新特能源股份有限公司
Xinte Energy Co., Ltd.

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

Stock code : 1799

2016
Annual Report

新特能源股份有限公司

Contents

Corporate Profile

DIRECTORS

Executive Directors

Mr. Zhang Jianxin *(Chairman of the Board of Directors)*
Mr. Ma Xuping
Mr. Yin Bo

Non-executive Directors

Mr. Wang Jian (1)
Mr. Zhang Xin
Ms. Guo Junxiang

Independent Non-executive Directors

Mr. Qin Haiyan
Mr. Yang Deren
Mr. Wong, Yui Keung Marcellus

SUPERVISORS

Mr. Chen Qijun *(Chairman of the Supervisory Board)*
Ms. Wu Wei
Mr. Hu Shujun
Mr. Zhang Yueqiang
Mr. Cao Huan

AUDIT COMMITTEE

Mr. Wong, Yui Keung Marcellus *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Wang Jian(1)
Ms. Guo Junxiang

NOMINATION COMMITTEE

Mr. Qin Haiyan *(Chairman)*
Mr. Yang Deren
Mr. Yin Bo
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Xin

REMUNERATION AND APPRAISAL COMMITTEE

Mr. Yang Deren *(Chairman)*
Mr. Qin Haiyan
Mr. Ma Xuping
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Jianxin

STRATEGIC COMMITTEE

Mr. Zhang Jianxin *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Ma Xuping
Mr. Zhang Xin

JOINT COMPANY SECRETARIES

Ms. Zhang Juan
Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Wong, Yui Keung Marcellus
Ms. Ng Wing Shan

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

COMPLIANCE ADVISER

GF Capital (Hong Kong) Limited
29–30/F, Li Po Chun Chambers
189 Des Voeux Road Central, Hong Kong

(1) Mr. Wang Jian resigned on 8 March 2017.

Corporate Profile

LEGAL ADVISERS
As to PRC law
Xinjiang Tianyang Law Firm
24/F, Century Parkson Hotel Tower a
36, Xinhua South Road, Tianshan district
Urumqi, Xinjiang
PRC

As to Hong Kong law
King & Wood Mallesons
13/F, The Gloucester Tower
The Landmark
15 Queen's Road Central Hong Kong

REGISTERED OFFICE
No. 2499, Mianguangdong Street,
Ganquanpu Economic and
Technological Development Zone (Industrial Park),
High-tech Industrial Development Zone
(New Downtown), Urumqi, Xinjiang, PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 2499, Mianguangdong Street,
Ganquanpu Economic and Technological
Development Zone (Industrial Park),
High-tech Industrial Development Zone
(New Downtown), Urumqi, Xinjiang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
18/F, Tesbury Centre, 28 Queen's Road East,
Wanchai, Hong Kong

H SHARE REGISTRAR
COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE
1799

COMPANY WEBSITE
http://www.xtnysolar.com

INVESTOR COMMUNICATION
TEL: 86 991-3665888
FAX: 86 991-3672600-102
E-mail: ir@xinteenergy.com

Definitions

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings as set forth below:

"Articles of association" or "Articles"	the articles of association adopted by the Company
"Associate"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Audit Committee"	Audit Committee of the board of Directors
"average utilization hours"	the gross generation in a specified period divided by the average installed capacity in such period
"Board" or "Board of Directors"	the Board of Directors of the Company
"BOO"	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project. Unlike the BT structure, the contractor owns the project and does not have to transfer it to another entity
"BT"	Build and Transfer, a contracting model in which the contractor serves as the project investor (by setting up a project company as its subsidiary) and undertakes the financing and development of the project. The BT contractor eventually transfers and sells the equity interest in the project company to a third-party purchaser, thereby recovering the construction, subcontracting and/or financing costs on the project
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this report, Hong Kong, Macau and Taiwan
"Company", "our Company", "Xinte Energy", "we" or "us"	Xinte Energy Co., Ltd., a joint stock company with limited liability incorporated under the laws of the PRC on 16 October 2012 and except where the context indicates otherwise in respect of the period before our Company become the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

"Connected Person(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Connected Transaction(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Directors"	the directors of the Company
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"ECC"	Engineering and Construction Contracting, including EPC and BT mode
"EPC"	Engineering-Procurement-Construction, a contracting model in which the contractor undertakes the entire process of designing, procuring, constructing and commissioning the project
"Group", "our Group"	our Company and its subsidiaries
"GW"	gigawatt, a unit of power. 1GW = 1,000MW
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Main Board of the Stock Exchange
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"IAS"	International Accounting Standards and its interpretation
"IFRS"	International Financial Reporting Standards and its interpretation issued by the International Accounting Standards Committee
"installed capacity"	the intended full-load output of a power generating project usually denominated in MW; also known as the rated capacity or the (designed) production capacity
"kW"	kilowatt, a unit of power, 1kW = 1,000 watts

Definitions

"Latest Practicable Date"	13 April 2017, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MW"	megawatt, a unit of power, 1MW = 1,000kW, The capacity of a power project is generally expressed in MW
"NDRC"	National Development and Reform Commission
"NEA"	National Energy Administration
"Nomination Committee"	Nomination Committee of the Board of Directors
"OFAC"	the United States Treasury Department's Office of Foreign Assets Control
"on-grid tariff"	the selling price of electricity for which a power generating project could sell the electricity it generated to the power grid companies, usually denominated in RMB/kWh
"pipeline projects/resources"	power generating projects that the Group reserved for future development after entering into development agreements with local PRC governments
"PV"	photovoltaic
"province"	a province or, as the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"R&D"	research and development

Definitions

"Remuneration and Appraisal Committee"	Remuneration and Appraisal Committee of the Board of Directors
"Reporting Period"	for the year ended 31 December 2016
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning as ascribed to it under Hong Kong Listing Rules
"Supervisor(s)"	any one (or all) of the supervisor(s) of the Company
"Supervisory Board"	the Supervisory Board of our Company
"TBEA"	TBEA Co., Ltd., (特變電工股份有限公司) held 60.25% equity interest in our Company as of the Latest Practicable Date. TBEA is our Controlling Shareholder
"Xinjiang New Energy"	TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司)
"Xinjiang Tebian"	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司) held 5.53% equity interest in our Company as of the Latest Practicable Date. Xinjiang Tebian is a Connected Person of our Company as it is a controlled company with more than 30% of its equity interest being held, directly or indirectly, by Mr. Zhang Xin who is a Connected Person of our Company by virtue of his position as our Director

Major Events in 2016

JANUARY

The major project of the national "863" Plan of "Large-scale PV (Grid-connected, Micro-grid) System Design Integration Technology Research Demonstration and Equipment Development" and the subject of "100MW PV System Design Integration Technology Research and Key Equipment Development" undertaken by the Group passed the technical acceptance of the Ministry of Science and Technology.

China's first largest commercialized solar power storage plant undertaken by the Group — the Golmud Era Alternative Energy 50MW Grid-Connected PV Plant was successfully connected to the grid for power generation. The project achieved energy storage technology smoothing and fluctuated power regulating to create a successful application case of high proportion connection of power generated by alternative energy to the power grid.

FEBRUARY

The Company was awarded the "National Industrial Product Ecology (Green) Design Pilot Enterprise" by the Ministry of Industry and Information Technology.

APRIL

In the "PVBL China PV Brand Ranking" organized by www.ne21.com, the Group won the "PV Brand Group Award of China in 2015", "Top 10 EPC Brands of China in 2015", and "Top 10 Inverter Brands of China in 2015".

MAY

The Group's flexible substation solutions and eCloud intelligent operation and maintenance platform were unveiled at the SNEC 10th PV Power Expo & Conference and won the "Leading Enterprise Award of PV Industry Technology".

JULY

The Company was successfully selected as the "National Intelligent Manufacturing Pilot Demonstration Enterprise".

AUGUST

The Company's 30,000-ton polysilicon technology transformation project was officially started under the guidance of the technological innovation concept of "small investment and large output" to fully exert the scale effect and further enhance the Company's competitiveness in the industry.

Major Events in 2016

The Group was awarded the "2016 Asia PV Top 10 Innovative Enterprises" at the 11th Asia Solar PV Innovation and Cooperation Forum.

