation of the Board's resolutions. The general manager closely monitors the operation and financial results of the Company based on plans and budgets and makes suggestions to the Board in respect of material events.

Company Secretary

The Company Secretary reports to the Board. All Directors are entitled to the Company Secretary's services. He updates the Board on governance and regulation on a regular basis, assists the President in preparation of the agenda of the Board meetings, and prepares and dispatches meeting documents on a timely and comprehensive basis so as to ensure the efficiency and compliance of the Board meetings. With the assistance of the Company's legal counsels, the Company Secretary is in charge of arranging the annual and interim reports and disclosure of information and data in accordance with the Listing Rules and relevant rules of the Company. He makes regular enquiries to the Company's financial department for information on connected transactions to secure compliance with the Listing Rules in respect of such transactions. The selection, appointment or dismissal of the Company Secretary is in the charge of the Board.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Company Secretary *(Continued)*

The Company Secretary is also responsible for preparing and keeping minutes of meetings of the Board and the Board committees together with any relevant documents, which can be provided and open to all Directors and are available to all Directors for their inspection at any reasonable time. All matters under consideration including any enquiry and objection by Directors shall be recorded in details. Within a reasonable timeframe after a meeting, a draft minutes shall be circulated to all Directors for their comments.

The Company Secretary is in charge of arranging induction training and professional development for Directors.

In 2016, the Company Secretary participated in 20 class hours of training in respect of corporate governance etc.

Board meetings

The Chairman is responsible for convening and presiding over the Board meetings. Assisted by the Company Secretary, the Chairman seeks to ensure all Directors' proper access to accurate, timely and sufficient data in connection with the proposals to be considered by the Board to enable their wise decisions. While a 14 days' notice of a regular Board meeting is given, the agenda of meeting and the meeting documents attached are circulated at least 3 days prior to the holding of a Board meeting or a meeting of any special committee.

The Chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board also adopts sound corporate governance practices and procedures and takes appropriate steps to encourage the Directors' open and candid communications so as to ensure non-executive Directors may raise queries with and maintain effective communications with each executive Director.

It is expressly provided in the Terms of Reference and Working Rules for the Board that, in the event that a substantial Shareholder or Director has a conflict of interest in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interest in the matters to be considered shall abstain from voting.

2. The Board *(Continued)*

Board meetings *(Continued)*

The Company held four on-site meetings of the Board, five written resolutions of the Board, one extraordinary general meeting and one annual general meeting during the reporting period. Details of attendance at Board meetings by each of the Directors are as follows:

Number of meetings attended/Number of meetings held

Directors	Positions	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Extraordinary General Meeting	Annual General Meeting
Si Yuncong	Executive Director and Chairman	4/4		1/1	1/1	1/1	1/1
Zou Changfu	Executive Director	4/4		1/1	1/1	1/1	1/1
Huang Mingyan	Non-executive Director	4/4		2/2	1/1	1/1	
Chen Changqing	Non-executive Director	3/3	1/1			1/1	
Feng Bing	Independent non-executive Director	4/4	2/2	1/1	1/1	1/1	1/1
Wang Jialu	Independent non-executive Director	4/4	2/2	1/1	1/1	1/1	1/1
Wang Zhicheng	Independent non-executive Director	4/4	2/2	1/1	1/1	1/1	1/1
Jiang Ahe	Non-executive Director	1/1	1/1				

In accordance with the Articles of Association, Directors, when necessary, may propose to convene an extraordinary Board meeting. They may also, when they consider necessary, obtain the Company's information and independent expert opinion, where expenses incurred are borne by the Company.

Board committees

Four special committees are established under the Board, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee. The terms of reference of which are determined in accordance with the principles set out in the Code. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to engage lawyers, accountants or other professionals for professional advice when necessary, the expenses of which are borne by the Company.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Nomination Committee

The Nomination Committee comprises three independent non-executive Directors and two executive Directors, including Mr. Si Yuncong (executive Director), Mr. Zou Changfu (executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Si Yuncong. The Nomination Committee shall provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of Director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

The Nomination Committee gives full consideration to the principle of Board diversity in selecting and recommending Director candidates, mainly including but not limited to gender, age, culture and educational background or professional experience, as well as the Board members' recommendations on the development of the Company in various aspects based on their professional competence in different fields.

With reference to the requirements in paragraph A.5 of the CG Code under Appendix 14 to the Listing Rules and the CG Code, the Board formulated the Terms of Reference and Organisation Rules for the Nomination Committee. The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition of the Board at least once annually;
- to identify individuals suitably qualified to become Board members, and to nominate relevant people as Directors or provide advice thereabout to the Board;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment as well as the succession plan of Directors.

During the reporting period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of Directors, nomination procedures adopted for candidates for Directors and the selection and recommendation rules. In 2016, the Nomination Committee convened one meeting to discuss the matters about the structure and composition of the Board.

2. The Board *(Continued)*

Audit Committee

The Audit Committee comprises three independent non-executive Directors and two non-executive Directors including Mr. Wang Zhicheng (independent non-executive Director), Mr. Huang Mingyan (non-executive Director), Mr. Chen Changqing (non-executive Director), Mr. Feng Bing (independent non-executive Director) and Mr. Wang Jialu (independent non-executive Director), and is chaired by Mr. Wang Zhicheng, who has proper professional qualifications and financial experiences. The main role of the Audit Committee is to review the financial reports of the Company, review risk management, internal control and corporate governance and provide advices in respect thereof to the Board.

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Public Accountants and the requirements of code C.3 of the CG Code, the Board has formulated the Terms of Reference and Organisation Rules for the Audit Committee. The major terms of reference of the Audit Committee are as follows:

- to be primarily responsible for making recommendation to the Board about the appointment, re-appointment and removal of external auditors, and assess the external auditors' work and supervise the independence, work procedures, quality and results of the external auditors;
- to review and supervise the Company's financial statements and the integrity of the annual reports and accounts, interim reports and the quarterly reports (if prepared for publication), and review major opinions related with the financial reporting on the statements and reports;
- to review the Company's financial reporting system and internal control system.

During the reporting period, the major work of the Audit Committee included:

I. Considering the audited financial reports of the Company for 2015 and the reviewed financial reports for the first half of 2016;

II. Considering the report in relation to the execution of continuing connected transactions of the Company for 2015;

III. Considering the report in relation to the audit fees of the Company for 2015;

IV. Considering the proposal for appointment of the Company's domestic and overseas auditor for 2016;

V. Reviewing the risk management and internal control system.

During the reporting period, the Audit Committee convened two meetings with an average attendance rate of 100%. The senior management and external auditor were invited to all meetings.

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors and one executive Director, including Mr. Wang Jialu (independent non-executive Director), Mr. Zou Changfu (executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Wang Jialu.

The Board has formulated the Terms of Reference and Organisation Rules for the Remuneration Committee. The terms of reference of the Remuneration Committee are as follows:

- to make proposals to the Board about the remuneration policy and structure for all Directors and senior management personnel of the Company and the establishment of a formal and transparent procedure for formulating remuneration policy;

- to review and approve the proposed remuneration of the management in accordance with the corporate policies and objectives made by the Board;

- to take responsibility to determine the specific remuneration packages for all executive Directors and senior management personnel, and make salary recommendations of non-executive Directors to the Board.

During the reporting period, the Remuneration Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2016, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2015, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2016.

Remuneration policy for executive Directors: The remuneration portfolio policy for executive Directors is designed to link executive Directors' remuneration and their performance with corporate goals so as to inspire their better performance and retainment. In accordance with the Articles of Association, the Directors shall not approve their own remunerations.

The Remuneration Committee approves the grant of stock appreciation rights to the executive Directors based on their individual performance and the business status of the Company pursuant to the stock appreciation rights plan approved by the Shareholders.

Remuneration policy for non-executive Directors: Remunerations of non-executive Directors are subject to the approval by general meetings and determined with reference to the complexity of the matters to be handled by them and their duties. Pursuant to the service contracts entered into between the Company and the non-executive Directors, the Company reimburses non-executive Directors for the out-of-pocket expenses incurred in performance of their duties (including attendance at the Company's meetings).

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

Remuneration policy for employees of the Group: Remunerations of employees of the Group are always based on their work performance so as to stimulate their work motives, reward outstanding performance and fully exert the incentive role of remunerations. To ensure fairness, justice and reasonableness, the Company assesses and distributes remunerations in strict accordance with the assessment management authority, assessment contents and standards for all categories of employees to encourage them to create more value to the enterprise by using their greatest potential. Meanwhile, the remuneration policy for employees of the Group is always in favor of the research and development personnel and marketing personnel in order to attract talents with competitive remunerations and enhance the Company's competitiveness in the market.

A Director's remuneration includes the amount paid by the Company and its subsidiaries to Directors for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2016 are as follows:

(Unit: RMB'000)

Name	Position	Salary and allowance	Remuneration (Director's fee)	Contribution to retirement benefits	Remarks
Si Yuncong	Executive Director and Chairman	–	–	–	Not receiving remuneration from the Company
Zou Changfu	Executive Director	–	–	–	Not receiving remuneration from the Company
Huang Mingyan	Non-executive Director	–	–	–	Not receiving remuneration from the Company
Chen Changqing	Non-executive Director	–	–	–	Not receiving remuneration from the Company
Jiang Ahe	Non-executive Director	–	–	–	Not receiving remuneration from the Company
Feng Bing	Independent non-executive Director	–	100	–	–
Wang Jialu	Independent non-executive Director	–	100	–	–
Wang Zhicheng	Independent non-executive Director	–	100	–	–
Total		–	300	–	–

Corporate Governance Report (Continued)

2. The Board *(Continued)*

Remuneration Committee *(Continued)*

Pursuant to applicable laws and regulations of China, the Company currently participates in a series of pension schemes organized by provincial and municipal governments, pursuant to which all production plants of the Company must contribute to such pension schemes according to certain proportions of the salaries, bonus and various allowance of the employees. As the production plants are located in different regions, the proportions of contributions to the remuneration of employees are also different.

3. Statement of financial responsibility of the Board

The Board is responsible for the preparation of the Company's financial reports and takes the responsibility for the completeness and legitimacy of the financial data as well as the effectiveness of the Company's internal control system and risk management process. The general manager of the Company is responsible for the daily management of the operation of the Company. The Board makes periodic review on the functions of and the power delegated to the general manager.

The Directors acknowledge their responsibilities to prepare financial statements of the Company for each financial year, to report truly and fairly on the financial status of the Group, to comply with applicable accounting standards and adopt appropriate accounting policies in the preparation of the financial statements and to disclose the financial status of the Company accurately.

For auditor's reporting responsibilities, please refer to the auditor's report.

4. Securities transactions by Directors

The Board has adopted the Model Code as the code of conduct regarding securities transactions by Directors of the Company. The Model Code is also applicable to selected employees who may possess certain insider information of the Company that has been not disclosed, including such employees in the Company's subsidiaries and parent company. Upon appointment, each Director would receive a copy of the Model Code. After that, the Model Code is delivered twice a year, namely, 30 days prior to the Board meeting to approve the Company's interim results and 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors that they may not deal in the Company's shares until the publication of the results announcement.

All Directors confirm that during the reporting period, all Directors and the selected employees who may possess certain inside information of the Company that has not been disclosed complied with the Model Code and none of the said persons had interests or short positions which are required to be notified to the Company and the Stock Exchange, or incurred any violation of regulations.

5. Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2016 have been reported to the Board through the Audit Committee.

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the code provisions relating to internal controls as set out in the CG Code for the year ended 31 December 2016.

Internal audit

The Company has set up internal audit, which oversees the internal controls, ensures the achievement of the corporate goals and conducts independent reviews.

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2016, all internal audit reports and opinions were submitted to the general manager and other executive Directors as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

Risk management

The Board properly implements operation risk management procedures across the Company and formulates policies and procedures which provide a framework for identification and management of risks. The internal audit department reports to the Audit Committee monthly on significant risks and explains clearly the measures to be taken by the Group and the subsequent progress on improvements. According to different natures of the identified risk management, corresponding improvement measures are taken. The relevant procedures are reviewed to ensure their compliance and effectiveness. In accordance with the requirements of the Listing Rules, the Group constantly optimises its risk management and internal control system, so as to ensure the Group is controlled effectively and adequately in terms of finance, operations, compliance and risk management, with the ultimate goal of protecting the Shareholders' interests.

Corporate Governance Report (Continued)

5. Control mechanism *(Continued)*

Internal control and internal audit *(Continued)*

Risk management (Continued)

The Board fulfils its oversight role over the Company and its subsidiaries in the following areas:

- establishment of the risk management system of the Company and identification of the risk portfolio of the Company;
- identification, assessment and management of the material risks faced by various units of the Company;
- review and assessment of the appropriateness of the Company's risk management process, system and internal control;
- review and monitoring the execution of the Company's risk management process, system and internal control including compliance with requirements of prudence and legality while conducting businesses.

The Board is fully in charge of overseeing the operations of the Company's business units. Personnel with proper experience and skills are appointed to the board of directors of the Company's subsidiaries and associated companies to attend their board meetings and to oversee the operations of those companies. Monitoring activities include review and approval of business strategies, budgets and plans as well as setting up key business performance indicators. The identification, evaluation and report on the likelihood and potential financial impact of material business risks are issues left to the management personnel of such companies.

During the year 2016, the Board continued to supervise the Group's risk management and internal control, and has reviewed the effectiveness of the risk management and internal control and confirmed that the Group has adequate resources for the Group's accounting, internal audit and financial reporting functions, and that the employees' qualifications and experience, the training courses for the employees and the related budgets are adequate. In the areas of financial management, risk management, compliance and financial operating risk management, the effective implementation, timely review and corresponding results are reported in the monthly operation meetings. The Board is responsible for the risk management and internal control systems, and the review of such systems as to their effectiveness. The objectives of such systems are to manage rather than eliminate the risks of failure in achieving business objectives, and to provide only a reasonable, but not absolute, assurance against material misstatements or losses.

In the aspect of information disclosure, the Company's information disclosures are regulated in accordance with the requirements and procedures to ensure compliance with the relevant laws and regulations of the PRC, and the rules and requirements of the Listing Rules, so as to correctly fulfill the obligation of information disclosure. This is to be incorporated into the daily operation to ensure information disclosures are in sound compliance.

5. Control mechanism *(Continued)*

Internal control and internal audit *(Continued)*

Risk management (Continued)

The Chairman is the first responsible person of the Company's information disclosure. The secretary of the Board is responsible for the coordination and orgainising of the specific matters of information disclosure. The office of the Board is the department responsible for the daily management of information disclosure.

The Company has established an information disclosure system with corresponding risk management and internal control related documentation. The relevant process is as follows:

(1) The person-in-charge of the department that provides the information conscientiously checks the relevant information manuscript to ensure its truthfulness, accuracy and completeness, and upon confirmation that there are no misinterpretations, misleading statements or material omissions, affixes the signature or seal thereon.

(2) The secretary of the Board conducts a compliance review, and informs the Directors and the senior management of the Company of the information through appropriate channels in a timely manner, and if necessary, submits to the Board for approval.

(3) The chairman or the authorised representatives of the Board signs and approves the issuance of the information.

During the year 2016, the Company has complied with the above internal systems in relation to information disclosure obligations and made timely announcements of important matters that are to be disclosed. The Company has ensured the truthfulness, accuracy, completeness and timeliness of the disclosed information, and made sure that the investors were able to obtain publicly disclosed information in an open, fair and equitable manner.

External auditor and their remunerations

As approved in the annual general meeting held on 18 May 2016, the Board appointed ShineWing (HK) CPA Limited as the auditor of the Company for 2016. ShineWing (HK) CPA Limited had acted as the auditor of the Company for 2015 and 2014. On 2 December 2016, due to the needs of the business development and future audit of the Company, the Board proposed to dismiss the current auditor ShineWing (HK) CPA Limited and to appoint PKF to fill the vacancy. The above was approved by the Shareholders at the extraordinary general meeting held on 18 January 2017. The Audit Committee reviewed the letter from PKF to confirm its independence and objectiveness, held meetings with the external auditor to discuss its audit scope and fees, and approved scope and fees for any non-audit service to be provided by the firm as required.

Corporate Governance Report (Continued)

5. Control mechanism *(Continued)*

Internal control and internal audit *(Continued)*

External auditor and their remunerations (Continued)

For the year ended 31 December 2016, the remuneration of the external auditor amounted to RMB2,520,000, all of which was audit service fees. There were no non-audit service fees during the year. The audit fee has been approved by the Audit Committee and the Board.

6. Interests of Shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives at least a 45-day prior notice of such meetings. The Chairman shall attend the annual general meetings and invite the chairman of each committee (if he is unable to attend, a member of such committee will be invited) of the Board to attend the annual general meeting, and answer inquiries from the Shareholders. All Directors (especially independent non-executive Directors and non-executive Directors) shall attend the general meetings on a regular basis, including annual general meeting and extraordinary general meeting.

All Shareholders have rights to request the convening of an extraordinary general meeting and put forward proposals for Shareholders' consideration in accordance with the Articles of Association. At the annual general meeting, each matter is put forward in the form of a separate proposal and voted by way of poll. Voting results of the general meeting are released in the form of announcements and relevant details of the meeting are published on the respective websites of the Stock Exchange and the Company.

On 18 May 2016, the 2015 annual general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 8 April 2016, an extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

Details of the above general meetings are set out on the respective websites of the Stock Exchange and the Company.

The Company Secretary is responsible for day-to-day communications between the Board and substantial Shareholders. Investors and the public may also access the Company's website for detailed data of the Company's businesses. The Company's interim and annual results announcements can also be downloaded from the websites of the Stock Exchange and the Company.

According to the information available to the Company and as far as the Directors are aware, approximately 28% of the Company's total issued share capital has been held by public Shareholders.

6. Interests of Shareholders and investor relations *(Continued)*

Rights of Shareholders

Convening general meetings by Shareholders

In accordance with the provisions under the Articles of Association, when Shareholders request to convene an extraordinary general meeting or any class meeting, the following procedures shall be followed:

(1) Two or more Shareholders who collectively hold more than 10 percent (including 10 percent) of the voting shares at the proposed meeting, can sign one or a few copies of written requests with the same format and content, with the agenda of the meeting clearly stated, to be submitted to the Board to convene an extraordinary general meeting or any class meetings. The Board shall, after receipt of the aforementioned written request, convene an extraordinary general meeting or class meeting as soon as possible. The aforementioned number of shares held by Shareholders shall be calculated based on the date of the written request.

(2) If the Board, within thirty days after receipt of the aforementioned written request, fails to issue a notice to convene meetings, the Shareholders who have made the said request shall have the right to convene the meeting by themselves within four months after the Board receives the request, using the same procedure as the Board shall convene the meeting as possible.

Enquiry by Shareholders

Shareholders demanding inspection of the relevant information or requesting copies of the materials shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Shareholders may contact the Company Secretary through the hotline at (8629) 3333 3850 or by email at chxny@ch.com.cn. Upon verification of the Shareholder's identity, the Company shall provide such information or handle the enquiries in an appropriate way at the Shareholder's request.

Procedures for Shareholders to put forward proposals and contact information

In accordance with the provisions under the Articles of Association, at the annual general meetings of the Company, Shareholders either solely or collectively holding more than three percent (including three percent) of the Company's total voting shares, shall have the right to put forward a new proposal in writing to the Company, and the Company should put the proposed matters that are within the purview of the general meeting in the agenda of the meeting. Shareholders can contact the Company Secretary through the hotline at (8629) 3333 3850 or by email at chxny@ch.com.cn.

Corporate Governance Report (Continued)

6. Interests of Shareholders and investor relations *(Continued)*

Information disclosure and investor relations

The Company is committed to increase transparency and improve investor relations and has attached great importance to Shareholders' responses in this regard. The Company undertakes that it shall make impartial disclosure and provide full and transparent report. The ultimate duty of the Chairman is to ensure efficient communications with investors and to ensure the Board's understanding of the opinions of substantial Shareholders. After the Company's announcements of its interim and annual results, the Board is committed to provide Shareholders with clear and comprehensive results of the Group by publishing interim and annual reports. The Company endeavours to maintain a continuous candid communication with institutional investors and analysts, so as to deepen their understanding of the Group's management, financial condition, operation, strategies and plans. In addition, the Company arranges reverse road shows for analysts and investors from time to time, to foster intercommunication and understanding between investors and the management of the Company. Field visits to inspect plants and business premises of the Company by analysts and investors are welcomed.

7. Changes of Company name and business scope and amendments to Articles of Association

Change of Company name

As proposed by the Board and approved by the Shareholders at the general meeting, the Chinese name of the Company was changed from "彩虹集團電子股份有限公司" to "彩虹集團新能源股份有限公司" and the English name of the Company from "IRICO GROUP ELECTRONICS COMPANY LIMITED*" to "IRICO GROUP NEW ENERGY COMPANY LIMITED*" in 2015.

In March 2016, the Company has completed all registration procedures in respect of the change of the name of the Company at Shaanxi Provincial Administration for Industry and Commerce and the Companies Registry of Hong Kong. The change of the name of the Company will not affect any right of the securities holders of the Company nor affect the ordinary business operation and/or financial position of the Company. For details, please refer to the circular of the Company dated 16 October 2015 and the announcements of the Company dated 4 February 2016 and 18 March 2016.

Change of business scope

On 24 September 2015, in order to satisfy the business development needs of the Company, the Board proposed to make proper amendments to the business scope of the Company. The special resolution in respect of the change of the business scope of the Company was approved by the Shareholders at the extraordinary general meeting of the Company held on 13 November 2015.

In February 2016, the Company has completed all registration procedures at Shaanxi Provincial Administration for Industry and Commerce in respect of the change of the business scope of the Company. For details, please refer to the circular of the Company dated 16 October 2015.

7. Changes of Company name and business scope and amendments to Articles of Association *(Continued)*

Amendments to Articles of Association

Due to the change of the name and business scope of the Company and the adjustment to the Board, the Board proposed to amend the Articles of Association and the resolution in respect of the amendments to the Articles of Association was approved by the Shareholders at the extraordinary general meeting of the Company held on 13 November 2015. In February 2016, the Company has completed all registration procedures in respect of the change of the Articles of Association at Shaanxi Provincial Administration for Industry and Commerce. For details, please refer to the circular of the Company dated 16 October 2015. An updated version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

By order of the Board
Si Yuncong
Chairman

Xianyang, the People's Republic of China
22 March 2017

Independent Auditor's Report

For the year ended 31 December 2016

大信梁學濂（香港）會計師事務所

Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

TO THE SHAREHOLDERS OF
IRICO GROUP NEW ENERGY COMPANY LIMITED
(A joint stock company established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of IRICO Group New Energy Company Limited (the "Company") and its subsidiaries (together "the Group") set out on pages 63 to 163, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to Note 2(d) to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB1,131,197,000 as at 31 December 2016. This condition, together with other matters as set out in Note 2(d) to the consolidated financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Basis for Opinion

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

Independent Auditor's Report (Continued)

For the year ended 31 December 2016

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.

In addition to the matter described in the "Emphasis of matter" section, we have determined to communicate in our report the following key audit matters for the year ended 31 December 2016.

Impairment of Property, Plant and Equipment

The Group's impairment of property, plant and equipment disclosed in Note 18 to the consolidated financial statements were determined to be a key audit matter because of the significant estimation uncertainty resulted from the use of unobservable inputs and the significant judgement made in selecting the estimation methods.

Our procedures performed to address the matter included:

- Obtain an understanding of the Group's procedures and method of estimation, including any control activities applied, significant assumptions made and management's assessment of estimation uncertainty;
- Re-calculate the estimation made by the management;
- Review outcome of estimation made in prior period;
- Evaluate whether the method of estimation and assumptions made are appropriate;
- Test the data used by the management in the estimation;
- Review subsequent events relevant to the estimation;
- Determine whether indication of possible management bias exists; and
- Evaluate the recognition and measurement criteria used and disclosure made by management.

Provision for Impairment of Trade and Other Receivables

The Group's provision for impairment of trade and other receivables as disclosed in Notes 28 and 29 to the consolidated financial statements was determined to be a key audit matter because of the significance of the balances, and the inherent subjectivity involved in making judgement in relation to credit risk exposure and estimating the provision.

Independent Auditor's Report (Continued)

For the year ended 31 December 2016

Our procedures included, amongst others:

– evaluate provisioning policy and disclosure;

– assess the recoverability of a sample of outstanding balances by comparing management's views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with assessing cash received subsequent to year end for its effect In reducing amounts outstanding at year end;

– challenge management's view of credit risk and recoverability by selecting a sample of overdue balances and:

  - note the historical patterns for long outstanding balances;

  - evaluate other evidence including customer, government and legal correspondences; evaluate the plans for recovering the outstanding balances, such as realisation of the pledged assets and enforcement of guarantees;

  - determine whether indication of possible management bias exists;

  - enquire management's knowledge of future conditions that may impact the expected customer receipts; and

  - review the outcome of the estimation made in prior period.

Other Information

The directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 December 2016 ("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.

Independent Auditor's Report (Continued)

For the year ended 31 December 2016

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and are in compliance with 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Hong Kong Standards on Auditing 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 Hong Kong Standards on Auditing, we exercise professional judgment and maintain professional skepticism 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.

Independent Auditor's Report (Continued)

For the year ended 31 December 2016

– 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.

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 Lam Kar Bo.

PKF
Certified Public Accountants
Hong Kong
22 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	7	1,809,333	1,485,918
Cost of sales		(1,599,201)	(1,453,783)
Gross profit		210,132	32,135
Other operating income	9	136,689	56,475
Gain on disposal of subsidiaries	26	18,779	–
Selling and distribution costs		(87,382)	(64,631)
Administrative expenses		(129,491)	(168,937)
Other operating expenses		(4,579)	(11,464)
Finance costs	10	(39,847)	(106,341)
Impairment loss recognised in respect of the available-for-sale financial asset		–	(276,831)
Impairment loss recognised in respect of interests in associates		–	(40,145)
Share of profit/(loss) of associates	23	1,796	(174)
Share of loss of a joint venture	24	(209)	–
Profit/(loss) before tax		105,888	(579,913)
Income tax expense	11	(1,370)	(297)
Profit/(loss) for the year from continuing operations	13	104,518	(580,210)
Discontinued operation			
Profit for the year from discontinued operation	12	–	1,105,862
Profit for the year		104,518	525,652

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000*
Profit/(loss) for the year attributable to the owners of the Company:			
– from continuing operations		105,712	(577,774)
– from discontinued operation		–	1,221,770
		105,712	643,996
Loss for the year attributable to non-controlling interests:			
– from continuing operations		(1,194)	(2,436)
– from discontinued operation		–	(115,908)
		(1,194)	(118,344)
		104,518	525,652
		RMB	*RMB*
Earnings/(loss) per share – Basic and diluted			
– from continuing operations		0.05	(0.26)
– from discontinued operation		–	0.55
– from continuing and discontinued operations	17	0.05	0.29

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Profit for the year		104,518	525,652
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of a foreign subsidiary		173	172
Available-for-sale financial assets:			
– Changes in fair value		(62,334)	(276,831)
– Reclassified to profit or loss due to disposal		–	10,157
– Reclassified to profit or loss due to impairment losses		–	266,674
Other comprehensive (expense)/income for the year		(62,161)	172
Total comprehensive income for the year		42,357	525,824
Total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		43,551	644,168
Non-controlling interests		(1,194)	(118,344)
		42,357	525,824

Consolidated Statement of Financial Position

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	18	1,297,645	1,211,724
Investment properties	19	16,904	7,164
Leasehold land and land use rights	20	109,186	114,237
Intangible assets	21	22,205	24,981
Interests in associates	23	33,517	31,721
Interest in a joint venture	24	35,791	–
Available-for-sale financial assets	25	421,044	483,378
		1,936,292	1,873,205
Current assets			
Inventories	27	113,563	130,618
Trade and bills receivables	28	622,119	618,088
Other receivables, deposits and prepayments	29	411,733	184,754
Tax recoverable		3,140	3,140
Restricted bank balances	30	98,034	95,105
Bank balances and cash	31	428,178	252,596
		1,676,767	1,284,301
Non-current assets classified as held for sale	32	25,563	–
		1,702,330	1,284,301
Current liabilities			
Trade and bills payables	33	695,308	642,944
Other payables and accruals	34	572,650	499,507
Tax payables		786	850
Bank and other borrowings – due within one year	35	1,552,684	1,466,365
Termination benefits	36	12,099	46,292
		2,833,527	2,655,958
Net current liabilities		(1,131,197)	(1,371,657)
Total assets less current liabilities		805,095	501,548