China's well-known rating institution China Lianhe Credit Rating Co., Ltd. conducted a domestic credit rating on the Group and we were given the rating of AA+.

AUGUST–SEPTEMBER

The Group has won the bid for the "PV Fore-runner" projects in Yangquan, Ruicheng, Xintai, and Baotou and 70MW Olympic PV Corridor Project in Xuanhua, Hebei. In the "PV Fore-runner" project of 2016, we won the bid of 370MW, ranking top three in China.

SEPTEMBER

The Group has successfully passed the Customs AEO senior enterprise certification and become a customs registered enterprise of the highest level. We will enjoy the preferential measures and convenient customs clearance provided by AEO mutually recognized countries and regions to reduce operating costs, promote the advancement of internationalization strategy, and improve the global competitiveness of the Group.

OCTOBER

The Group won a bid for a 220MW renewable energy micro-grid demonstration project in the Plain and Bordered White Banner, Erenhot, Inner Mongolia, being the first batch of large-scale regional micro-grid demonstration project in China. The project took PV and wind power as main power resources supported by energy storage technology and had an aim of high proportion renewable energy absorption, making it a technological benchmark for efficient utilization of future renewable resources combining wind power, PV, reserve, distribution and usage.

NOVEMBER

The Group won the "Excellent Power Plant Development Investor", "Excellent EPC Enterprise" and "Excellent Inverter Enterprise" in the "Photovoltaic Cup" PV Industry Award of 2016.

The Group's 500kW PV grid-connected inverter was granted the model parameter detection certification by China Electric Power Research Institute, and became the first 500kW PV grid-connected inverter being granted the model parameters certification.

DECEMBER

The Group won the "Outstanding Contribution Award of PV Industry in 2016" at the 2016 Annual Conference of Energy. Chairman Mr. Zhang Jianxin was awarded the title of "China Energy Innovation Entrepreneur of 2016".

Financial Summary

For the year ended 31 December 2016, the Group recorded a revenue of RMB12,001.30 million and net profit of RMB806.33 million. Profit attributable to owners of the Company amounts to RMB801.13 million.

The Group's business mainly comprises four segments, including polysilicon production, ECC, PV wafer and module manufacturing and BOO.

The following table sets forth the Group's revenue generated from each business segment during the periods as shown and the percentage of revenue in each segment:

	Year ended 31 December				
	2016		2015 (restated)		
	RMB'000	Percentage of revenue	RMB'000	Percentage of revenue	Rate of changes
Polysilicon production	2,542,695	21.19%	2,512,807	26.62%	1.19%
ECC	8,432,010	70.26%	5,958,195	63.11%	41.52%
PV wafer and module manufacturing	204,080	1.70%	244,275	2.59%	-16.45%
BOO	127,677	1.06%	–	–	N/A
Others	694,841	5.79%	725,622	7.68%	-4.24%
Total	12,001,303	100.00%	9,440,899	100.00%	27.12%

For the year ended 31 December 2016, the Group posted total revenue of RMB12,001.30 million, representing an increase of 27.12% over the same period of last year, mainly due to the increase of the Group's ECC business scope.

Financial Summary

The Group's consolidated financial statements in 2012, 2013, 2014, 2015 and 2016 prepared in accordance with the IFRS are summarized as follows:

	As of 31 December/Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**27,812,554**	25,229,293	18,763,327	17,582,431	12,616,114
Total liabilities	**19,500,810**	17,778,357	14,376,079	14,473,743	9,708,099
Non-controlling interests	**51,442**	46,242	39,447	34,490	27,158
Owners' equity (excluding non-controlling interests)	**8,260,302**	7,404,694	4,347,801	3,074,198	2,880,857
Revenue	**12,001,303**	9,440,899	7,402,520	5,907,293	2,239,817
Gross profit/(loss)	**1,996,172**	1,603,573	1,428,501	614,679	(80,643)
Profit/(loss) before income tax	**947,865**	708,217	661,505	256,664	(223,920)
Profit/(loss) for the years attributable to owners of the Company	**801,133**	611,817	574,833	193,341	(129,596)

Chairman's Statement

Dear all shareholders,

On behalf of the Board of Directors of the Company, I am pleased to announce the operating results of the Group in 2016.

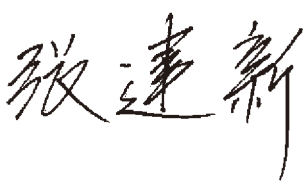
In 2016, the global economic recovery continued to be weak and the competition in the alternative energy industry was intensified. Facing the intricate economic situation, the Group made efforts, adhered to expand its market share, carried out innovation and changes, improved quality and efficiency, transformed and upgraded to overcome all kinds of severe challenges, achieved good development in each business and took a solid step toward the excellent green-and-smart energy service provider. In 2016, the Group's polysilicon output ranked fourth globally and second in China and the construction scale of PV plants ranked first globally. For the year ended 31 December 2016, the Group recorded revenue of RMB12,001.30 million, representing an increase of 27.12% over the same period of last year and net profit of RMB806.33 million, representing an increase of 30.23% over the same period of last year; Profit attributable to owners of the Company amounted to RMB801.13 million, representing an increase of 30.94% over the same period of last year.

Chairman's Statement

The development of alternative energy industry has gradually entered into the period of transformation. Given the concept of sustainable development has been generally accepted in the world, the development and utilization of alternative energy saw rapid expansion and the technological progress and industrial upgrading accelerated; costs were significantly reduced; it has become an important field for global energy transformation. 2016 is the opening year of the "13th Five-Year Plan", which is an important period for economic restructuring and institutional reform. With regard to the alternative energy industry, the Chinese government has introduced a series of policies, such as "One Belt and One Road", "China-Pakistan Economic Corridor", "On-grid Benchmark Tariff Cut", "Fore-runner", and "Super Fore-runner". In the meantime, the NEA set the basic target of energy development in the "13th Five-Year" development plan that China's carbon dioxide emissions will peak in 2030 and the proportion of non-fossil energy in the primary energy consumption will increase to 20%. In the long run, to build a green and low-carbon energy system will be inevitable requirements for social development, providing a good social environment and a broad market space for the alternative energy industry and the future development of the Company.

Looking ahead, as world's leading manufacturer of solar grade polysilicon as well as PV and wind power resource developer, we will constantly adhere to the innovation concept of "new energy, new life, and new future". Through focusing on the enhancement of quality and efficiency, making an upgrading in the alternative energy industry, and conducting scientific and technological innovation, we will accelerate the structural adjustment and achieve efficient, clean and sustainable development of the alternative energy industry. At the same time, we will strictly abide by national policies, accelerate the adjustment of international and domestic layout, closely follow the policies of "One Belt and One Road", "China-Pakistan Economic Corridor", and "Super Fore-runner", deeply explore the alternative energy market, exploit new fields, and strengthen R&D cooperation to improve the overall R&D capabilities and core competitiveness and endeavor to be a global excellent green-and-smart energy service provider.

Finally, I would like to express my sincere gratitude to management team and all the staff members for their efforts and hard work in 2016 on behalf of the Board of Directors. I also wish to extend my gratitude to our shareholders, clients, suppliers and business partners for their support and encouragement over the past year.



Chairman
Zhang JianXin

24 March 2017 in Xinjiang

Management Discussion and Analysis

I. REVIEW ON INDUSTRY DEVELOPMENT TREND

2016 was the opening year of energy development in the "13th Five-Year Plan" (「十三五」規劃) in China, and the new energy industry witnessed another explosive growth under the electricity tariffs adjustment window. The new installed capacity of PV was 34.54GW and wind power was 19.30GW. Despite the rapid development, the poor on-grid consumption capacity and low system efficiency became obvious problems. Therefore, the Chinese Government introduced various policies to accelerate the development of the new energy industry in 2016 to ensure the successful implementation of energy development in the "13th Five-Year Plan".

1. Review of Major Policies

(1) Formulating the policy of minimum guaranteed purchase

- In March 2016, the NDRC issued the Measures for the Administration of the Guaranteed Purchase of Electricity Generated by Renewable Energy (《可再生能源發電全額保障性收購管理辦法》), which specified that the policy of the guaranteed annual utilization hours should be executed in the regions with grid curtailment and that the excessive annual utilization hours may be traded in market, and provided policy basis and feasibility to ensure the reasonable economic returns for wind and PV power projects in such regions with grid curtailment.

- In May 2016, the NDRC and the NEA issued the Notice on Guaranteed Purchase of Electricity Generated from Wind and PV Power (《關於做好風電、光伏發電全額保障性收購管理工作的通知》), which approved and announced the annual utilization hours required for guaranteed purchase of wind and PV power generated in the regions of wind and PV power curtailment, and related settlement and regulatory requirements, and encouraged each relevant province (district and city) to propose and implement higher guaranteed target.

(2) Accelerating structure adjustment of energy resources

- In March 2016, NEA issued the Notice on Issuing the National Development and Construction Plan of Wind Power for 2016 (《關於下達2016年全國風電開發建設方案的通知》). The notice pointed out that the total target of the newly increased approval capacity for national wind power development and construction would reach 30.83GW in 2016, and the scheme on large-scale wind power bases planned by each location would not be subject to the annual construction scale limit.

- In June 2016, NEA issued the Notice on Issuing the Construction and Implementation Plan of PV Generation for 2016 (《關於下達2016年光伏發電建設實施方案的通知》). The notice pointed out that the total target of the newly increase approval capacity for national PV plants for 2016 would be 18.1GW, including 12.6GW generated by the ordinary PV plants and 5.5GW generated by the PV Fore-runner technology bases (光伏領跑者技術基地), but excluding the capacity of PV poverty alleviation programs.

- In October 2016, NEA and the State Council Leading Group Office of Poverty Alleviation and Development issued the Notice on Issuing the First Batch of PV Poverty Alleviation Programs (《關於下達第一批光伏扶貧項目的通知》). The notice specified the total scale of 5.16GW for the first batch of PV poverty alleviation programs, including 2.98GW generated by centralized above-ground power plants in total.

Management Discussion and Analysis

- In November 2016, NEA issued the Notice on Publication of Wind Power Development in the "13th Five-Year Plan" (《關於印發風電發展「十三五」規劃的通知》). The Plan pointed out and guaranteed that by the end of 2020, the total installed grid-connected wind power capacity should amount to 210GW or more, and the wind power generation output should reach 420 billion kWh, representing 6% of total power generation output in China.

- In December 2016, NEA issued the Notice on Publication of Solar Power Development in the "13th Five-Year Plan" (《關於印發太陽能發展「十三五」規劃的通知》). The Plan pointed out that by the end of 2020, the installed solar power capacity should amount up to 110GW, of which the installed PV capacity should amount up to 105GW.

(3) Promoting the grid parity of new energy

- In December 2016, NDRC issued the Notice Regarding the Adjustment to Benchmark On-grid Tariffs of PV and Onshore Wind Power Generation (《關於調整光伏發電陸上風電標桿上網電價的通知》). In order to realize the grid parity goal in 2020 and reasonably guide the investment in new energy, the on-grid benchmark tariffs of PV and onshore wind power generation would be further lowered following the adjustment in the end of 2015. Based on different resource zones, the on-grid benchmark tariffs of PV generation was adjusted to be RMB0.65–0.85/kWh (tax inclusive), and that of wind power generation was adjusted to be RMB0.40–0.57/kWh (tax inclusive).

2. Review of Development Trends of Polysilicon Industry

According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會), the global polysilicon output reached 384,000 tons in the whole year of 2016, representing an increase of 9.7% over the same period of the preceding year; among which China's output was 193,000 tons, representing an increase of 14.2% over the same period of the preceding year, accounting for 50.3% of the total global output. The proportion exceeded 50% for the first time, and China became the largest polysilicon manufacturer in the world. In 2016, China produced approximately 193,000 tons of polysilicon, while imports and reserves from 2015 were approximately 140,000 tons in total. The total supply amounted to 333,000 tons, and the total consumption amounted to 334,000 tons, representing a balanced supply-demand relation.

In the first half of 2016, affected by the adjustment of benchmark on-grid tariff policy of PV generation, the downstream terminal market witnessed a rush installation. Domestic polysilicon market suffered short supply. Following the rush installation before 30 June, the downstream demand suffered an unprecedented downturn, and polysilicon prices constantly declined until late September. In the fourth quarter, both the sharp decreases in supply due to the shutdown and overhauling of most polysilicon enterprises and the introduction of new notice regarding the adjustment of on-grid benchmark tariffs of new energy stimulated the terminal market to some extent, and supported the bottoming out of polysilicon prices.

In 2016, the annual average polysilicon price was RMB127,800 per ton in China, representing a slight increase of 6.5% over the same period of the preceding year. In 2016, domestic polysilicon prices experienced high volatility, showing an "N" trend during the whole year. The weekly average price constantly rose from RMB105,400 per ton at the beginning of January to RMB147,800 per ton by the end of June, representing an increase of 40.2%, and then sharply declined to RMB86,500 per ton (a historic low) by the end of September, representing a decrease up to 41.5%, which rebounded in the last week of September and constantly rose to RMB139,000 per ton by the end of December, representing an increase up to 60.7%.

Management Discussion and Analysis

3. Review of Development Trends of the PV Generation Industry

According to the statistics of NEA, the PV generation in China transferred towards Central and Eastern China in 2016, the newly increased installed capacity of PV generation was 9.74GW in the Northwest China, representing 28% of the total capacity in China; the newly installed capacity in the regions other than Northwest China was 24.80GW, representing 72% of the total capacity in China; and there were nine provinces in Central and Eastern China with newly increased installed capacity exceeding 1GW.

In 2016, the newly increased installed capacity of PV generation in China amounted to 34.54GW, and the accumulated installed capacity amounted to 77.42GW, with the both of them being the largest in the world. Of which, the accumulated installed capacity of ground-based PV plants was 67.10GW, and that of the distributed plants was 10.32GW in total. The annual PV generation in 2016 amounted to 66.2 billion kWh, representing 1% of the total annual power generation in China. The annual PV curtailment amounted to 7.4 billion kWh, of which PV curtailment in 5 provinces in the northwest amounted to a total of 7.042 billion kWh, representing nearly 95% of the total PV curtailment in China. Operation of PV generation was relatively difficult in Xinjiang, Gansu, with a PV curtailment rate of 32.23% and 30.45%, respectively.

4. Review of Development Trends of the Wind Power Generation Industry

The Global Wind Energy Council reported that over 54.6GW of newly increased capacity was installed globally in 2016, and the accumulated global installed capacity reached 486.7GW, which was led by China, U.S., Germany and India. Although the newly increased installed capacity failed to break the record created in 2015, it still arrived at a satisfactory level.

According to the statistics of NEA, China's wind power development was kept at a sound level in 2016, with 19.30GW of newly installed capacity of wind power generation, while the accumulated installed capacity for grid-connection reached 149 million kW, which was 9% of the total installed power-generating capacity for grid-connection; the wind power generation was 241 billion kWh, which was 4% of the total power generation. In 2016, the annual average utilization time of wind power in China was 1,742 hours, representing an increase of 14 hours over the same period of the preceding year; wind energy curtailment was 49.7 billion kWh for the whole year. The wind energy curtailment was serious in Gansu, Xinjiang, Jilin and Inner Mongolia. The total wind energy curtailment in such four regions was nearly 80% of that in China, of which Gansu and Xinjiang accounted for 43% and 38% respectively.

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

During the Reporting Period, opportunities and difficulties co-existed and the Group achieved good results through enhancing safety assurance, seizing market opportunity and deepening lean production. During the Reporting Period, the Group achieved revenue of RMB12,001.30 million and net profit attributable to owners of RMB801.13 million, representing an increase of 27.12% and 30.94% respectively over the same period of the preceding year.

1. Polysilicon Production and Sales

In 2016, after making assessment of the risk tolerance of its production lines and self-owned power plants based on the analysis result of price movement trend of polysilicon, the Group successfully captured the opportunity by arranging the annual overhaul work in the second half of the year. Meanwhile, the Group obtained a decent economic benefit by reinforcing quality management, improving process and cost control. The production volume of polysilicon amounted to 22,800 tons in the whole year, representing an increase of 5.56% as compared with the corresponding period last year. In 2016, gross profit attributable to polysilicon business amounted to RMB863.95 million, representing an increase of 11.35% as compared with the corresponding period in the preceding year.