Consolidated Statement of Financial Position (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Capital and reserves			
Share capital	37	2,232,349	2,232,349
Other reserves	38	874,136	936,297
Accumulated losses		(3,020,771)	(3,126,483)
Equity attributable to owners of the Company		85,714	42,163
Non-controlling interests		66,785	86,090
Total equity		152,499	128,253
Non-current liabilities			
Bank and other borrowings – due after one year	35	516,610	226,620
Deferred income	39	98,797	102,246
Termination benefits	36	29,957	37,197
Deferred tax liabilities	40	7,232	7,232
		652,596	373,295
		805,095	501,548

The consolidated financial statements on pages 63 to 163 were approved and authorised for issue by the board of directors on 22 March 2017 and are signed on its behalf by:

Si Yuncong	Zou Changfu
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000* *(Note 38)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2015	2,232,349	1,565,585	(4,399,939)	(602,005)	1,238,581	636,576
Profit/(loss) for the year	–	–	643,996	643,996	(118,344)	525,652
Other comprehensive income/ (expense)						
Exchange differences arising on translation of a foreign subsidiary	–	172	–	172	–	172
Available-for-sale financial assets:						
– Changes in fair value	–	(276,831)	–	(276,831)	–	(276,831)
– Reclassified to profit or loss due to disposal	–	10,157	–	10,157	–	10,157
– Reclassified to profit or loss due to impairment losses	–	266,674	–	266,674	–	266,674
Total comprehensive income/ (expense) for the year	–	172	643,996	644,168	(118,344)	525,824
Release on disposal of a subsidiary	–	(629,460)	629,460	–	(1,045,218)	(1,045,218)
Acquisition of a subsidiary *(note 41)*	–	–	–	–	11,071	11,071
At 31 December 2015	2,232,349	936,297	(3,126,483)	42,163	86,090	128,253

Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2016

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000* *(Note 38)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016	2,232,349	936,297	(3,126,483)	42,163	86,090	128,253
Profit/(loss) for the year	–	–	105,712	105,712	(1,194)	104,518
Other comprehensive income/ (expense)						
Exchange differences arising on translation of a foreign subsidiary	–	173	–	173	–	173
Available-for-sale financial assets:						
– Changes in fair value	–	(62,334)	–	(62,334)	–	(62,334)
Total comprehensive (expense)/ income for the year	–	(62,161)	105,712	43,551	(1,194)	42,357
Release on disposal of a subsidiary *(note 26)*	–	–	–	–	(18,111)	(18,111)
At 31 December 2016	2,232,349	874,136	(3,020,771)	85,714	66,785	152,499

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Operating activities			
Profit/(loss) before tax from continuing operations		105,888	(579,913)
Loss before tax from discontinued operations	12	–	(202,219)
		105,888	(782,132)
Adjustments for:			
Allowance for doubtful debts of trade and other receivables		11,636	8,905
Allowance for inventories		–	27,726
Amortisation of deferred income on government grants received		(9,266)	(13,777)
Amortisation of leasehold land and land use rights and intangible assets		5,743	6,680
Depreciation for property, plant and equipment and investment properties		56,555	101,512
Loss on disposal of trade receivables		1,488	–
Finance costs		70,692	191,407
Impairment loss on available-for-sale financial asset		–	276,831
Gain on disposal of property, plant and equipment		(5,334)	(3,411)
Gain on disposal of non-current assets classified as held for sale		–	(5,998)
Gain on disposal of subsidiaries		(18,779)	–
Gain on deregistration of a subsidiary		(9,620)	–
Impairment loss on investment in an associate		–	40,145
Bank interest income		(2,879)	(7,886)
Provision for warranty		–	8,575
Legal compensation		–	14,849
Reversal of allowance for inventories		(1,782)	–
Reversal of cash-settled share-based payments expense		(8,622)	–
Share of profit of associates		(1,796)	174
Share of loss of a joint venture		209	–

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	2016 *RMB'000*	2015 *RMB'000*
Operating cash flows before movements in working capital		194,133	(136,400)
Changes in working capital			
Inventories		18,837	(66,225)
Trade and bills receivables, other receivables, deposits and prepayments		(270,843)	(321,176)
Trade and bills payables, other payables and accruals		193,078	677,297
Termination benefits		(39,311)	(45,267)
Deferred income		5,817	911
Cash generated from operations		101,711	109,140
Income tax paid		(1,434)	(448)
Net cash from operating activities		100,277	108,692
Investing activities			
Purchases of property, plant and equipment		(199,163)	(383,200)
Placement of restricted bank balances		(2,929)	(82,705)
Acquisition of subsidiary	41	–	(742)
Proceeds from disposal of assets held for sale		–	9,661
Interest received		2,879	7,886
Proceeds from disposal of property, plant and equipment		14,921	15,421
Net cash from disposal of a subsidiary	26	(10,193)	705,111
Investment in a joint venture		(36,000)	–
Net cash (used in)/from investing activities		(230,485)	271,432

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Financing activities			
Bank and other borrowings raised		1,510,490	1,818,938
Interest expense paid		(70,692)	(191,407)
Repayments of bank and other borrowings		(1,134,181)	(2,011,093)
Net cash from/(used in) financing activities		305,617	(383,562)
Net increase/(decrease) in cash and cash equivalents		175,409	(3,438)
Cash and cash equivalents at 1 January		252,596	255,862
Effect of foreign exchange rate changes		173	172
Cash and cash equivalents at 31 December, represented by bank balances and cash		428,178	252,596

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. General Information

IRICO Group New Energy Company Limited (the "Company") was established in the People's Republic of China (the "PRC") on 10 September 2004 as a joint stock company with limited liability under the Company Law of the PRC. The Company's shares were listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2004. The addresses of its registered office and principal place of business are No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

With effect from 10 March 2016, the name of the Company was changed from "IRICO Group Electronics Company Limited (彩虹集團電子股份有限公司)" to "IRICO Group New Energy Company Limited (彩虹集團新能源股份有限公司)". Details of the change were disclosed in the announcement on 13 November 2015 and the special resolution regarding the change of the name of the Company was passed by the shareholders at the EGM held the same day.

The Company and its subsidiaries (collectively referred to as the "Group") are engaged in solar photovoltaic business, new materials business, trading business and others.

The directors of the Company consider that IRICO Group Corporation ("IRICO Group") is the Company's parent company and the ultimate holding company is China Electronics Corporation ("CEC"), a state-owned enterprise established in the PRC.

The consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

2. Basis of Preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRS")

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

2. Basis of Preparation *(Continued)*

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following revised HKFRSs:

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

The initial application of these revised financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

HKFRS 14 "Regulatory Deferral Accounts" is not applicable to the Group.

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following HKFRSs in issue at 31 December 2016 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2016:

HKFRS 9 (2014)	Financial Instruments[2]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts[2]
Amendments to HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

2. Basis of Preparation *(Continued)*

(c) Hong Kong Financial Reporting Standards in issue but not yet effective *(Continued)*

The Group is in the process of making an assessment of what the impact of these standards and amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

(d) Adoption of going concern basis

The Group had net current liabilities of approximately RMB1,131.197 million as at 31 December 2016. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group and the Company will have sufficient working capital to meet its financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group and the Company to meet the Group's and the Company's liabilities and commitments as and when they fall due;

(ii) the directors of the Company anticipate that the Group and the Company will maintain adequate cash flows for its operations and existing investments or financing needs; and

(iii) the senior management aims to maintain flexibility in funding by keeping committed credit lines available.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group and the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for liabilities for cash-settled share-based payments and available-for-sale financial assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Interests in associates and a joint venture *(Continued)*

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds its interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or a joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's accounting policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets as held for sale are measured at the lower of their previous carrying amount and fair value less costs of sell.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position and Company's statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease included both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Leasing *(Continued)*

Leasehold land and building (Continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land and land use rights" in the consolidated and Company's statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interest as appropriate).

Borrowings costs

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.

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

3. Significant Accounting Policies *(Continued)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and Company's statement of financial positions and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution scheme or state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Pension and housing obligations

The full time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government-sponsored pension plans are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Voluntary payments made to certain former employees and which were not made pursuant to a formal or informal plan are expensed as paid.

Full time employees are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. Contributions to these funds are expensed as incurred. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Retirement benefit costs *(Continued)*

Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (1) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (2) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Early retirement benefits

Employee early retirement benefits are recognised in the period in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position and length of services. Early retirement benefits falling due more than twelve months after the reporting date are discounted at 4.6% to present value.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position statement of financial positions comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets of the Group are classified into the following specified categories: loans and receivables and available-for-sale investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, deposits, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Available-for-sale investment

Available-for-sale investment is non-derivative that is either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity investment is recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instrument, it is measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment losses on financial assets below).

Impairment losses on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment losses on financial assets *(Continued)*

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and an increase in the number of delayed payments in the portfolio past the average credit period of 90 days.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reserved in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable or other receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment losses on financial assets *(Continued)*

For financial assets measured at amortised cost, 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 losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranty

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Share-based payment transactions

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At the end of the reporting period, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

3. Significant Accounting Policies *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are Considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumption involves making judgments by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group and the Company have ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions as set out in Note 2.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in note 18, certain of the Group's rights to the use of the buildings were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company determine to recognise the buildings that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling the buildings.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Income tax expense

Determining income tax provisions involves estimation on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventories

The directors of the Company review the ageing analysis at the end of the reporting period, and make allowance for obsolete and slow-moving inventory items. The directors of the Company estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The directors of Company carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2016, the carrying amounts of the Group's inventories are approximately RMB113,563,000 (2015: RMB130,618,000) and net of allowance of inventories are approximately RMB14,236,000 (2015: RMB16,018,000).

Fair value measurements

Some of the Group's assets and liabilities are measured and disclosed at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value. Notes 6(c) and 19 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Liabilities for cash-settled share-based payments

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Binomial model, taking into accounts the terms and conditions upon which the instruments were granted. The option pricing models require the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options. The fair value of liabilities for cash-settled share-based payments is expensed over the period until vesting with recognition of a corresponding liability. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. The liability is measured at the end of each reporting period up to and including the settlement date with changes in fair value and recognised in the consolidated statement of profit or loss and other comprehensive income. As at 31 December 2016, the carrying amount is nil (2015: RMB8,622,000 and included in other payables and accruals).

Impairment of property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights

The Group tests at the reporting date whether property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights have suffered any impairment in accordance with accounting policies stated in Note 3. The recoverable amounts of those assets have been determined based on the higher of their fair value less costs to dispose and their value-in-use calculations which are prepared on the basis of management's assumptions and estimates taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. These calculations require the use of estimates such as the future revenue and discount rates.

No impairment has been recognised by the Group in respect of property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights for the two years ended 31 December 2016 and 2015.

Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and investment properties and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Amortisation of leasehold land, land use rights and intangible assets

Leasehold land, land use rights and intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the leasehold land, land use rights and intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Impairment of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2016, the carrying amounts of Group's interests in associates are approximately RMB33,517,000 (2015: RMB31,721,000). The Group did not recognise any impairment loss (2015: RMB40,145,000) during the year.

Allowance for doubtful debts of trade and bills receivables and other receivables

The directors of the Company regularly review the recoverability and age of the trade and bills receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

In determining whether allowance for doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2016, the Group's carrying amount of trade and bills receivables is approximately RMB622,119,000 (2015: RMB618,088,000), net of allowance for doubtful debts of approximately RMB29,626,000 (2015: RMB17,289,000). The Group's carrying amount of other receivables is approximately RMB67,654,000 (2015: RMB14,526,000), net of allowance for doubtful debts of approximately RMB418,000 (2015: RMB1,275,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings as disclosed in Note 35, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserves and accumulated losses.

The directors of the Company review the capital structure on a regular basis and monitor on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. Gearing ratio is calculated as the proportion of total debt to total capital.

The Group aimes at maintaining a gearing ratio of about 90% (2015: 90%). Based on the recommendations of the Company's directors, the Group intends to maintain a suitable ratio of share capital to liabilities, so as to maintain an effective capital structure from time to time.

The gearing ratio at the end of the reporting period was as follows:

	2016 *RMB'000*	2015 *RMB'000*
Total debt[(a)]	**2,069,294**	1,692,985
Net debt[(b)]	**1,641,116**	1,440,389
Total equity	**152,499**	128,253
Total capital (based on total debt)[(c)]	**2,221,793**	1,821,238
Net capital (based on net debt)[(d)]	**1,793,615**	1,568,642
Gearing ratio (based on total debt and total capital) *(%)*	**93.1**	93.0
Gearing ratio (based on net debt and net capital) *(%)*	**91.5**	91.8

Notes:

(a) Total debt equals to bank and other borrowings.

(b) Net debt equals to total debt less bank balances and cash.

(c) Total capital (based on total debt) equals to total debt plus total equity.

(d) Net capital (based on net debt) equals to net debt plus total equity

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

6. Financial Instruments

(a) Categories of financial instruments

	2016 *RMB'000*	2015 *RMB'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)		
Trade and bills receivables	622,119	618,088
Other receivables	70,621	64,652
Restricted bank balances	98,034	95,105
Bank balances and cash	428,178	252,596
	1,218,952	1,030,441
Available-for-sale financial assets	421,044	483,378
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade and bills payables	695,308	642,944
Other payables and accruals	563,591	490,448
Bank and other borrowings	2,069,294	1,692,985
	3,328,193	2,826,377

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, restricted bank balances, bank balances and cash, available-for sale financial assets, trade and bills payables, other payables and accruals and bank and other borrowings. Details of the financial instruments are disclosed in respective notes or below. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

6. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

Currency risk

The Group mainly operates in the PRC. Majority of its revenue and operating costs and cost of sales are denominated in RMB. Certain trade receivables and bank balances and cash of the Group are denominated in the United States Dollars ("USD"). Such USD denominated trade receivables and bank balances and cash are exposed to fluctuations in the value of RMB against USD in which these trade receivables, bank balances and cash, and bank and other borrowings are denominated. Any significant appreciation/depreciation of RMB against USD may result in significant exchange loss/gain (2015: loss/gain) which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

At the end of the reporting period, included in the trade receivables and bank balances and cash are the following amount denominated in USD which is other than the functional currency of the relevant group entities to which it relates.