In the second half of 2016, the Group carried out technological transformation projects for its polysilicon production lines. Upon completion of such projects, the total production volume of polysilicon will reach 30,000 tons per year. The scale effect of production will also be further enhanced and unit production cost of polysilicon will be further reduced. Due to thorough planning in the early stage, the Group completed the drawing design and selection of equipment as well as the purchase and installation of certain equipment in a relatively short period. It is expected that the project will be completed and put into operation in the first half of 2017.

The Group ranks among the first class in terms of polysilicon cost and quality. By implementing the program of "Growing with Our Clients (客戶共同成長)", the Group has been able to fully understand the needs of its major clients. The manufacturing parameters were fine-tuned in order to provide a variety of customized products to its clients. Apart from this, the Group offered optimized proportion schemes to its clients, thereby gradually turning from a single polysilicon provider into a solution service provider, which also enabled the Group to establish long-term and well-established relationships with midstream and downstream enterprises.

2. Development and Reserve of Domestic PV and Wind Power Resources in China

In 2016, Northwest China faced harsh curtailment of new energy generation and reduced quota for conventional PV plants. Subject to changes in market forms such as bid auction for large bases, PV poverty alleviation, distributed, complementation of agriculture, forestry, fishery, animal husbandry and PV, etc. and guidance by national policies, the Group caught up with current trend of the market, seized resources, accumulated development momentum and made full adjustment of our strategical development plans.

The Group was awarded contracts for four "PV Fore-runner" projects in Yangquan, Ruicheng, Xintai and Baotou by taking advantage of technology and meticulously designing based on quality, efficiency and costs. The Group undertook the 70MW Olympic PV Corridor Project in Xuanhua, Hebei. The Group managed to win a number of bids for contracts of a combined quantity of 370MW for the "PV Fore-runner" project in 2016, enabling it to be the top three in China in terms of the total size of contracts awarded and thus establishing reserves for future development.

In addition, the Group won a bid for a 220MW renewable energy micro-grid demonstration project in the Plain and Bordered White Banner, Erenhot, Inner Mongolia, being the first batch of large-scale regional micro-grid demonstration project in China. The project took PV and wind power as main power resources supported by energy storage technology and had an aim of high proportion renewable energy absorption, making it a technological benchmark for efficient utilization of future renewable resources combining wind power, PV, reserve, distribution and usage.

Management Discussion and Analysis

In 2016, the Group achieved a total installed capacity of 1,468.16 MW for projects such as the EPC and BT under the completed and confirmed acquisitions of PV and wind power stations. As of 31 December 2016, the Company had 648.5 MW for BT projects under construction and completed pending for transfer. The Group had advanced pipeline projects with installed capacity of over 2GW in total. The above-mentioned advanced pipeline projects lay a solid foundation for the development of the Group.

3. BOO Projects

The strategic transformation of the Group from a wind and PV power plant builder to an operator in 2015 achieved diversified channels of income and further increased profitability. The Group had a total of 520MW BOO projects completed by the end of 2016.

In 2016, BOO projects of the Group generated a cumulative electricity output of 0.35 billion kWh, and on-grid electricity generation was 0.34 billion kWh. An income of RMB127.68 million was obtained from power generation, income of power generation from the same period of last year was nil.

4. International Market

Pursuant to the national "One Belt and One Road (一帶一路)" policy and actual implementation of the affiliated projects, the Group has made continuous efforts to promote development of overseas new energy markets, pool and concentrate superior resources and adjust regional market arrangement. With the point-to-area effect concept, our Group aims to use several regional points, namely, Pakistan, Chile and Bangladesh, to implement a comprehensive overall development plan supported by markets in Southeast Asia, the Middle East, North Africa and West Africa. The Group has taken an active part in EPC and development projects of international peers and local competitive electricity companies. It has acquired construction projects by making use of the cost advantage of its industry chain.

- In 2016, the 13.7MW PV project in Chile undertaken by the Group was substantially completed. The 100MW PV project in Pakistan was under the second year of the commercial operation period. On-site operation and maintenance moved forward according to the operation and maintenance manual and the work schedule.

- The Group was awarded a contract for the 205MW PV project in Telangana, India for which the Group provided PV grid-connected inverters, laying foundations for internationalization of products from the Group.

- The NSP2 12MW PV plant project in Thailand undertaken by the Group was selected as the first new energy PV plants to be visited for exhibition and conference on Sustainable Energy & Technology Asia by Thailand National Energy Agency and was spoken highly of by international governmental authorities.

- In January 2017, the Group was awarded a contract for the 17.4MW PV project in Turkey, which achieved a breakthrough in the Turkish market and a good beginning of exploring the international market in 2017.

5. Relying on Scientific and Technological Innovation

In addition to the constant breakthroughs by relying on its own R&D team, the Group endeavors to cooperate with universities and research institutions at home and abroad in many subjects including the improvements in production technology and process of polysilicon, grid-connection, support system optimization and dust detection. In 2016, the Group has undertaken major projects and topics under the national "863" Program, which had been examined and accepted technically by the Ministry of Science and Technology in its first attempts. Various products have passed examinations and obtained certifications from authorities both home and abroad, the quality and safety of such products have reached the domestic and international advanced level, providing quality assurance for the sales of products. In 2016, the Group applied for in total 103 patents and technology secrets, and was authorized 69 patents. The authorized patents in China amounted to 322, as well as 6 international PCT. The Group actively participated in the compiling of 11 standards, including 1 international standard, 9 national standards and 1 industrial standard. It was the first time for the Group to participate in the compiling of an international standard, being Chlorine Content in Silicon Analyzed by Ion Chromatography (硅中氯元素含量分析離子色譜法).

Management Discussion and Analysis

In 2016, the Group won 3 National Outstanding Patent Awards, 2 Prizes of Scientific and Technological Progress Awards of the autonomous regions and 2 patent awards of the autonomous regions, among which, the Development of Recycling Technical Process for Silicon Tetrachloride (四氯化硅循環利用工藝技術開發) and the Recycling of Heat from Reduction Exhaust of Polysilicon (多晶硅還原尾氣熱能回收利用) were granted the First Prize of Scientific and Technological Progress award and the First Prize of Patent in Xinjiang Uygur Autonomous Region, respectively.

6. Promoting Intelligent Operation and Maintenance and Interconnection between Energies

Due to various global issues including resource shortages, environmental pollutions and climate changes, the clean energy sector, such as PV and wind power, have seen tremendous and rapid development in recent years. However, in some regions, troubles with on-grid and consumption exist and the situation of curtailing the use of PV and wind power remains severe. In regard to solutions to information asymmetry and structure optimization, the Internet has its incomparable advantages.

In May 2016, the eCloud Intelligent Operation and Maintenance Platform developed by the Group was unveiled for the first time at the 10th SNEC PV Conference, becoming the focus in such exhibition. This platform is an energy management platform built using a combination of modern communication technology, cloud computing, big data and Internet of Things, through which, all PV and wind power plants, intelligent equipment and enterprise resources under the Group can be operated and maintained in an intelligent manner on the cloud in accordance with its core values, enabling such enterprises to realize stable asset returns, ensure the safety of assets, regulate their management and make critical decisions. Currently, this system has been connected with the power plants of 1GW and runs well, which has provided great support for daily operation and maintenance and production management of such power plants, and also help save significantly labor and materials costs. In September 2016, the eCloud Intelligent Operation and Maintenance Platform of the Group was awarded the "Special Award for Contributions to Energy Internet (能源互聯網特別貢獻獎)" at the first Energy Internet Leaders Forum (能源互聯網領袖論壇) of 2016 hosted by China Energy News, which was in full recognition of the Group's R&D efforts in terms of "Internet plus smart energy (互聯網+智慧能源)".