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables	**21,896**	5,243
Bank balances and cash	**34,800**	21,591
	56,696	26,834

The Group currently does not have foreign currency hedging policy. However, the directors of the Company closely monitor currency risk and will consider hedging significant currency risk exposure should the need arise.

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in RMB against USD. 10% (2015: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

As of 31 December 2016, if RMB had strengthened/weakened 10% (2015: 10%) against USD, with all other variables held constant, the Group's profit for the year would have been approximately RMB5,670,000 lower/higher (2015: loss would have been higher/lower by RMB2,683,000), mainly as a result of foreign exchange losses/gains on translation of the USD denominated trade receivables and bank balances and cash.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

6. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank balances (Note 30) and fixed-rate bank borrowings (Note 35). The Group currently does not have an interest rate hedging policy. However, the directors of the Company closely monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 31) and variable-rate bank and other borrowings (Note 35). It is the Group's policy to keep its bank and other borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate and the People's Bank of China Prescribed Interest Rate arising from the Group's variable-rate bank and other borrowings and variable-rate obligations under finance leases respectively.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2015: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2015: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately RMB15,520,000 (2015: RMB12,736,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and variable-rate bank and other borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in available-for-sale financial assets. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating quoted in the Shanghai Stock Exchange.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

6. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2016, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the restricted bank balances, bank balances of the Group are maintained with state-owned banks in the PRC and banks in Hong Kong with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 93% (2015: 86%) of the total trade and bills receivables as at 31 December 2016.

For the year ended 31 December 2016, the Group has concentration of credit risk as 9% (2015: 4%) and 25% (2015: 6%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 8% (2015: 16%) and 24% (2015: 34%) of total turnover respectively.

The Group has policies in place to ensure that sale of products are made to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate impairment loss of trade and bills receivables have been made in the consolidated financial statements.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group is exposed to liquidity risk as at 31 December 2016 as the Group had net current liabilities of approximately RMB1,131,197,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management aims to maintain flexibility in funding by keeping committed credit lines available.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

6. Financial Instruments *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or within 1 year	1–5 years	Total undiscounted cash flows	Carrying amount at 31/12/2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2016				
Trade and bills payables	695,308	–	695,308	695,308
Other payables and accruals	572,650	–	572,650	572,650
Bank and other borrowings	1,607,118	595,550	2,203,668	2,069,294
	2,875,076	595,550	3,471,626	3,337,252

	On demand or within 1 year	1–5 years	Total undiscounted cash flows	Carrying amount at 31/12/2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2015				
Trade and bills payables	642,944	–	642,944	642,944
Other payables and accruals	499,507	–	499,507	499,507
Bank and other borrowings	1,665,393	277,584	1,942,977	1,692,985
	2,807,844	277,584	3,085,428	2,835,436

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

6. Financial Instruments *(Continued)*

(c) Fair value measurement of financial instruments

Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2016	31/12/2015		
	RMB'000	*RMB'000*		
Listed equity securities classified as available-for-sale financial	**318,028**	380,462	Level 1	Quoted bid prices in active market

There were no transfers into or out in level 1 in both reporting years.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue

Revenue represents revenue arising from solar photovoltaic business, new materials business, trading business and others.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance with focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

An operating segment regarding the TFT-LCD glass substrate and display devices production and sales business was discontinued during the year ended 31 December 2015 as a result of disposal of the IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司) ("A Share Company"), which are described in more detail in Note 26.

Due to the cease in production and sales of CPTs products, disposal of A Share Company and change of the name of the Company on 4 February 2016, the Group adjusted its business structure which led to a change in the composition of its reportable segments. Based on the new business structure, the Group has four reportable segments and corresponding items of segment information for the year ended 31 December 2015 have been restated for presentation on the same basis. The four reportable segments are set out as follows:

1. Solar photovoltaic business
2. New materials business – production and sales of luminous materials and lithium battery anode materials
3. Trading business – trading of solar modules and other related accessories
4. Others

Information regarding the above segments is reported below.

* English name for identification purpose only

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2016

Continuing operations

	Solar photovoltaic *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External sales	1,027,631	257,155	524,321	226	1,809,333
Segment profit	66,453	1,024	14,806	1,790	84,073
Unallocated income					136,689
Unallocated expenses					(95,393)
Finance costs					(39,847)
Gain on disposal of a subsidiary					18,779
Share of profit of associates					1,796
Share of loss of a joint venture					(209)
Profit before tax					105,888

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 December 2015

Continuing operations

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External sales	568,554	192,330	723,862	1,172	1,485,918
Segment loss	(36,375)	(5,630)	(3,468)	(565)	(46,038)
Unallocated income					41,017
Unallocated expenses					(191,546)
Impairment loss recognised in respect of the available-for-sale financial asset					(276,831)
Finance costs					(106,341)
Share of loss of associates					(174)
Loss before tax					(579,913)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs, depreciation of investment properties, directors' salaries, share of profit/(loss) of associates, share of loss of a joint venture, rental income, dividend income from available-for-sale investment, interest income and finance costs, gain on disposals of subsidiaries, available-for-sale investment and interest income. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2016 *RMB'000*	2015 *RMB'000*
Solar photovoltaic business	1,930,681	1,528,817
New materials business	344,580	383,138
Trading business	229,857	255,806
Others	100,036	123,805
Total segment assets	2,605,154	2,291,566
Unallocated assets	1,033,468	865,940
Consolidated total assets	3,638,622	3,157,506

Segment liabilities

	2016 *RMB'000*	2015 *RMB'000*
Solar photovoltaic business	879,269	884,662
New materials business	83,852	115,355
Trading business	233,361	74,299
Others	126,574	68,134
Total segment liabilities	1,323,056	1,142,450
Unallocated liabilities	2,163,067	1,886,803
Consolidated total liabilities	3,486,123	3,029,253

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets other than interests in associates, interest in a joint venture, investment properties, available-for-sale financial assets, restricted bank balances, tax recoverable, bank balances and cash and certain unallocated head office assets are allocated to operating segments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

– all liabilities other than tax payables, deferred tax liabilities, bank and other borrowings, obligations under finance leases, liabilities for cash-settled share-based payment and certain unallocated head office liabilities are allocated to operating segments. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2016

Continuing operations

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:						
Additions to non-current assets	164,899	5,606	3,095	–	–	173,600
Amortisation of leasehold land and land use rights and intangible assets	5,497	108	–	138	–	5,743
Depreciation of property, plant and equipment	50,622	1,943	1,097	1,757	–	55,419
Allowance/(reversal of allowance) for doubtful debts of trade and other receivables	6,475	5,258	48	(145)	–	11,636
Allowance/(reversal of allowance) for inventories	7,710	(3,790)	(5,702)	–	–	(1,782)
Gain on disposal of property, plant and equipment	(4,326)	–	(984)	(24)	–	(5,334)
Gain on sales of raw materials, scraps and packaging materials	(1,034)	(329)	(5,084)	(24)	–	(6,471)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2016 (Continued)

Continuing operations (Continued)

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:						
Grant and amortisation of deferred income on government grants received	(40,229)	(4,835)	(1,711)	–	–	(46,775)
Interests in associates	–	–	–	–	33,517	33,517
Share of profit of associates	–	–	–	–	(1,796)	(1,796)
Interest in a joint venture	–	–	–	–	35,791	35,791
Share of loss of a joint venture	–	–	–	–	209	209
Interest income	–	–	–	–	(2,879)	(2,879)
Finance costs	–	–	–	–	39,847	39,847
Income tax expenses	–	–	–	–	1,370	1,370
Depreciation of investment properties	–	–	–	–	1,136	1,136

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2015

Continuing operations

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:						
Additions to non-current assets	431,887	767	4,072	27,759	131,732	596,217
Amortisation of leasehold land and land use rights and intangible assets	2,720	108	28	2,971	–	5,827
Depreciation of property, plant and equipment	30,110	1,873	257	2,522	–	34,762
Allowance for doubtful debts of trade and other receivables	1,815	6,373	686	–	–	8,874
Allowance for inventories	520	1,468	1,109	265	–	3,362
Provision for warranty	1,904	–	–	2,000		3,904
Gain on disposal of property, plant and equipment	–	–	–	(2,697)	–	(2,697)
Gain on disposal of non-current assets classified as held for sale	–	–	–	(5,998)	–	(5,998)
Gain on sales of raw materials, scraps and packaging materials	(269)	(355)	–	(3,832)	–	(4,456)

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Other segment information *(Continued)*

For the year ended 31 December 2015 (Continued)

Continuing operations (Continued)

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:						
Amortisation of deferred income on government grants received	(2,681)	(11,096)	–	–	–	(13,777)
Interests in associates	–	–	–	–	31,721	31,721
Impairment loss recognised in respect of interests in associates	–	–	–	–	40,145	40,145
Share of loss of associates	–	–	–	–	174	174
Interest income	–	–	–	–	(7,803)	(7,803)
Finance costs	–	–	–	–	106,341	106,341
Income tax expenses	–	–	–	–	297	297
Depreciation of investment properties	–	–	–	–	699	699

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

8. Segment Information *(Continued)*

Geographical information

The Group's operation is located in the PRC (country of domicile).

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations as below:

	2016 *RMB'000*	2015 *RMB'000*
The PRC (excluding Hong Kong)	1,727,933	1,451,434
Hong Kong	–	314
Other countries	81,400	34,170
	1,809,333	1,485,918

An analysis of non-current assets excluding financial instruments by geographical location in which the assets are located has not been presented as the Group's non-current assets are all located in the PRC.

Information about major customers

The Group has identified no customer (2015: one) which individually represented over 10% of the Group's total external sales.

The sales to the major customer during the years are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Customer A[1]	–	265,014

1 Revenue from production of liquid crystal related products.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

9. Other Operating Income

	2016 *RMB'000*	2015 *RMB'000*
Continuing operations		
Gain on disposal of property, plant and equipment	5,334	2,697
Gain on disposal of non-current assets classified as held for sale	–	5,998
Interest income	2,879	7,803
Gain on sales of raw materials, scraps and packaging materials	6,471	4,456
Reversal of allowance for inventories	1,782	–
Rental income *(Note (a))*	21,106	18,310
Grants and amortisation of deferred income on government grants received *(Note 39)*	46,775	13,777
Overprovision of tax expenses for disposal of A Share Company	30,391	–
Gain on deregistration of a subsidiary	9,620	–
Reversal of cash-settled share-based payments	8,622	–
Others	3,709	3,434
	136,689	56,475

Note:

(a) The direct operating expenses from investment properties that generated rental income amounted to approximately RMB230,000 (2015: RMB290,000) for the year ended 31 December 2016.

10. Finance Costs

	2016 *RMB'000*	2015 *RMB'000*
Continuing operations		
Interest on:		
Bank and other borrowings	9,442	58,585
Discounted trade receivables to banks	625	289
Termination benefits *(Note 36)*	3,854	2,315
Amount due to parent company *(Note 43c(ii))*	25,926	45,152
Total borrowing costs	39,847	106,341

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

11. Income Tax Expense

	2016 *RMB'000*	2015 *RMB'000*
Continuing operations		
PRC Enterprise Income Tax		
Current tax	1,370	297
Deferred tax *(Note 40)*	–	–
Income tax expense	1,370	297

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both years ended 31 December 2016 and 2015.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25%.

The income tax expense for the year can be reconciled to the profit/(loss) before tax per the consolidated statement of profit or loss and comprehensive income as follows:

	2016 *RMB'000*	2015 *RMB'000*
Profit/(loss) before tax from continuing operations	105,888	(579,913)
Tax calculated at the statutory tax rate of 25% (2015: 25%)	26,472	(144,978)
Tax effect of share of loss of associates	50	44
Tax effect of share of loss of a joint venture	52	–
Tax effect of expenses not deductible for tax purpose	40,251	77,768
Tax effect of income not taxable for tax purposes	(15,784)	(125)
Tax effect of tax losses not recognised	(27,774)	67,588
Tax effect of deductible temporary differences not recognised	(21,897)	–
Income tax expense relating to continuing operation	1,370	297

Details of deferred taxation are shown in Note 40.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

12. Discontinued Operation

On 6 February 2015, the Group entered into a sale agreement to dispose of a subsidiary, A Share Company, and its subsidiaries, which carried out all of the Group's TFT-LCD glass substrate and display devices production and sales. The disposal was completed on 29 May 2015. The results of the disposed group are presented in the announcement as a discontinued operation.

The profit/(loss) for the year from the discontinued operation is analysed as follows:

	2016 *RMB'000*	2015 *RMB'000*
Loss of TFT-LCD glass substrate and display devices production and sales for the year	–	(202,219)
Gain on disposal of TFT-LCD glass substrate and display devices production and sales *(Note 26)*	–	1,308,081
	–	1,105,862

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

12. Discontinued Operation *(Continued)*

The results of the TFT-LCD glass substrate and display devices production and sales for the period from 1 January 2015 to 29 May 2015, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	2016 *RMB'000*	2015 *RMB'000*
Revenue	–	75,691
Cost of sales	–	(89,635)
Other operating income	–	3,062
Selling and distribution costs	–	(23,989)
Administrative expenses	–	(57,832)
Other operating expenses	–	(24,450)
Impairment loss recognised in respect of property, plant and equipment	–	–
Finance costs	–	(85,066)
Loss before tax	–	(202,219)
Income tax expenses	–	–
Loss for the period from discontinued operation	–	(202,219)
Profit/(loss) for the year from discontinued operation include the following:		
Allowance for inventories (included in other operating expenses)	–	24,364
Depreciation for property, plant and equipment	–	66,051
Depreciation for investment properties	–	59
Amortisation of leasehold land and land use rights	–	853
Amortisation of intangible assets	–	–
Provision for warranty	–	4,671
Interest income	–	(83)
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	–	31
Gain on disposal on property, plant and equipment	–	(714)
Employee benefit expenses	–	18,848

During the period from 1 January 2015 to 29 May 2015, A Share Company contributed RMB4,775,000 to the Group's net operating cash flows, paid RMB213,324,000 in respect of investing activities and received RMB319,093,000 in respect of financing activities. The carrying amounts of the assets and liabilities of A Share Company at the date of disposal are disclosed in Note 26.