7. Improving Safety Management, Strengthening Environmental Protection Awareness

Adhering to the business philosophy of "safety priority (安全為天)", the Group continued to strengthen safety production management and supervision, increase investment for safety, monitor the implementation of security systems, and improve its security risk control capacity and the overall safety management level by implementing a standardized and lean-oriented safety management, and strengthening its identification and regulation of hidden dangers to ensure the safe operation without any material accident. Also, the Group applies a security management liability mechanism to all employees, and comprehensively execute the preventive management of equipment.

The Group attached great importance to the implementation and emergency management of control programs for major sources of danger, continued to optimize process, checked environmental protection risks on its own, improved environmental protection equipment, controlled the discharge of waste gas, waste water and industrial residue ("three wastes") in compliance with standards. In February 2016, the Company was granted the titled of "Pilot Enterprises for National Industrial Products' Ecological (Green) Design (國家工業產品生態(綠色)設計試點企業)" by the Ministry of Industry and Information Technology, which reflected the national acknowledgement on the Company for its insistence on the philosophy of "Green Design, Green Production and Green Management". It was not only an important measure of the Company to achieve sustainable development goals through ecological design, but also a significant manifestation to establish the promotion mechanism and evaluation system for the ecological design of polysilicon products.

Management Discussion and Analysis

III. OPERATING RESULTS AND ANALYSIS

Financial Review

Business Performance Table

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**12,001,303**	9,440,899
Cost of sales	**(10,005,131)**	(7,837,326)
Gross profit	**1,996,172**	1,603,573
Other income	**95,934**	189,074
Other gains — net	**35,223**	6,326
Selling and marketing expenses	**(364,192)**	(266,014)
General and administrative expenses	**(593,604)**	(566,184)
Financial expenses — net	**(223,476)**	(261,756)
Share of profit of investments accounted for using the equity method	**1,808**	3,198
Profit before income tax	**947,865**	708,217
Income tax expense	**(141,532)**	(89,073)
Profit attributable to the owners of the Company	**801,133**	611,817
Profit attributable to the non-controlling interests	**5,200**	7,327

Revenue

The Group generates revenue mainly from four business segments, including polysilicon production, ECC, PV wafer and module manufacturing and BOO. For the year ended 31 December 2016, the revenue of the Group was RMB12,001.30 million, representing an increase of RMB2,560.40 million or 27.12% over RMB9,440.90 million in the corresponding period of last year. The increase was mainly due to the expansion of ECC business scales of the Group.

	Year ended 31 December	
	2016	2015
Business Segments	**RMB'000**	RMB'000
Polysilicon Production	**2,542,695**	2,512,807
ECC	**8,432,010**	5,958,195
PV Wafer and Module Manufacturing	**204,080**	244,275
BOO	**127,677**	—
Others	**694,841**	725,622
Total Revenue	**12,001,303**	9,440,899

For the year ended 31 December 2016, the revenue of polysilicon production segment was RMB2,542.70 million, representing an increase of RMB29.89 million or 1.19% over RMB2,512.81 million in the corresponding period of last year.

For the year ended 31 December 2016, the revenue of ECC segment was RMB8,432.01 million, representing an increase of RMB2,473.82 million or 41.52% over RMB5,958.20 million in the corresponding period of last year. The increase was mainly because China PV and wind power industries developed steadily during the Reporting Period, and at the same time, with the external stimulation rush installation before 30 June in the industry, the Group strengthened efforts in market development, which led to the expansion of ECC business scales.

For the year ended 31 December 2016, the revenue of PV wafer and module manufacturing segment was RMB204.08 million, representing a decrease of RMB40.20 million or 16.45% over RMB244.28 million in the corresponding period of last year. The decrease was mainly due to the fierce market competition during the Reporting Period, and the decrease of the price and the sales of the Group's wafer.

For the year ended 31 December 2016, the revenue of BOO segment was RMB127.68 million, while no revenue of BOO segment in the corresponding period of last year, which mainly due to BOO projects of the Group generate power by connecting to grid, which generated revenue during the Reporting Period.

Cost of sales

For the year ended 31 December 2016, the cost of sales incurred by the Group was RMB10,005.13 million, representing an increase of RMB2,167.81 million or 27.66% over RMB7,837.33 million in the corresponding period of last year, which was mainly due to the increase of revenue of the Group for the Reporting Period led to the increase of the corresponding cost.

	Year ended 31 December	
	2016	2015
Business Segments	**RMB'000**	RMB'000
Polysilicon production	**1,678,742**	1,736,898
ECC	**7,494,810**	5,153,018
PV wafer and module manufacturing	**279,586**	383,370
BOO	**36,600**	—
Others	**515,393**	564,040
Total cost of sales	**10,005,131**	7,837,326

For the year ended 31 December 2016, the cost of sales incurred by polysilicon production segment was RMB1,678.74 million, representing a decrease of RMB58.16 million or 3.35% over RMB1,736.90 million in the corresponding period of last year.

Management Discussion and Analysis

For the year ended 31 December 2016, the cost of sales incurred by ECC segment was RMB7,494.81 million, representing an increase of RMB2,341.79 million or 45.45% over RMB5,153.02 million in the corresponding period of last year. The increase was mainly due to the expansion of the ECC business scale of the Group resulted in the increase of revenue and the increase of corresponding cost during the Reporting Period.

For the year ended 31 December 2016, the cost of sales incurred by PV wafer and module manufacturing segment was RMB279.59 million, representing a decrease of RMB103.78 million or 27.07% from RMB383.37 million in the corresponding period of last year. The decrease was mainly because of the decrease of sales in wafer of the Group, leading to the decrease in the production cost during the Reporting Period.

For the year ended 31 December 2016, the cost of sales incurred by BOO segment was RMB36.60 million, while no sale cost of BOO segment in the corresponding period of last year, which mainly due to BOO projects of the Group generate power by connecting to grid, which generated revenue and increased the cost correspondingly during the Reporting Period.

Gross profit and gross profit margin

For the year ended 31 December 2016, the gross profit of the Group was RMB1,996.17 million, representing an increase of RMB392.60 million or 24.48% over RMB1,603.57 million in the corresponding period of last year. The comprehensive gross profit margin was 16.63%, representing a decrease of 0.35 percentage point over the corresponding period of last year. The increase in gross profit was mainly because the ECC business scales of the Group were expanded during the Reporting Period, and the supervision of cost of polysilicon was strengthened.

Other income

For the year ended 31 December 2016, the other income of the Group was RMB95.93 million, representing a decrease of RMB93.14 million or 49.26% over RMB189.07 million in the corresponding period of last year. The decrease was mainly because the Group's received government subsidies decreased during the Reporting Period as compared to the same period of last year.

Other gains — net

For the year ended 31 December 2016, the net other gains of the Group were RMB35.22 million, representing an increase of RMB28.90 million or 456.80% from RMB6.33 million in the corresponding period of last year. The increase was mainly due to the increase of exchange gains and the decrease of donation of the Group during the Reporting Period.

Selling and marketing expenses

For the year ended 31 December 2016, the selling and marketing expenses of the Group were RMB364.19 million, representing an increase of RMB98.18 million or 36.91% over RMB266.01 million in the corresponding period of last year. The increase was mainly due to the enhancement of market development and the increase of marketing expenses of the Group during the Reporting Period.

General and administrative expenses

For the year ended 31 December 2016, the general and administrative expenses of the Group were RMB593.60 million, representing an increase of RMB27.42 million or 4.84% over RMB566.18 million in the corresponding period of last year. The increase was mainly because the business scale of the Group was expanded, staff costs increased during the Reporting Period.

Financial expenses — net

For the year ended 31 December 2016, the net financial expenses of the Group was RMB223.48 million, representing a decrease of RMB38.28 million or 14.62% from RMB261.76 million in the corresponding period of last year. The decrease was mainly due to the decrease of the overall interest rate of the Group during the Reporting Period.

Share of profit of investments accounted for using the equity method

For the year ended 31 December 2016, the share of profit of investments accounted for using the equity method of the Group was RMB1.81 million, representing a decrease of RMB1.39 million or 43.46% from RMB3.20 million in the corresponding period of last year. The decrease was mainly because of the decrease of the profit of the associate enterprise of the Group affected by curtailing the use of wind and PV power during the Reporting Period.