13. Profit/(Loss) for the Year from Continuing Operations

Profit/(loss) for the year from continuing operations has been arrived at after charging:

	2016 *RMB'000*	2015 *RMB'000*
Cost of inventories recognised as an expense	1,588,755	1,447,291
Depreciation for property, plant and equipment	55,419	34,762
Depreciation for investment properties	1,136	640
Amortisation of leasehold land and land use rights	2,967	3,023
Amortisation of intangible assets	2,776	2,804
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	11,636	8,874
Research and development costs recognised as an expense	3,603	3,208
Allowance for inventories (included in administrative expenses)	–	3,362
Operating lease rentals in respect of leasehold land and land use rights	–	2,661
Operating lease rentals in respect of property, plant and equipment	11,340	14,964
Net foreign exchange losses	1,004	49
Provision for warranty	–	3,904
Legal compensation *(Note)*	–	14,849
Auditor's remuneration	2,520	2,520
Share of tax of associates (included in share of profit/(loss) of associates)	1,103	16

Note: The amount represents a compensation for breach of contract for acquisition of equity interest of an associated company. Listed equity securities of approximately RMB14,849,000 have been transferred to settle the amount during the year ended 31 December 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

14. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments

(a) Directors', chief executive's, supervisors' and senior management's emoluments

(i) The emoluments of each director, chief executive, supervisor and senior management pursuant to Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation for the year ended 31 December 2016 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Pension scheme contribution *RMB'000*	Performance-linked salary *(Note)* *RMB'000*	Total *RMB'000*
Executive directors					
Mr. Zou Changfu (Chief Executive) *(Note 1)*	–	301	61	–	362
Mr. Si Yuncong *(Note 2)*	–	–	–	–	–
Non-executive directors					
Mr. Huang Mingyan	–	–	–	–	–
Mr. Jiang Ahe *(Note 3)*	–	–	–	–	–
Mr. Chen Changqing *(Note 4)*	–	–	–	–	–
Independent non-executive directors					
Mr. Feng Bing	100	–	–	–	100
Mr. Wang Jialu	100	–	–	–	100
Mr. Wang Zhicheng	100	–	–	–	100
Supervisors					
Mr. Tang Haobo	–	235	61	–	296
Mr. Sun Haiying	80	–	–	–	80
Ms. Wu Xiaoguang	80	–	–	–	80
Mr. Zhao Lefei	–	176	59	–	235
Mr. Zhu Yiming *(Note 5)*	–	–	–	–	–
Senior management					
Mr. Hong Yuan	–	292	61	–	353
Mr. Ma Zhibin	–	284	61	–	345
Mr. Ma Jianchao *(Note 6)*	–	41	15	–	56
Mr. Chen Xiaoning *(Note 7)*	–	263	61	–	324
Mr. Yuan Guanqing *(Note 7)*	–	136	47	–	183
Mr. Gu Qiang *(Note 7)*	–	153	46	–	199
Mr. Wu Wenchao *(Note 7)*	–	246	46	–	292
Mr. Chu Xiaohang	–	212	61	–	273
	460	2,339	579	–	3,378

14. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors', chief executive's, supervisors' and senior management's emoluments *(Continued)*

(ii) The emoluments of each director, chief executive, supervisor and senior management pursuant to Section 78 of Schedule 11 to the Hong Kong Companies Ordinance for the year ended 31 December 2015 are set out below:

Name	Fee	Salaries and allowance	Pension scheme contribution	Performance-linked salary *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Mr. Zou Changfu *(Note 1)*	–	–	–	–	–
Mr. Si Yuncong *(Note 2)*	–	–	–	–	–
Mr. Guo Mengquan *(Note 9)*	–	–	–	–	–
Mr. Zhang Junhua *(Note 9)*	–	–	–	–	–
Non-executive directors					
Mr. Si Yuncong *(Note 8)*	–	–	–	–	–
Mr. Huang Mingyan	–	–	–	–	–
Mr. Jiang Ahe *(Note 3)*	–	–	–	–	–
Independent non-executive directors					
Mr. Xu Xinzhong *(Note 9)*	87	–	–	–	87
Mr. Feng Bing	100	–	–	–	100
Mr. Wang Jialu	100	–	–	–	100
Mr. Wang Zhicheng	100	–	–	–	100
Supervisors					
Mr. Tang Haobao	–	249	57	–	306
Mr. Sun Haiying	80	–	–	–	80
Ms. Wu Xiaoguang	80	–	–	–	80
Mr. Zhao Lefei	–	139	46	–	185
Mr. Zhu Yiming	–	–	–	–	–
Senior management					
Mr. Ma Zhibin	–	304	57	–	361
Mr. Zho Changfu	–	347	57	–	404
Mr. Chu Xiaohang	–	230	57	–	287
Mr. Ma Jianchao	–	272	57	–	329
Mr. Hong Yuan	–	302	57	–	359
	547	1,843	388	–	2,778

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

14. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors', chief executive's, supervisors' and senior management's emoluments *(Continued)*

Note: The performance-linked salary is based on operating appraisal results and basic salary of each director, supervisor and senior management, which is determined by reference to the appraisal grade and scores for the annual operating results of enterprise representative. Since 2009, 80% of the performance-linked salary is paid in the relevant period while the remaining 20% would be accumulated and deferred until the expiry of their contract. The performance-linked salary scheme was under executions for the three years ended 31 December 2011, which is expired during the year ended 31 December 2014.

During the year ended 31 December 2016 and 2015, all executive and non-executive directors emoluments are borne by IRICO Group Corporation. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services to the Group and their services to IRICO Group. The amounts disclosed above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking. No emoluments were paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

The cash-settled share-based payments expense of each director, supervisor and senior management for the years ended 31 December 2016 and 2015 are set out below:

Name	2016 *RMB'000*	2015 *RMB'000*
Executive directors		
Mr. Si Yuncong	–	–
Mr. Zho Changfu	–	–
Mr. Guo Mengquan	–	–
Mr. Xing Daoqin*	–	–
Mr. Zhang Junhua	–	–
Supervisors		
Mr. Tang Haobao	–	–
Senior management		
Mr. Chu Xiaohang	–	–
Mr. Ma Jianchao	–	–
	–	–

* Mr. Xing Daoqin has passed away on 6 November 2011, his granted scheme will be exercisable by his statutory successor until the scheme expiry date.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

14. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments *(Continued)*

(a) Directors', chief executive's, supervisors' and senior management's emoluments *(Continued)*

Notes:

1. Appointed on 13 November 2015.
2. Appointed on 24 September 2015.
3. Resigned on 18 May 2016.
4. Appointed on 18 May 2016.
5. Resigned on 18 January 2017.
6. Resigned on 6 April 2016.
7. Appointed on 6 April 2016.
8. Resigned on 24 September 2015.
9. Resigned on 13 November 2015.

(b) Five highest paid individuals

During the year 2016, the five individuals whose emoluments were the highest in the Group for the year include four senior management and one supervisor (2015: four senior management and one supervisors) whose emoluments are reflected in the analysis presented above. Their emoluments were within the band of less than HK$1,000,000 (equivalent to approximately RMB856,000 (2015: RMB838,000) for the year).

During the two years ended 31 December 2016 and 2015, no directors, chief executive, supervisors and senior management or the five highest paid individuals of the Company waived or agreed to waive any emoluments and no emolument was paid by the Group to any of the directors, chief executive, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

15. Employees' Emoluments (Excluding Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments)

	2016 *RMB'000*	2015 *RMB'000*
Wages and salaries	133,714	149,571
Retirement benefit contributions		
– pension obligations *(Note)*	22,814	34,214
– one-off termination benefits	5,265	1,345
– early retirement benefits	16,046	32,654
Welfare and social security costs	27,413	52,432
	205,252	270,216

Note: As stipulated by the rules and regulations in the PRC, the Group has participated in state-managed defined contribution retirement plans for its employees in the PRC. The Group and the eligible employees are required to contribute 20% and 8% (2015: 20% and 8%), respectively, of the employee's basic salary. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees. The Group has no further pension obligation beyond the above contributions. During the year ended 31 December 2016, the amount of RMB22,814,000 (2015: RMB34,214,000) of retirement benefit contributions for employees was recognised to profit and loss.

16. Dividend

No dividend was paid or proposed during the year ended 31 December 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

17. Earnings/(Loss) Per Share

For continuing and discontinued operations

The calculation of the basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

	2016 *RMB'000*	2015 *RMB'000*
Profit for the year attributable to the owners of the Company *(RMB'000)*	105,712	643,996
Weighted average number of ordinary shares in issue *('000 shares)*	2,232,349	2,232,349

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

17. Earnings/(Loss) Per Share *(Continued)*

For continuing operations

The calculation of basic and diluted earnings/(loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

Profit/(loss) figures are calculated as follows:

	2016 *RMB'000*	2015 *RMB'000*
Profit for the year attributable to the owners of the Company	105,712	643,996
Less: Profit for the year from discontinued operation	–	1,221,770
Profit/(loss) for the purpose of basic and diluted loss per share from continuing operations	105,712	(577,774)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

For discontinued operation

Basic and diluted earnings per share for the discontinued operation is nil per share (2015: profit of approximately RMB0.55 per share), based on the profit for the year attributable to the owners of the Company from the discontinued operation of nil (2015: profit of approximately RMB1,221,770,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

Diluted earnings/(loss) per share was the same as the basic earnings/(loss) per share for both continuing and discontinued operations as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

18. Property, Plant and Equipment

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2015	1,521,064	1,003,340	678,069	1,394,393	189,305	6,212,058	10,998,229
Additions	105	7,019	170,989	201,557	1,161	2,636	383,467
Reclassification upon completion	–	963	–	6,233	29	(7,225)	–
Acquisition of a subsidiary	702	6	–	–	76	–	784
Release upon disposal of a subsidiary	(886,840)	(661,111)	(203,212)	(1,552,240)	(142,434)	(4,140,802)	(7,586,639)
Disposals	(232)	(3,076)	–	(24,378)	(5,123)	–	(32,809)
At 31 December 2015 and 1 January 2016	634,799	347,141	645,846	25,565	43,014	2,066,667	3,763,032
Additions	1,110	229	25,790	4,159	1,270	166,605	199,163
Eliminated when transfer to asset held for sales	–	–	(25,563)	–	–	–	(25,563)
Reclassification upon completion	–	245,638	470,128	–	2,318	(718,084)	–
Transfer from investment properties	2,481	–	–	–	–	–	2,481
Release upon disposal of a subsidiary	(36,144)	(467)	(43,745)	–	–	–	(80,356)
Disposals	–	(17,494)	(98,272)	–	(1,289)	–	(117,055)
Transfer to investment properties	(25,012)	–	–	–	–	–	(25,012)
At 31 December 2016	577,234	575,047	974,184	29,724	45,313	1,515,188	3,716,690

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

18. Property, Plant and Equipment *(Continued)*

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation and impairment							
At 1 January 2015	248,633	556,333	672,230	88,482	91,927	2,851,811	4,509,416
Depreciation charged for the year	32,159	23,432	13,914	20,817	10,491	–	100,813
Release upon disposal of a subsidiary	(117,174)	(308,157)	(44,246)	(80,170)	(59,001)	(1,429,374)	(2,038,122)
Eliminated on disposals	(328)	(247)	(112)	(14,631)	(5,481)	–	(20,799)
At 31 December 2015 and 1 January 2016	163,290	271,361	641,786	14,498	37,936	1,422,437	2,551,308
Depreciation charged for the year	19,066	11,503	22,372	754	1,724	–	55,419
Transfer from investment properties	1,398	–	–	–	–	–	1,398
Transfer to investment properties	(13,053)	–	–	–	–	–	(13,053)
Reclassification upon completion	–	106,936	279,365	–	1,382	(387,683)	–
Release upon disposal of a subsidiary	(25,229)	(453)	(42,877)	–	–	–	(68,559)
Eliminated on disposals	–	(17,000)	(88,343)	(1,167)	(958)	–	(107,468)
At 31 December 2016	145,472	372,347	812,303	14,085	40,084	1,034,754	2,419,045
Carrying values							
At 31 December 2016	431,762	202,700	161,881	15,639	5,229	480,434	1,297,645
At 31 December 2015	471,509	75,780	4,060	11,067	5,078	644,230	1,211,724

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

18. Property, Plant and Equipment *(Continued)*

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	10 to 40 years
Machinery for electronics production	15 years
Machinery for glass production	6 to 18 years
Other machinery	18 years
Office equipment and others	5 years

The Group's depreciation charge of approximately RMB39,470,000 (2015: RMB100,813,000), nil (2015: RMB86,000) and RMB15,949,000 (2015: RMB12,158,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The official property title certificates of the Group's buildings with carrying value of approximately RMB423,153,000 (2015: RMB424,072,000) have not yet been issued by the relevant local government authorities. The directors of the Company are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced and the application of the title certificates are in progress.

As at 31 December 2016, bank borrowings of the Group amounting to approximately RMB137,500,000 (2015: RMB52,000,000) are secured by the Group's buildings with the carrying value of approximately RMB7,519,000 (2015: RMB14,720,000) (Note 35(i)).

As at 31 December 2016, the carrying values of property, plant and equipment pledged for other loans amounted to approximately RMB44,432,000 (2015: nil).

As at 31 December 2016, the interest expenses capitalised into construction in progress amounting to approximately RMB34,699,000 (2015: RMB32,681,000).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

19. Investment Properties

	RMB'000
Cost	
At 1 January 2015	11,470
Release upon disposal of a subsidiary	(2,391)
At 31 December 2015 and 1 January 2016	9,079
Reclassification from property, plant and equipment	25,012
Transfer to property, plant and equipment	(2,481)
At 31 December 2016	31,610
Depreciation	
At 1 January 2015	1,276
Release upon disposal of a subsidiary	(60)
Depreciation charged for the year	699
At 31 December 2015 and 1 January 2016	1,915
Depreciation charged for the year	1,136
Reclassification from property, plant and equipment	13,053
Transfer to property, plant and equipment	(1,398)
At 31 December 2016	14,706
Carrying values	
At 31 December 2016	16,904
At 31 December 2015	7,164

The above investment properties were depreciated on a straight-line basis at 3.33% per annum.