Income tax expense

For the year ended 31 December 2016, the income tax expense of the Group was RMB141.53 million, representing an increase of RMB52.46 million or 58.89% over RMB89.07 million in the corresponding period of last year. The increase was mainly because the total profit of the Group increased over the corresponding period of last year and the income tax deductions based on the national policy in the same period of previous years was more than that in the Reporting Period.

Management Discussion and Analysis

Profit attributable to the owners of the Company

For the year ended 31 December 2016, profit attributable to the owners of the Company was RMB801.13 million, representing an increase of RMB189.32 million or 30.94% over RMB611.82 million in the corresponding period of last year.

Profit attributable to the non-controlling interests

For the year ended 31 December 2016, the profit attributable to the non-controlling interests of the Group was RMB5.20 million, representing a decrease of RMB2.13 million or 29.03% from RMB7.33 million in the corresponding period of last year. The decrease was mainly due to the increase of shareholding ratio of the subsidiary company Xinjiang New Energy by the holding company.

Cash Flows

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net cash inflow (used in)/generated from operating activities	**(224,598)**	2,898,439
Net cash outflow used in investing activities	**(2,351,459)**	(2,973,827)
Net cash inflow generated from financing activities	**1,606,807**	1,974,717
Net (decrease)/increase in cash and cash equivalents	**(969,250)**	1,899,329

Net cash inflow (used in)/generated from operating activities

For the year ended 31 December 2016, the net cash used in operating activities of the Group was RMB224.60 million, representing a decrease of RMB3,123.04 million or 107.75% from RMB2,898.44 million in the corresponding period of last year. The decrease was mainly because of the expansion of the ECC business of the Group during the Reporting Period, and the significant increase in purchase costs as compared to the corresponding period of last year.

Net cash outflow used in investing activities

For the year ended 31 December 2016, the net cash outflow used in investing activities of the Group was RMB2,351.46 million, representing a decrease of RMB622.37 million from RMB2,973.83 million in the corresponding period of last year. The decrease was mainly because the restricted cash of the Group was released and recovered during the Reporting Period.

Net cash inflow generated from financing activities

For the year ended 31 December 2016, the net cash inflow generated from financing activities of the Group was RMB1,606.81 million, representing a decrease of RMB367.91 million or 18.63% over RMB1,974.72 million in the corresponding period of last year. The decrease was mainly due to the Group generated a significant cash inflow from pre-listing and issuance of shares by equity financing in the last year, and the increase of debt financing for the construction of the Group's BOO and BT projects during the Reporting Period, but the increase of cash inflow from debt financing was less than that generated from equity financing for last year.

Operation Fund

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash and cash equivalents at the end of the year (RMB'000)	**1,897,947**	2,862,403
Gearing ratio	**83.26%**	49.39%
Inventory turnover rate (times)	**2.28**	2.16
Inventory turnover days (days)	**158.04**	166.67

On 31 December 2016, the cash and cash equivalents of the Group were RMB1,897.95 million (31 December 2015: RMB2,862.40 million).

The required capital fund of the BT and BOO businesses which the Group are engaged in generally accounts for 20%–30% of the total investment of the project, the rest of which is bank loans, which has a great impact to the gearing ratio of the Group. As at 31 December 2016, the gearing ratio of the Group was 83.26% while that as at 31 December 2015 was 49.39%. The gearing ratio was calculated by dividing its net liabilities by total equity, of which the net liabilities was the part with restricted bank balances and bank balances and cash subtracted from total interest-bearing liabilities.

BT projects under development and held for sale was included in the inventory account, and whether BT project can be transferred in time is significantly important for Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 2.28 times and 158.04 days on 31 December 2016, respectively, and the inventory turnover rate and turnover days of Group were 2.16 times and 166.67 days on 31 December 2015, respectively.

By virtue of the stable cash inflow from the daily business operations and finance business, the Group has sufficient resources to support future expansion.

Management Discussion and Analysis

Capital expenditure

For the year ended 31 December 2016, the major capital expenditure of the Group included: RMB2,610.44 million for the purchase of property, plant and equipment, RMB8.60 million for the purchase of intangible assets and RMB57.86 million for the purchase of land use rights.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司, "Jiangsu Zhongneng") filed a claim with the Jiangsu Province People's Court against the Company for certain patent infringement and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed the by Company, the Supreme People's Court of the People's Republic of China ruled to the case should be under the jurisdiction of the Xinjiang Province People's Court. Before this report is approved for issue, the aforementioned litigation is in the process of transfer, therefore no trial session has been conducted by Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the directors of the Company are of the opinion that this litigation is still at a very early stage with the outcome and the contingent obligation cannot be measured with sufficient reliability. Accordingly, no provision is made with respect to the aforementioned claim as at 31 December 2016.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. For the year ended 31 December 2016, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the consolidated financial statements.

Employees, remuneration, retirement and employees benefit scheme

As of 31 December 2016, the Group has 3,706 employees in total, including 648 operating management personnel, 564 technicians, 1,374 production personnel, etc. The total remuneration of the Group's employees was RMB664.94 million in total for 2016.

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments in areas in which the Company operates, the Group established the pension plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In addition, the Group also set up a corporate annuity system for providing retired employees with further protection. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on state, provincial, autonomous region and municipal requirements of the PRC. The Group also established an employee housing fund in accordance with applicable PRC regulations.

Assets mortgage

As at 31 December 2016, secured short-term bank borrowings with an amount of RMB200,000,000 were pledged by the notes receivable of the Group. As at 31 December 2016, secured long-term bank borrowings with an amount of RMB6,635,150,000 were pledged with certain property, plant and equipment, land use rights, inventory and receivable collection right. As at 31 December 2016, secured short-term other borrowings with an amount of RMB194,542,000 were pledged with certain property, plant and equipment of the Group and the guarantee deposit of RMB15,000,000. As at 31 December 2016, secured long-term other borrowings with an amount of RMB342,142,000 were pledged with the Group's certain property, plant and equipment and guarantee deposit of RMB14,800,000; and the secured long-term other borrowings with amounts of RMB143,000,000 and RMB36,000,000 were guaranteed by the Company and Xinjiang New Energy for the project companies, respectively.

Major acquisition and disposal of assets

During the Reporting Period, the Group had no major acquisition and disposal of subsidiaries, associates and joint ventures.

Major investments

During the Reporting Period, the Group had announced an investment of RMB658 million on technological transformation projects for its polysilicon, of which the total production volume of polysilicon will reach 30,000 tons per year after completion of such projects. Meanwhile, the Group had investments on the construction of BOO projects.

Foreign exchange risks

Most of the Group's business is located in China and is traded in RMB. The Group's assets and liabilities involved in exchange risks and transactions from the operation are mainly related to US dollar and Hong Kong dollar. The Directors believe that the exposure of the foreign exchange risk is minimal, and the said risk will not have material adverse risk on the financial performance of the Group. The Group currently does not have a foreign currency hedging policy, but the management of the Group closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when needed.

Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. All borrowings are obtained at variable rates and expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. It will have no material adverse impact on the financial position of the Group.

Management Discussion and Analysis

Capital liquidity

As of 31 December 2016, current assets of the Group amounted to RMB13,909.48 million, among which, RMB2,848.47 million was cash at bank and on hand; RMB3,247.11 million was trade and notes receivable primarily consisted of receivables from ECC and sales of inverter; RMB1,025.05 million was prepayments and other receivable and other current assets primarily consisted of deductible VAT and advances.

As of 31 December 2016, current liabilities of the Group amounted to RMB12,802.53 million, including RMB6,935.44 million of trade and notes payable (primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials procurement, coal fuels and spare parts of polysilicon); RMB2,253.43 million of provisions and other payables (primarily consisting of construction expenses and retention of PV and wind power projects), and RMB3,432.23 million of short-term borrowings.

As of 31 December 2016, net current assets amounted to RMB1,106.95 million, representing an increase of RMB904.07 million as compared with net current assets amounted to RMB202.88 million as of 31 December 2015. The liquidity ratio was 108.65% as at 31 December 2016, representing an increase of 7.21 percentage points as compared with the liquidity ratio of 101.44% as at 31 December 2015. Restricted deposits amounted to RMB950.53 million, mainly including deposits for bills and issuance of the letter of credit.