The investment properties were located in the PRC and were held to earn rentals or for capital appreciation. The investment properties are carried at cost less subsequent accumulated depreciation and any accumulated impairment losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

19. Investment Properties *(Continued)*

As at 31 December 2016 and 2015, in the opinion of the directors of the Company, the fair values of the investment properties were approximated to their carrying values with reference to the recent market prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2016 are as follows:

	Level 2	Fair value as at 31 December 2016
	RMB'000	*RMB'000*
Residential properties located in the PRC	16,904	16,904

The valuation technique used in the valuating the investment properties is direct comparison method. Direct comparison method based on market observable transactions of similar properties and adjust to reflect the conditions and locations of the subject properties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

20. Leasehold Land and Land Use Rights

	RMB'000
Cost	
At 1 January 2015	231,199
Release upon disposal of a subsidiary	(102,307)
At 31 December 2015 and 1 January 2016	**128,892**
Release upon disposal of a subsidiary	**(2,806)**
At 31 December 2016	**126,086**
Amortisation	
At 1 January 2015	19,749
Provided for the year	3,876
Release upon disposal of a subsidiary	(11,993)
At 31 December 2015 and 1 January 2016	**11,632**
Provided for the year	**2,967**
Release upon disposal of a subsidiary	**(664)**
At 31 December 2016	**13,935**
Carrying values	
At 31 December 2016	**112,151**
At 31 December 2015	117,260

The Group's leasehold land and land use rights comprise:

	2016 *RMB'000*	2015 *RMB'000*
Analysed for reporting purposes as:		
– current asset (included in other receivables, deposits and prepayments)	**2,965**	3,023
– non-current asset	**109,186**	114,237
	112,151	117,260

As at 31 December 2016, bank borrowings of the Group amounting to approximately RMB137,500,000 (2015: RMB52,000,000) are secured by the Group's leasehold land and land use rights.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

21. Intangible Assets

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Mining right *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2015	367,288	4,483	–	371,771
Acquisition of a subsidiary	–	–	27,757	27,757
Release upon disposal of a subsidiary	(3,172)	(2,394)	–	(5,566)
At 31 December 2015, 1 January 2016 and 31 December 2016	364,116	2,089	27,757	393,962
Amotisation				
At 1 January 2015	367,288	4,455	–	371,743
Provided for the year	–	28	2,776	2,804
Release upon disposal of a subsidiary	(3,172)	(2,394)	–	(5,566)
At 31 December 2015 and 1 January 2016	364,116	2,089	2,776	368,981
Provided for the year	–	–	2,776	2,776
At 31 December 2016	364,116	2,089	5,552	371,757
Carrying values				
At 31 December 2016	–	–	22,205	22,205
At 31 December 2015	–	–	24,981	24,981

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licences for technical knowledge	20 years
Computer software	5 years
Mining right	10 years

The Group's amortisation of approximately RMB2,776,000 (2015: RMB2,804,000) has been included in the administrative expenses.

All of the Group's intangible assets were acquired from third parties.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

22. Investment in Subsidiaries

	2016 *RMB'000*	2015 *RMB'000*
Investments, at cost:		
Unlisted equity interest	1,586,928	789,703
Less: impairment loss on unlisted equity investments	(624,373)	(663,673)
	962,555	126,030

As at 31 December 2016 and 2015, the Company had direct and indirect interests in the following subsidiaries, all of which were established and operated in the PRC. The particulars of the principal subsidiaries are set out below:

Name	Registered paid in capital	Proportion ownership interest/voting power held by the Company Directly	Indirectly	Principal activities
IRICO Kunshan Industry Co., Ltd.	RMB60,000,000	80%	10%	Investment in properties
Shaanxi IRICO New Material Co., Ltd. (formerly know as Shaanxi IRICO Phosphor Material Co., Ltd.)	RMB95,000,000	47.89%	28.42%	Production of luminous materials and lithium battery anode materials
IRICO (Heifei) Photovoltaic Co., Ltd.	RMB905,000,000	100%	–	Production and sales of photovoltaic glasses
IRICO Shadow Mask	USD5,000,000	75%	25%	Development and production of the flat shadow
Zhuhai Caizhu Industrial Co., Ltd.	RMB50,000,000	100%	–	Investment in properties
IRICO Group Electronics (Hong Kong) Company Limited	HK$260,000	100%	–	Investment holding
Zhongshan Caizhu Electronics and Technology Co., Ltd.	RMB2,000,000	–	100%	Manufacture of electronic devices and components

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

22. Investment in Subsidiaries *(Continued)*

Name	Registered paid in capital	Proportion ownership interest/voting power held by the Company Directly	Indirectly	Principal activities
合肥彩虹新能源有限公司	RMB245,000,000	100%	–	Development of solar photovoltaic project
漢中佳潤澤礦業開發有限責任公司	RMB3,000,000	51%	–	Mining exploration
咸陽彩虹綠色能源有限公司	RMB100,000,000	100%	–	Operation of solar photovoltaic power station
禮泉彩虹新能源有限公司	RMB2,500,000	–	100%	Operation of solar photovoltaic power station
武漢彩虹綠色能源有限公司	RMB10,700,000	–	100%	Operation of solar photovoltaic power station
南京彩虹新能源有限公司	RMB12,000,000	–	100%	Operation of solar photovoltaic power station
彩虹(延安)新能源有限公司	RMB100,000,000	100%	–	Production of photovoltaic glasses and operation of solar photovoltaic power station

None of subsidiaries had issued any debt securities at the end or at any time during the year ended 31 December 2016 (2015: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

22. Investment in Subsidiaries *(Continued)*

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of incorporation and principal place of business	Proportion ownership interest and voting power held by the non-controlling interests		Loss allocated to non-controlling		Accumulated non-controlling interests	
		2016	2015	**2016**	2015	**2016**	2015
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
A Share Company	The PRC	**–**	–	**–**	(115,908)	**–**	–
Shaanxi IRICO Phosphor Material Co., Ltd	The PRC	**23.69%**	23.69%	**417**	(1,453)	**52,604**	52,187
漢中佳潤澤礦業開發有限責任公司	The PRC	**49.00%**	49.00%	**(1,387)**	(790)	**8,893**	10,280
IRICO Kunshan Industry Co., Ltd	The PRC	**10.00%**	10.00%	**(217)**	(748)	**5,288**	5,505
Xianyang IRICO Electronic Parts Co., Ltd	The PRC	**–**	40.00%	**(7)**	555	**–**	18,118
				(1,194)	(118,344)	**66,785**	86,090

23. Interest in Associates

	2016	2015
	RMB'000	*RMB'000*
Cost of investment in associates – unlisted equity interests in the PRC	78,464	78,464
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(4,802)	(6,598)
	73,662	71,866
Less: provision for impairment loss on investments in associates	(40,145)	(40,145)
	33,517	31,721

As at 31 December 2016 and 2015, the Group had interests in the following associates, all of which were established and operated in the PRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

23. Interest in Associates *(Continued)*

Name	Registered paid in capital *RMB'000*	Proportion ownership interest/voting power held by the Company Directly	Indirectly	Principal activities
Shenzhen Ruisheng Phosphor Material Co., Ltd.	4,000	–	40%	Production regenerated red, green and blue phosphor materials
Jiangsu Yongneng Photovoltaic Technology Co., Ltd. ("Jiangsu Yongneng")	73,500	21%	–	Research and development and manufacturing of solar cells, solar modules and research and development, design, installation, maintenance and sales of solar photovoltaic systems and photovoltaic integrated products

All of these associates are accounted for using the equity method in these consolidated financial statements.

Information of the associates that are not individually material, the aggregated financial information of associates is summarised as below:

	2016 *RMB'000*	2015 *RMB'000*
The Group's share of profit/(loss) for the year	**1,796**	(174)
The Group's share of other comprehensive expense for the year	**–**	–
The Group's share of profit/(loss) for the year and total comprehensive expense for the year	**1,796**	(174)
Carrying amount of the Group's interests in the associates	**33,517**	31,721

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

24. Interest in a Joint Venture

	2016 *RMB'000*	2015 *RMB'000*
Cost of investment in joint venture – unlisted equity interests in the PRC	36,000	–
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(209)	–
	35,791	–

As at 31 December 2016, the Group had interests in the following joint venture, which was established and operated in the PRC.

Name	Registered paid in capital *RMB'000*	Proportion ownership interest and voting power held by the Company Directly	 Indirectly	Principal activities
神木彩景光伏發電有限公司	72,000	–	50%	Operation of solar photovoltaic power station

The joint venture is accounted for using the equity method in these consolidated financial statements.

The financial information of the joint venture is summarised as below:

	2016 *RMB'000*
The Group's share of loss for the year	209
The Group's share of other comprehensive expense for the year	–
The Group's share of loss for the year and total comprehensive expense for the year	209
Carrying amount of the Group's interests in the joint venture	35,791

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

25. Available-for-sale Financial Assets

	2016 *RMB'000*	2015 *RMB'000*
Listed equity securities, at fair value *(Note a)*	**318,028**	380,462
Unlisted equity securities, at cost *(Note b)*	**103,016**	102,916
	421,044	483,378

Notes:

(a) As at 31 December 2016, the listed investments substantially comprise of the investment in equity interests in A Share Company, which is directly held as to approximately 4.8% by the Group. A Share Company is a company listed on the Shanghai Stock Exchange.

As at 31 December 2016, bank borrowings of the Group amounting to approximately RMB60,000,000 are secured by the Group's 27,695,673 unrestricted tradable shares in A Share Company.

(b) The unlisted equity securities are 7.30% equity interest issued by a private entity, Shannxi Caihong Electronics Glass Co., Ltd. (陝西彩虹電子玻璃有限公司), established in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

26. Disposal of Subsidiaries

For the year ended 31 December 2016

On 9 May 2016, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("Xianyang IRICO"), a subsidiary of CEC, entered into the agreement, pursuant to which the Company agreed to sell, and Xianyang IRICO agreed to acquire 60% of equity interests in Xianyang IRICO Electronic Accessories Co., Ltd.* (咸陽彩虹電子配件有限公司) ("IRICO Accessories") at a cash consideration of approximately RMB45,945,900. As a result of such disposal, the Company ceased to have any interest in IRICO Accessories. The relevant procedures for equity transfer and registration was completed on 7 December 2016.

* English name for identification purpose only

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

26. Disposal of Subsidiaries *(Continued)*

For the year ended 31 December 2016 *(Continued)*

The net assets and liabilities of IRICO Accessories at the date of disposal as at 30 April 2016 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities disposal of:	
Properties, plant and equipment	11,797
Leasehold land and land use right	2,123
Trade and bills receivables	26,667
Other receivables	3
Bank balances and cash	10,193
Trade and bills payables	(456)
Other payables	(2,927)
Termination benefit	(2,122)
	45,278
Gain on disposal of a subsidiary:	
Consideration received	45,946
Net assets disposed of	(45,278)
Non-controlling interests	18,111
Gain on disposal	18,779
Net cash outflow arising on disposal:	
Consideration	45,946
Settlement through current account included in other payables and accruals	(45,946)
Cash and cash equivalents disposed of	(10,193)
	(10,193)

During the period from 1 January 2016 to 30 April 2016, IRICO Accessories contributed a loss and net cash outflow of approximately RMB16,000 and RMB23,000 to the Group's profit and net cash flows respectively.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

26. Disposal of Subsidiaries *(Continued)*

For the year ended 31 December 2015

On 6 February 2015, the Company and Xianyang IRICO, a subsidiary of CEC, entered into the agreement, pursuant to which the Company conditionally agreed to sell, and Xianyang IRICO conditionally agreed to acquire, 99,460,000 shares of A Share Company, representing approximately 13.5% of the issued share capital of A Share Company, at a cash consideration of approximately RMB897,129,000 with related tax expenses incurred of approximately RMB34,671,000. The transaction is completed on 29 May 2015.

The consolidated net assets and liabilities of A Share Company and its subsidiaries at the date of disposal as at 29 May 2015 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities disposal of:	
Properties, plant and equipment	5,548,517
Leasehold land and land use right	90,314
Investment properties	2,331
Trade and bills receivables	176,258
Other receivables	821,467
Inventories	140,002
Bank balances and cash	157,347
Trade and bills payable	(858,062)
Other payable	(113,475)
Bank and other borrowings	(4,308,369)
Deferred income	(281,677)
	1,374,653

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

26. Disposal of Subsidiaries *(Continued)*

For the year ended 31 December 2015 *(Continued)*

	Total *RMB'000*
Gain on disposal of a subsidiaries:	
Net consideration received	862,458
Fair value of the equity interests retained classified as available-for-sale financial assets	775,058
Net assets disposed of	(1,374,653)
Non-controlling interests	1,045,218
Gain on disposal	1,308,081
The gain on disposal is included in the profit for the period from discontinued operation *(see Note 12)*	
Cash consideration	862,458
Cash and cash equivalents disposed of	(157,347)
	705,111

During the period from 1 January 2015 to 29 May 2015, the A Share Company contributed a loss and cash inflow from operating activities of approximately RMB202,219,000 and RMB4,775,000 to the Group's loss and net cash flows respectively.

27. Inventories

	2016 *RMB'000*	2015 *RMB'000*
Raw materials	30,978	47,470
Work in progress	2,834	4,050
Finished goods	68,366	78,708
Consumables	25,621	16,408
	127,799	146,636
Allowance of inventories	(14,236)	(16,018)
	113,563	130,618

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

28. Trade and bills receivables

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables		
Third parties	469,549	467,226
Related parties *(Note 43E)*	35,401	10,755
	504,950	477,981
Less: allowance for doubtful debts	(29,626)	(17,289)
Trade receivables – net	475,324	460,692
Trade bills receivables		
Third parties	146,795	157,396
Total trade and bills receivables	622,119	618,088

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The Group allows an average credit period of 90 days (2015: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates are as follows:

	2016 *RMB'000*	2015 *RMB'000*
0 to 90 days	388,337	349,625
91 to 180 days	160,242	121,801
181 to 365 days	32,506	92,902
Over 365 days	41,034	53,760
	622,119	618,088

Included in the Group's trade receivables are debtors (see below for aged analysis) with aggregate carrying amount of approximately RMB122,914,000 (2015: RMB106,275,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

28. Trade and bills receivables *(Continued)*

The aging analysis of trade receivables that are not considered to be impaired was as follow:

	2016 *RMB'000*	2015 *RMB'000*
Neither past due nor impaired	499,205	511,813
Past due but not impaired:		
91 to 180 days	85,564	63,400
181 to 365 days	30,507	34,184
Over 365 days	6,843	8,691
	122,914	106,275
Total	622,119	618,088

The Group's past due but not impaired trade receivables mainly represent sales made to a large number of diversified and recognised and creditworthy customers. Customers who trade on credit terms are subject to credit verification procedures. No impairment loss is required for the past due balance based on the historical payment records.

The Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the allowance for doubtful debts of trade receivables is as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	17,289	9,735
Disposal of a subsidiary	(156)	(167)
Impairment losses recognised on trade receivables	12,803	7,958
Amounts recovered during the year	(310)	(237)
At 31 December	29,626	17,289

Included in the allowance for doubtful debts of the Group is individually impaired trade receivables with an aggregated balance of approximately RMB29,626,000 (2015: RMB17,289,000) which has either been placed under liquidation or in severe financial difficulties.

As at 31 December 2016, the Group has approximately RMB11,418,000 (2015: RMB5,243,000) of trade receivables were denominated in USD while the remaining were denominated in RMB.

As at 31 December 2016, other borrowings of the Group amounting to approximately RMB401,000,000 (2015: RMB nil) are secured by its trade receivables with the carrying amount of approximately RMB100,000,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

29. Other receivables, deposits and prepayments

	2016 *RMB'000*	2015 *RMB'000*
Other receivables	68,072	15,801
Less: allowance for doubtful debts	(418)	(1,275)
	67,654	14,526
Leasehold land and land use rights *(see Note 20)*	2,965	3,023
Deposits and prepayments	266,980	86,355
Value-added tax recoverables	74,134	80,850
	411,733	184,754

The Group's other receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the age of balances and credit history of the counter parties. Consequently, specific impairment loss was recognised. The Group does not hold any collateral over these balances. The movement in the allowance for doubtful debts of other receivables is as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	1,276	3,643
Disposal of a subsidiary	–	(2,726)
Impairment losses recognised on other receivables	2	947
Amounts recovered during the year	(860)	(589)
At 31 December	418	1,275

Included in the allowance for doubtful debts of the Group are individually impaired other receivables with an aggregated balance of approximately RMB418,000 (2015: RMB1,275,000) which have been placed in severe financial difficulties.

30. Restricted Bank Balances

All restricted bank balances are denominated in RMB.

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of bank acceptance notes to suppliers.

As at 31 December 2016, the fixed interest rates on restricted bank balances, with maturities from 3 months to 1 year (2015: from 3 months to 1 year), are ranging from 1.85% to 2.25% (2015: 1.83% to 2.88%) per annum.

31. Bank Balances and Cash

The carrying amounts of the Group's bank balances and cash included balance denominated in the following foreign currency:

	2016 *RMB'000*	2015 *RMB'000*
HKD	78	73
USD	34,800	21,647

The effective interest rate on other bank balances was at 0.31% (2015: 0.31%) per annum.

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

32. Non-Current Assets Classified as held for Sale

The Group planned to dispose of certain glass production related plants and equipment in Economic Development Zone, Changsha City, Hunan Province.

The related plants and equipment with carrying amount of approximately RMB25,563,000 are classified as held for sale as at 31 December 2016.

33. Trade and Bills Payables

	2016 *RMB'000*	2015 *RMB'000*
Trade payables		
Third parties	318,908	275,096
Related parties *(Note 43E)*	174,362	189,058
	493,270	464,154
Trade bills payables		
Third parties	202,038	178,790
Total trade and bills payables	695,308	642,944

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

33. Trade and Bills Payables *(Continued)*

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2016 *RMB'000*	2015 *RMB'000*
0 to 90 days	450,171	417,565
91 to 180 days	126,919	78,368
181 to 365 days	33,607	120,837
Over 365 days	84,611	26,174
	695,308	642,944

The average credit period on purchases of goods is 90 days (2015: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

34. Other Payables and Accruals

	2016 *RMB'000*	2015 *RMB'000*
Amount due to parent company *(Note 43C(i))*	5,188	131,287
Cash-settled share-based payments *(Note (i))*	–	8,622
Others	567,462	359,598
	572,650	499,507

Notes:

(i) The Group implemented a share appreciation rights ("SARs") scheme to motivate and award the directors of the Company, supervisors, senior management and certain employees. Under this SARs scheme, SARs are granted in units representing one H share. No shares will be issued under the SARs scheme. Upon exercise of the SARs, a recipient will receive, subject to any applicable withholding tax, a cash payment in RMB, translated from the Hong Kong dollars amount equal to the product of the number of SARs exercised and the difference between the exercise price and market price of the Company's H shares at the date of exercise based on the applicable exchange rate between RMB and Hong Kong dollars at the date of the exercise. The Company recognises compensation expense of the SARs over the applicable vesting period.

The SARs scheme had been approved by State-owned Assets Supervision and Administration Commission of the State Council on 15 February 2004.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

34. Other Payables and Accruals *(Continued)*

Notes: (Continued)

(i) *(Continued)*

Particulars of SARs scheme granted by the Group as at 31 December 2016 and 2015 are as follows:

For the year ended 31 December 2016

Date of grant	Vesting period	Outstanding balance as at 1 January 2016	Expired during the year	Outstanding balance as at 31 December 2016
21 March 2010	21 March 2012 to 23 March 2014	8,860,000	8,860,000	–

For the year ended 31 December 2015

Date of grant	Vesting period	Outstanding balance as at 1 January 2015	Expired during the year	Outstanding balance as at 31 December 2015
21 March 2010	21 March 2012 to 23 March 2014	8,860,000	–	8,860,000

The fair value of the SARs outstanding as of 31 December 2015 is determined using the Binomial model based on the estimated future cash flows, which are based on the management's experience and historical payment record, risk-free rate ranging from 0.31% to 1.76% and expected volatility 9.62%.

(ii) Under the scheme, all SARs had a contractual life of five to six years from the date of grant. A recipient of the SARs could not exercise the rights in the first year after the date of grant for which the SARs were granted before 1 January 2008. As at each of the second, third and fourth year after the date of grant, the total number of SARs exercisable may not in aggregate exceed one-third, two-third and 100%, respectively, of the total SARs granted to such person.

The SARs which have not been exercised after the expiration of the SARs scheme shall be lapsed.

At 31 December 2016, the Group has recorded liabilities of approximately nil (2015: RMB8,622,000) and recorded total income of approximately RMB8,622,000 (2015: nil) for the year then ended. During the year ended 31 December 2016, the total payment for the SARs scheme amounted to nil (2015: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

35. Bank and Other Borrowings

	Notes	2016 *RMB'000*	2016 *RMB'000*
Bank loans – secured	(i)	137,500	52,000
Bank loans – unsecured	(ii)	434,800	538,762
Other loans – secured	(iii)	401,000	–
Other loans – unsecured	(iv)	1,095,994	1,102,223
		2,069,294	1,692,985

	2016 *RMB'000*	2015 *RMB'000*
Carrying amount repayable:		
On demand or within one year	1,552,684	1,466,365
More than one year, but not exceeding two years	220,840	200,000
More than two years, but not more than five years	295,770	26,620
	2,069,294	1,692,985
Less: Amounts shown under current liabilities	(1,552,684)	(1,466,365)
Amounts shown under non-current liabilities	516,610	226,620

Notes:

(i) The balances are used for general working capital of the Group. As at 31 December 2016, the Group's secured bank borrowings of approximately RMB137,500,000 (2015:RMB52,000,000) are secured by certain leasehold land and land use rights (Note 20), buildings (Note 18), available-for-sale financial assets (note 25) and bank balances of the Group.

(ii) The Group's unsecured bank loans included specific loans of approximately RMB233,800,000 (2015:RMB97,142,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass. The remaining balances are used for general working capital of the Group. The unsecured bank loans are guaranteed by parent company.

(iii) The balances are used for general working capital of the Group. As at 31 December 2016, the Group's secured other borrowings of approximately RMB401,000,000 (2015: RMB nil) are secured by its trade receivable (note 28) and property, plant and equipment (note 18).

(iv) The Group's unsecured other loans included loans amount of approximately RMB1,042,284,000 (2015: RMB832,071,000) from parent company. The remaining balances were for the purpose of general working capital from an independent third party, which were guaranteed by parent company.

As at 31 December 2016 and 2015, all the Company's borrowings are denominated in RMB.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

35. Bank and Other Borrowings *(Continued)*

As at 31 December 2016 and 2015, all short term and long term bank and other borrowings are based on fixed and floating interest rates. The ranges of effective interest rates on the borrowings are as follows:

	2016 *RMB'000*	2015 *RMB'000*
Effective interest rates:		
Short term bank borrowings at fixed rate	**4.35%–5.7%**	4.75%–6.72%
Short term bank borrowings at floating rate	**4.89%–5.44%**	5.00%–6.72%
Short term other borrowings at fixed rate	**1.2%–5.23%**	4.35%–6%
Long term bank borrowings at fixed rate	**4.79%–5.7%**	6.13%–7.45%
Long term bank borrowings at floating rate	**4.89%**	3.17%–6.73%
Long term other borrowings at fixed rate	**4.75%–4.99%**	–
Long term other borrowings at floating rate	**–**	6.27%

36. Termination Benefits

Termination benefits represent early retirement allowance payable to the employees of the Group.

The maturity profile of the termination benefits is as follows:

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	**37,197**	69,788
Charged to consolidated statement of profit or loss and other comprehensive income	**36,813**	86,254
Interest *(Note 10)*	**3,854**	2,315
Payments made during the year	**(35,808)**	(74,868)
At 31 December	**42,056**	83,489
Less: Amounts shown under current liabilities	**(12,099)**	(46,292)
Amounts shown under non-current liabilities	**29,957**	37,197

The amount represented early retirement allowance payable to the employees of the Group. Compensation for early retirement is recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

37. Share Capital

	Domestic shares		H shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Registered, issued and fully paid:						
At 1 January 2015 and 31 December 2015, 1 January 2016 and 31 December 2016	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

Note: The H shares rank pari passu in all respects with the domestic shares and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of any other country other than the PRC. The transfer of the domestic shares is subject to such restrictions as the PRC laws may impose from time to time.

38. Other Reserves

	Capital reserve	Statutory surplus reserve	Merger reserve	Exchange reserve	Revaluation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*				
At 1 January 2015	1,580,728	23,530	(42,414)	3,741	–	1,565,585
Exchange difference arising on translation of a foreign subsidiary	–	–	–	172	–	172
Available-for-sale financial assets:			–	–	–	–
– Changes in fair value	–	–	–	–	(276,831)	(276,831)
– Reclassified to profit or loss due to disposal	–	–	–	–	10,157	10,157
– Reclassified to profit or loss due to impairment losses	–	–	–	–	266,674	266,674
Total comprehensive expense for the year	–	–	–	172	–	172
Disposal of a subsidiary	(671,874)	–	42,414	–	–	(629,460)

38. Other Reserves *(Continued)*

	Capital reserve *RMB'000* *(Note (i))*	Statutory surplus reserve *RMB'000* *(Note (ii))*	Merger reserve *RMB'000*	Exchange reserve *RMB'000*	Revaluation reserve *RMB'000*	Total *RMB'000*
At 31 December 2015 and 1 January 2016	908,854	23,530	–	3,913	–	936,297
Exchange difference arising on translation of a foreign subsidiary	–	–	–	173	–	173
Available-for-sale financial assets:						
– Changes in fair value	–	–	–	–	(62,334)	(62,334)
Total comprehensive income/ (expense) for the year	–	–	–	173	(62,334)	(62,161)
At 31 December 2016	908,854	23,530	–	4,086	(62,334)	874,136

Notes:

(i) Capital reserve

Upon incorporation of the Company on 10 September 2004, the historical net value of the assets, liabilities and interests transferred to the Company were converted into the Company's capital with all the existing reserves eliminated and the resulting difference dealt with in the capital reserve. Accordingly, a capital reserve, being the difference between the amounts of share capital issued and historical net value of the assets, liabilities and interests transferred to the Company, was presented in the reserves of the Group. Separate class of reserves, including accumulated profits, of the Group prior to the incorporation of the Company were not separately disclosed as all these reserves have been capitalised and incorporated in the capital reserve of the Group.

For the Group's capital reserves, it also comprises of reserves from transactions with the non-controlling interests and deemed contributions from owners of the Company.

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with accounting principles and financial regulations applicable to PRC enterprises ("PRC GAAP") to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

39. Deferred Income

The deferred income represents government grants and is amortised to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

	Government grants related to acquisition of property, plant and equipment *RMB'000*	Government grants related to research and development expenditure *RMB'000*	Government Grants related to housing subsidies, training, education and other miscellaneous projects *RMB'000*	Government compensation for relocation of factories *RMB'000*	Total *RMB'000*
At 1 January 2015	129,340	243,856	5,616	17,977	396,789
Additions	–	311	600	–	911
Released upon disposal of a subsidiary	(96,271)	(185,406)	–	–	(281,677)
Amortised during the year *(Note 9)*	(1,250)	(9,463)	(1,957)	(1,107)	(13,777)
At 31 December 2015 and 1 January 2016	31,819	49,298	4,259	16,870	102,246
Additions	–	–	–	5,817	5,817
Amortised during the year *(Note 9)*	(1,061)	(5,507)	(1,591)	(1,107)	(9,266)
At 31 December 2016	30,758	49,608	2,668	15,763	98,797

40. Deferred Tax Liabilities

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2015: 25%) except for certain subsidiaries mentioned in Note 11 which are subject to tax concession to pay income tax at 15% (2015: 15%).

The following are the deferred tax liabilities recognised and movements thereof during the current and prior year:

	Accelerated tax Depreciation *RMB'000*
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	(7,232)

The deferred income tax liabilities are to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unused tax losses of approximately RMB981,492,000 (2015: RMB1,092,588,000) where, in the opinion of the directors of the Company, it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses. The Group's unrecognised deferred tax assets in respect of tax losses will expire progressively until 2021 (2015: 2020).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB1,169,895,000 (2015: RMB1,257,484,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

41. Acquisition of a Subsidiary

For the year ended 31 December 2015

On 4 June 2015, the Group acquired 51% of the issued share capital of 漢中佳潤澤礦業開發有限責任公司 ("佳潤澤") for consideration of approximately RMB11,523,000. This acquisition has been accounted for using the acquisition method. 佳潤澤 is engaged in mining of quartz sand. 佳潤澤 was acquired so as to continue the expansion of the Group's photovoltaic glass operations.

Consideration transferred

	RMB'000
Cash	1,000
Other payable	10,523
	11,523

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	784
Intangible assets	27,757
Trade and other receivables	575
Bank balances and cash	258
Trade and other payable	(6,780)
	22,594

The fair value of trade and other receivables at the date of acquisition amounted to approximately RMB575,000. The gross contractual amounts of those trade and other receivables acquired amounted to approximately RMB580,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to approximately RMB5,000.