The liquidity risks of the Group are controlled by the ample cash and available funds, which have been committed to the credit financing. The Group satisfies its operating capital demand through funds from operation and bank borrowings.

Borrowings and notes payable

As of 31 December 2016, the Group's balance of the borrowings and notes payable amounted to RMB13,269.75 million, representing an increase of RMB1,160.13 million as compared with the balance of the borrowings and notes payable of RMB12,109.62 million as of 31 December 2015. As of 31 December 2016, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB6,933.15 million (including long-term borrowings due within one year of RMB819.69 million and notes payable of RMB3,500.92 million) and long-term borrowings amounting to RMB6,336.60 million.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each of local entities is responsible for managing and analyzing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including restricted cash), as well as credit risk exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of its customers taking into account various factors including their financial position, past experience and other factors. The management does not expect any losses from non-performance by these counterparties, except for those recognized.

Events after the balance sheet date

On the board meeting held on 24 March 2017, the Board proposed a final dividend of RMB0.12 (tax inclusive) per share for the year ended 31 December 2016.

Resignation of Director

Mr. Wang Jian had resigned as a non-executive Director of the Company and a member of the Audit Committee due to changes in job allocation with effect from 8 March 2017.

IV. PROSPECTS

- **Market Prospects**

The "13th Five-Year Plan" is an important period for China's economic transition, energy revolution and system and mechanism innovation, and is also critical for the upgrading of solar power and wind power sectors. The introduction of various policies, such as national supply-side reform, electricity sale-side reform, destocking, decreases in benchmark on-grid tariffs, fore-runner and super fore-runner policy, is constantly diversifying the transaction modes; technological advances result in decreases in costs, and the state is most likely to abolish new energy subsidies in the future with an ultimate goal of "grid parity"; electricity curtailments in key regions such as Xinjiang are expected to fade out thanks to the building of "National Big Corridors (國家大通道)" and "Electricity Transmission from Xinjiang to Other Areas (疆電外送)"; and new technologies, including big data, cloud computing, energy internet and intelligent energy, will provide concept and technology supports for the rapid innovative development of new energy. Due to evolution of such policies, technologies and information, not only is the new energy sector embracing rare development opportunities, but the sector is also faced with highly severe challenges.

Management Discussion and Analysis

According to the "13th Five-Year Plan" for electric power development issued by the NEA, by the end of 2020, the solar energy installed generating capacity is expected to be 110GW, among which, PV installed generating capacity and solar thermal power installed generating capacity will amount to 105GW and 5GW, respectively; furthermore, the accumulated wind power installed capacity for grid-connection will be more than 210GW. In addition, the PV installed generating capacity for grid-connection and the wind power installed generating capacity for grid-connection are expected to increase by 18GW and 20GW, respectively in 2017 in accordance with the National Energy Working Conference held on 27 December 2016.

During the period of the "13th Five-Year Plan", the new energy sector in China will enter a period of scale development and its overall energy demand will continue to rise in a rigid manner. The government will accelerate energy production and consumption revolution and upgrade the general strategic planning of ecological civilization construction, with a view to achieving the goal of non-fossil energy accounting for 15% in the energy portfolio in 2020 and thus establishing the strategic position of new energy in the energy portfolio. As the national strategic emerging industries, wind power and solar power will make contributions to accelerating the national economic upgrade. Despite the on-grid tariffs are decreasing year by year, the state's polices of giving priority to new energy consumption will remain unchanged; besides, as the electric power system reform accelerates, the construction of electricity transaction system and intelligent grids will provide favorable supporting facilities for new energy development. During such period, opportunities coexist with challenges, but the former will prevail over the latter.

- **Business plan in 2017**

Faced with new opportunities and challenges, the Group will carry forward the spirits of preciseness, pragmatism and aggressiveness. Specifically, it will analyze the industrial landscape to get clear development directions and grasp opportunities in the market, and will prepare overall and detailed plans based on the strategic planning of the "13th Five-Year Plan" so as to achieve a development of all businesses in 2017.

(1) Continue to reinforce the safety foundation and ensure safe and zero accident operation

The Group will comprehensively implement safety and environment risk control measures and safe production responsibility systems in line with requirements of operation standardization and process-oriented management; it will also lift safety and environment control standards and alter the currently passive control style in an innovative manner, in order to realize real-time and effective information management.

(2) Continue to improve the quality of polysilicon and elevate the production automation level

The Group will further lower the unit cost of products and enhance production efficiency by means of technological transformation and innovation, and will keep eyes on any updated development of polysilicon production technology to mitigate new risks arising from potential technological innovation in the industry. Meanwhile, it will conduct systematic planning to elevate the production automation level of polysilicon production lines in stages and with focuses, in hope of narrowing the gap between the relatively advanced enterprises abroad and itself.

(3) Accelerate the research of multi-patterns for business and snatch central and eastern resources

The Group will deepen its layout and exploitation of the central and eastern markets, conduct further study of alternative business modes for power station including decentralized PV and poverty alleviation via PV, and intensify its efforts to develop power stations by adhering to policies of "complementary in fishing and PV (漁光互補)" and "complementary in farming and PV (農光互補)" in order to encourage more cooperation with fishing and farming enterprises. As to the ultra-high voltage grids in the "Three Norths (三北)" region, the Group will reinforce its resource advantages, construct power stations in line with regional situations, selectively choose and develop quality resources into BOO projects and increase the number of operators, laying solid foundation for long-term and sustainable development.

(4) Focus on the positioning of new energy manufacture sector and accelerate the upgrading towards high-end manufacturing

In order to accelerate the transition from traditional manufacturing to high-end manufacturing, the Group should have a clear positioning and focus on inverters and SVG products with market prospects and core competitiveness. Furthermore, it will strengthen system integration capacity of flexible direct-current ("DC") transmission and continue to explore cutting-edge technologies for flexible DC, such as high voltage transmission, high capacity transmission, multi-terminal networking transmission and overhead line transmission; develop new products based on its own intellectual properties or domestically manufactured key components, with a view to reducing costs and facilitating application of flexible DC technology in middle and low voltage distribution networks; and speed up the informatization of the new energy operation and maintenance platform building, in order to lift the intelligence level of operation and maintenance of BOO projects.

(5) Grasp opportunities arising from "One Belt and One Road" and seize international market share

In South Asia, West Asia, Southeast Asia and Central Asia regions along the "One Belt and One Road", there are abundant solar resources available to develop the PV industry; some countries including Pakistan, Egypt, India, Saudi Arabia and the United Arab Emirates have also introduced their own tariffs policies for wind and PV power generation. Leveraging on the market opportunities and financing conditions brought about by the national policy of "One Belt and One Road", the Group will perform in-depth research into potential opportunities in the aforementioned countries and other countries and explore various forms of cooperation while avoiding risks, thus expanding international market share.

(6) Promote technological innovation and accelerate achievement transformation

With regard to polysilicon production, the Group will continue to carry out scientific and technological innovation of projects so as to realize the transformation of scientific research projects to operating results, through focusing on improving the quality and quantity of polysilicon and reducing energy consumption, and therefore further enhance the competitiveness of product.

With regard to the development of wind and PV resources, the Group will strengthen R&D, continue to promote the technical research of intelligent PV and wind power plants, substations, flexible transmission technologies, and possess flexible DC transmission engineering system integration capabilities through independent R&D and technical cooperation, etc. The Group will establish the strategic thinking of App Internet energy to realize intelligent control over the operation and maintenance of power plants; continue to explore energy interconnection models based on current intelligent operation and maintenance technology of eCloud; and strive to bring about larger transactions and service systems by means of advanced information, automated control and internet from current intelligent operation and maintenance system, create more energy value-added services by integrating energy producers and consumers and ultimately set up a direct trading interconnection mode between clean energy and power users.

V. RISK FACTORS AND RISK MANAGEMENT

(1) Risks associated with falling price of polysilicon

The Group mainly sells its polysilicon to the manufacturers of PV products in China, and the price of polysilicon depends on the demand for PV products in China. Some factors, including the advancement of polysilicon production technology, the state's adjustments of policies in relation to PV power generation, fierce market competition and reduction in demand for downstream PV products, may result in surplus and decline in price of polysilicon, thus affecting the revenue and results of operations of the Group. In 2016, a number of polysilicon manufacturer built factories or expanded capacity in Xinjiang, which further increased the Group's pressure.