The non-controlling interests (49%) in 佳潤澤 recognised at the acquisition date was measured by reference to its proportionate share in 佳潤澤's net assets and amounted to approximately RMB11,071,000.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

41. Acquisition of a Subsidiary *(Continued)*

Net cash outflow on acquisition of 佳潤澤

	RMB'000
Cash consideration paid	1,000
Less: cash and cash equivalent balances acquired	(258)
	742

Included in the loss for the year is approximately RMB1,614,000 attributable to the additional business generated by 佳潤澤. No revenue for the year ended 31 December 2015 was generated from 佳潤澤.

42. Commitments

Capital expenditure

	2016 *RMB'000*	2015 *RMB'000*
Contracted for but not provided in the consolidated financial statements:		
– Construction of photovoltaic glass production line	200,240	4,138
– Construction of solar photovoltaic power station	14,144	–
	214,384	4,138

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

42. Commitments *(Continued)*

Operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land use rights		Leasehold buildings	
	2016	2015	**2016**	2015
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**–**	2,103	**1,319**	6,301

Operating lease payments represent rentals payable by the Group for certain of its land use rights and leasehold buildings. Leases are negotiated for an average term of three years respectively and rentals are fixed for an average of one and three years respectively.

As lessor

All the properties held have committed tenants for the next 1 year to 5 years (2015: next 1 year to 5 years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2016	2015
	RMB'000	*RMB'000*
Within one year	**13,055**	8,134
In the second to fifth years inclusive	**19,801**	11,123
	32,856	19,257

43. Related-Party Transactions

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 71.74% of the Company's shares. The remaining 28.26% of the shares are widely held.

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and joint ventures (hereinafter collectively referred to the "IRICO Group"), corporations in which the Company is able to control, jointly control or exercise significant influence, key management personnel of the Company and IRICO Group Corporation and their close family members. IRICO Group Corporation does not produce financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during each of the year ended 31 December 2016 and 2015 and balances as at 31 December 2016 and 31 December 2015 with related party transactions.

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

A. Sales of goods

	2016 *RMB'000*	2015 *RMB'000*
Sales of goods to the IRICO Group *(Note)*		
Parent company	1	–
IRICO (Hefei) LCD Glass Co., Ltd.	4,346	3,496
陝西光電材料有限公司	–	5
Xianyang Rainbow Photovoltaic Technology Co., Ltd	–	5,934
Xianyang Cailian Packaging Materials Co., Ltd.	401	10,290
Xianyang Zhongdian IRICO Group Holdings Ltd.	–	84
Shanghai Epilight Technology Co., Ltd	–	954
彩虹能源服務有限公司	173	5
	4,921	20,768
Other state-owned enterprises	12,743	57,648

Note: Sales to related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

43. Related-Party Transactions *(Continued)*

B. Purchases of goods and provision of services

	2016 *RMB'000*	2015 *RMB'000*
Purchases of goods from the IRICO Group *(Note (i))*		
IRICO Group Labor Service Company	–	290
Xianyang Cailian Packaging Materials Co., Ltd.	41,711	33,134
Xianyang Rainbow Photovoltaic Technology Co., Ltd	–	2
Xianyang Zhongdian IRICO Group Holdings Ltd	3,684	5,058
彩虹能源服務有限公司	–	71
	45,395	38,555
Other state-owned enterprises	24,837	136,277
Provision of services from the IRICO Group *(Note (i))*		
Rental expenses to Xianyang Zhongdian IRICO Group Holdings Ltd. *(Note (ii))*	8,965	17,226
Property management fee to Xianyang Zhongdian IRICO Group Holdings Ltd	2,375	–
Rental expense to Xianyang Cailian Packaging Materials Co., Ltd	100	400
Trademark license fee to parent company *(Note (iii))*	1,285	843
Network fee to parent company	167	286
Utility charges to 彩虹能源服務公司	196,387	257,805
IRICO Hospital	326	266
Utility and other charges to Xianyang Rainbow Photovoltaic Technology Co. Ltd.	–	696
Utility and other charges to Xianyang Cailian Packaging Materials Co., Ltd	–	989
Utility and other charges to IRICO (Hefei) LCD Glass Co., Ltd	55,781	28,755
Miscellaneous charges to 彩虹能源服務有限公司	–	360
Utility charges to 彩虹光伏科技公司	730	–
	266,166	307,626

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

43. Related-Party Transactions *(Continued)*

B. Purchases of goods and provision of services

Notes:

(i) Purchases and provision of services from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

(ii) From 1 January 2016, the Group entered into another Premises Leasing Agreement with Xianyang Zhongdian IRICO Group Holdings Ltd which required to pay RMB7.6 per square metre per month for the use of buildings in Xianyang respectively. Accordingly, rental charges for the year ended 31 December 2016 and 2015 amounted to approximately RMB8,965,000 and RMB17,226,000 respectively.

(iii) License fee for using the trademark owned by parent company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the subsidiaries, A Share Company, the term is initially for five years from 1998 but renewable automatically unless terminated by either party with a three-month prior notice, and it was revised to end on 31 December 2006. In accordance with the agreement signed by the other entities of the Group, the license fee is to be paid from 1 January 2004 and the agreement is for a term of 3 years up to 31 December 2006 unless terminated by either party with a three-month prior notice, and it was renewed for a term of 3 years up to 31 December 2014. On 14 November 2012, the Group entered renewal agreement with IRICO Group for a term of three years up to 31 December 2015 but renewable automatically unless terminated by either party with a three-month prior notice. The agreement has been renewed automatically in 2016.

C. Balance with parent company

(i) Amount due to parent company (included in other payables)

	2016 *RMB'000*	2015 *RMB'000*
Parent company	**5,188**	131,287

The balance is unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

43. Related-Party Transactions *(Continued)*

C. Balance with parent company *(Continued)*

(ii) Loans from parent company (included in other borrowings)

	2016 *RMB'000*	2015 *RMB'000*
At 1 January	832,071	1,623,807
Disposal through disposal of subsidiaries	–	(775,000)
Loan borrowed	490,000	460,283
Repayments	(305,713)	(503,286)
Interest expense *(Note 10)*	25,926	26,267
At 31 December	1,042,284	832,071

The loans from parent company are unsecured, bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. The effective interest rate is ranging from 1.2% to 3.48% (2015: 5.60% to 6.16%) per annum.

(iii) Director's emolument born by parent company

During the year ended 31 December 2016 and 2015, all the executive and non-executive directors emoluments were borne by IRICO Group Corporation.

(iv) Guarantees granted or assets pledged by parent company

As at 31 December 2016 and 2015, parent company granted a guarantee and pledged certain of its land and buildings for certain bank borrowings granted to the Company and the Group (Note 35).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

43. Related-Party Transactions *(Continued)*

D. Key management compensation

	2016 *RMB'000*	2015 *RMB'000*
Short-term benefits	2,798	2,390
Post-employment benefits	579	388
At 31 December	3,377	2,778

The remuneration of directors of the Company and key management is determined by the remuneration committee having regard to the performance of individuals and market trends

E. Year-end balances arising from sales/purchases of goods/provision of services

	2016 *RMB'000*	2015 *RMB'000*
Trade receivables from related parties:		
The IRICO Group		
Xianyang Rainbow Photovoltaic Technology Co., Ltd.	7,162	6,942
Parent company	8,960	433
彩虹能源服務有限公司	–	6
Hefei Epilight Technology Co., Ltd	572	1,354
咸陽中電彩虹集團控股有限公司	5,068	–
	21,762	8,735
Other state-owned enterprises	13,639	2,020
	35,401	10,755

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 6% of the Group's trade and bills receivables as at 31 December 2016 and 2015.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

43. Related-Party Transactions *(Continued)*

E. Year-end balances arising from sales/purchases of goods/provision of services *(Continued)*

	2016 *RMB'000*	2015 *RMB'000*
Trade payables to related parties:		
The IRICO Group		
Xianyang Cailian Packaging Materials Co., Ltd	12,096	11,960
Parent company	602	1,251
IRICO Color Picture Tube General Factory	–	117,408
Xianyang Caiqin Electronice Devices Co., Ltd	4,740	4,740
合肥鑫虹光電科技有限公司	–	–
IRICO (Hefei) LCD glass Co., Ltd.	9,346	15,983
Xianyang IRICO Group CLP Holdings Ltd	11,133	3,968
中國電子系統工程第三建設有限公司	1,610	1,282
Xi'an IRICO Zixun Co., Ltd	781	–
彩虹醫院	331	–
	40,639	156,592
Other state-owned enterprises	133,723	33,310
	174,362	189,902

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills payables as at 31 December 2016 and 2015.

The trade balances in respect of sales and purchases are under the Group's normal trading terms.

F. Disposal of subsidiaries

	2016 *RMB'000*	2015 *RMB'000*
Consideration received from disposal of subsidiaries,		
A Share Company to Xianyang IRICO	–	897,129
IRICO Accessories to Xianyang IRICO	45,946	–
	45,946	897,129

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

43. Related-Party Transactions *(Continued)*

G. Disposal of plants and equipment

	2016 RMB'000	2015 RMB'000
Consideration received from disposal of plants and equipment to Xianyang Cailian	–	9,661
Consideration received from disposal of plants and equipment to Xianyang IRICO	4,658	–
	4,658	9,661

H. Disposal of account receivables

	2016 RMB'000	2015 RMB'000
Consideration received from disposal of trade receivables to CEC	36,199	–

44. Information about the Statement of Financial Position of the Company

	Notes	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		255,009	262,302
Investments in subsidiaries	22	962,555	126,030
Interests in associates		31,151	29,154
Available-for-sale financial assets		421,044	483,378
		1,669,759	900,864
Current assets			
Inventories		54,607	85,355
Trade and bills receivables		381,341	456,339
Other receivables, deposits and prepayments		489,665	914,190
Tax recoverable		3,140	3,140
Restricted bank balances		82,034	16,000
Bank balances and cash		130,889	141,547
		1,141,676	1,616,571

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2016

44. Information about the Statement of Financial Position of the Company *(Continued)*

	Notes	2016 *RMB'000*	2015 *RMB'000*
Current liabilities			
Trade and bills payables		425,111	473,049
Other payables and accruals		395,449	505,860
Bank and other borrowings – due within one year		1,477,884	1,272,223
Termination benefits		7,528	33,303
		2,305,972	2,284,435
Net current liabilities		(1,164,296)	(667,864)
Total assets less current liabilities		505,463	233,000
Capital and reserves			
Share capital	37	2,232,349	2,232,349
Other reserves		735,177	797,511
Accumulated losses		(2,984,594)	(3,048,257)
Total equity		(17,068)	(18,397)
Non-current liabilities			
Bank and other borrowings – due after one year		476,610	200,000
Deferred income		11,412	11,535
Termination benefits		29,907	35,260
Deferred tax liabilities		4,602	4,602
		522,531	251,397
		505,463	233,000

45. Major Non-cash Transactions

For the year ended 31 December 2015

The Group transferred the shares of A Shares Company amounting to approximately RMB14,849,000 to settle the compensation for breach of contract.

46. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 28 February 2017, the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司) ("IRICO Shadow Mask") entered into the equity transfer agreement with Xianyang IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Xianyang IRICO agreed to acquire 90% equity interest in Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司) ("Kunshan IRICO") at a cash consideration of approximately RMB71,439,750. The transaction has yet to be completed, and is subject to the independent shareholders approvals at the general meeting. Upon completion of the disposal, the Company will cease to have any interest in Kunshan IRICO. As such, Kunshan IRICO will cease to be a subsidiary of the Company and its financial results will not be consolidated into the accounts of the Company.

On 22 March 2017, the Board announces that, the Company, Sunlink Power Holdings Co., Ltd., Suzhou Huilian Solar Energy Technology Co., Ltd.* (蘇州惠利安太陽能科技有限公司), Suzhou Yongjin Investment Co., Ltd.* (蘇州永金投資有限公司) and Jiangsu Tiancheng Energy Development Co., Ltd.* (江蘇天成能源發展有限公司) (collectively, the "Sellers") entered into the Equity Acquisition Variation Agreement, pursuant to which, the Company has conditionally agreed to acquire and the Sellers have conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng Photovoltaic Technology Company Limited* (江蘇永能光伏科技有限公司) ("Jiangsu Yongneng") for a total cash consideration of RMB68,000,000. Upon completion of the acquisition, the Company will hold 51% equity interest in Jiangsu Yongneng in aggregate and Jiangsu Yongneng will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

Five-Year Financial Summary

	For the year ended 31 December				
	2016	2015	2014	2013	2012
Results	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**1,809,333**	1,561,609	2,218,276	2,279,758	2,645,213
Profit/(loss) before tax	**105,888**	525,949	(1,691,049)	(214,756)	(3,381,016)
Income tax (expenses) credit	**(1,370)**	(297)	(1,293)	119	(24,155)
Profit/(loss) before non-controlling interests	**104,518**	525,652	(1,692,342)	(214,637)	(3,405,171)
Profit/(loss) attributable to non-controlling interests	**(1,194)**	(118,344)	(878,062)	11,715	(1,743,169)
Profit/(loss) attributable to owners of the Company	**105,712**	643,996	(814,280)	(226,352)	(1,662,002)
Assets, liabilities and non-controlling interests	**7,191,530**	6,272,849	18,151,357	21,978,596	24,385,590
Total assets	**3,638,622**	3,157,506	8,774,676	10,979,067	12,296,134
Total liabilities	**3,486,123**	3,029,253	8,138,100	9,625,942	10,654,119
Non-controlling interests	**66,785**	86,090	1,238,581	1,373,587	1,435,337

Corporate Profile

Executive Directors

Si Yuncong Chairman
Zou Changfu

Non-executive Directors

Huang Mingyan
Chen Changqing

Independent Non-executive Directors

Feng Bing
Wang Jialu
Wang Zhicheng

Audit Committee

Wang Zhicheng
Huang Mingyan
Chen Changqing
Feng Bing
Wang Jialu

Chief Financial Officer

Gu Qiang

Company Secretary

Chu Xiaohang

Authorized Representatives

Zou Changfu
Chu Xiaohang

Corporate Profile (Continued)

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14th Floor, Hutchison House 10, Harcourt Road, Hong Kong

Auditor

PKF
26th Floor, Citicorp Centre, 18 Whitfield Road
Causeway Bay, Hong Kong

Registrar of H Shares in Hong Kong

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