The Group will strengthen technology R&D, and reduce costs and improve quality by expanding production capacity and enhancing production efficiency, so as to mitigate the risks resulting from reduction in price of polysilicon.

(2) Risks associated with market competition

In 2016, the PV and wind power industry of China continued to maintain a strong growth momentum. The technology level of manufacturers was gradually improved along with the rapid development of the industry, and the number of polysilicon manufacturers, PV and wind power project contractors increased continuously, which led to fierce market competition. Due to the PV and wind power industry whose scale in the market is affected greatly by the installed capacity planned by the government, the competition will be more fierce if the government reduce the installed capacity. The above factors may impose certain impact on the market share of the Group.

The Group will actively respond to challenges in the market, and exert its own advantages through providing high quality products and rendering professional services, so as to further consolidate and enhance its position in the industry.

(3) Risks associated with grid connection and consumption of PV and wind power

During the Reporting Period, grid connection and absorption problems of PV and wind power continued to deteriorate. The problem of curtailment of PV and wind power persisted in some areas and the absorptive capacity suffered deficiency in some local areas. The problems of grid stability and control and management have not been fundamentally resolved. At the same time, the rush installation triggered by on-grid tariff cut will also cause pressure to the grid connection and absorption of PV and wind power.

The Group will make reasonable plans during the development of wind and solar resources and strengthen development efforts in the areas with favorable grid connection and absorption conditions to ensure the power generation efficiency and effectiveness of the power plants.

(4) Risks associated with tariff cut

According to the Notice Regarding the Adjustment to Benchmark On-Grid Tariffs of PV and Onshore Wind Power Generation (《關於調整光伏發電陸上風電標桿上網電價的通知》) issued by the NDRC in December 2016, the on-grid benchmark tariffs of PV and wind power plants had been appropriately reduced in order to reasonably guide and bring about new energy investments, which meant the PV and wind power generation sectors had taken another big step toward achieving the stated objective of "grid parity" in 2020. However, to achieve the goal of "grid parity" as soon as possible, the PV and wind power on-grid tariffs are still faced with reduction pressure. In 2016, the PRC government approved another eight new fore-runner bases besides Datong advanced PV technology demonstration base in Shanxi, igniting another round of upsurge in competing for the title of PV fore-runner. As such, the industry participants will obtain construction projects through auction mode, and such competition pattern for resource distribution will inevitably lead to PV power tariffs decreasing at a faster pace.

The Group will increase investments in R&D, further reduce the costs of power generation and improve the generating hours through technical upgrading, which will partially offset the risks of tariff cut.

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jianxin, aged 44, is currently serving as chairman and executive Director. Mr. Zhang has attained his PhD and he is also an economist of economic management. Mr. Zhang worked as the director of Investment and Development Department, the deputy chief economist of TBEA, the chairman of Xinjiang New Energy, etc. Mr. Zhang has joined the Company since February 2008, served as executive Director of the Company since February 2008, and also served as chairman since July 2012.

Mr. Yin Bo, aged 38, is currently serving as executive Director and general manager. Mr. Yin obtained master degree and he is a senior engineer of chemical engineering and process. Mr. Yin served as a clerk of polysilicon preparatory team of TBEA, the head of technology department, deputy chief engineer, the general manager of polysilicon workshop, and the deputy general manager of the Company, etc. Mr. Yin has joined the Company since February 2008, served as executive Director and deputy general manager of the Company since June 2015, and also served as general manager of the Company since March 2016.

Mr. Ma Xuping, aged 43, is currently serving as executive Director. Mr. Ma obtained master degree and he is a senior engineer of transformer. Mr. Ma worked as general engineer, deputy general manager of TBEA Xinjiang Transformer Factory, deputy general manager of Xinjiang Joinworld Co., Ltd., deputy general manager, executive Director and general manager of the Company. Mr. Ma has joined the Company since March 2008. He served as executive director and general manager of the Company from July 2012 to March 2016 and served as executive Director since July 2012.

Non-executive Directors

Mr. Zhang Xin, aged 55, is currently serving as non-executive Director. Mr. Zhang obtained associate degree, and he is an electrical engineer as well as a senior engineer of machinery and electronics. Mr. Zhang is currently serving as the chairman of TBEA Co., Ltd. (Stock code: 600089.SH), which is the Controlling Shareholder of our Company, and director of Xinjiang Joinworld Co., Ltd. (Stock code: 600888.SH). Mr. Zhang worked as factory manager of Changji City Special Transformers Factory, the chairman of TBEA Silicon Industry Co., Ltd. (特變電工硅業有限公司) (the predecessor of our Company), the chairman of Xinjiang New Energy. Mr. Zhang has served as non-executive Director since February 2008.

Ms. Guo Junxiang, aged 46, is currently serving as non-executive Director. Ms. Guo obtained bachelor degree and is a senior economist in industrial economics. Ms. Guo is currently serving as the board secretary, the director of TBEA and a supervisor of Xinjiang Joinworld Co., Ltd. She worked as deputy director of general manager office, director of bond department of TBEA, supervisor of Xinjiang New Energy. Ms. Guo has served as non-executive Director since February 2008.

Mr. Wang Jian, aged 40, served as non-executive Director during the Reporting Period. Mr. Wang obtained bachelor degree. He served as the secretary to the board of directors and executive vice president of China Minsheng New Energy Investment Co., Ltd. (中民新能投資有限公司), deputy general manager of vehicle and equipment leasing division, general manager of the real estate asset of Minsheng Financial Leasing Co., Ltd. (民生金融租賃股份有限公司), executive director of sector investment department, the head and executive director of design division No.1 (new energy division) of China Minsheng Investment Corporation (中國民生投資股份有限公司). Mr. Wang served as non-executive Director from April 2015 to 8 March 2017.

Independent Non-executive Directors

Mr. Qin Haiyan, aged 47, currently serves as independent non-executive Director. Mr. Qin obtained master degree, and he is currently serving as director of China General Certification Center Co., Ltd. (北京鑒衡認證中心有限公司主任), a member and the secretary general of the National Wind Power Machinery Standardization and Technology Committee (全國風力機械標準化技術委員會 (SAC/TC50)), a member of the 27th Council of the Climate Change and Low Carbon Development Committee of the Chinese Meteorological Society (中國氣象學會第27屆理事會氣象變化與低碳發展委員會), the deputy director of the Special Committee by Chinese Renewable Energy Industries Association (中國資源綜合利用協會可再生能源專業委員會)/the Industry Committee of Chinese Renewable Energy Society (中國可再生能源學會產業委員會專委會), the vice-chairman of the IEC System For Certification to Standards Relating to Equipment for Use in Renewable Energy Applications (IECRE) (國際電工委員會可再生能源設備認證互認體系). Mr. Qin has served as independent non-executive Director since June 2015.

Mr. Qin is currently serving as independent non-executive director of China Suntien Green Energy Co., Ltd. (新天綠色能源股份有限公司) (Stock code: 956.HK), independent non-executive director of Huaneng Renewables Corporation Limited. (華能新能源股份有限公司) (Stock code: 958.HK).

Mr. Yang Deren, aged 53, currently serves as independent non-executive Director. Mr. Yang obtained Phd and the title of professor. Mr. Yang now serves as director of State Key Laboratory of Silicon Materials (硅材料國家重點實驗室主任) and the director of Institute of Semiconductor Materials (半導體材料研究所所長) in Zhejiang University. He was named Distinguished Professor under the Yangtze River Scholar Award Scheme (長江學者獎勵計劃特聘教授), Senior Specialist of Zhejiang Province (浙江省特級專家), was awarded the National Science Fund for Distinguished Young Scholars (國家傑出青年基金) and the 9th Chinese Youth Science and Technology Prize (曾獲得第九屆中國青年科技獎). Mr. Yang was awarded the National Natural Science Award (Second Class Award) by his research project on "silicon doped nitrogen with single crystal helium and relevant

Profile of Directors, Supervisors and Senior Management

defect (摻氮直接硅單晶晶氮及相關缺陷的研究項目)" as well as the "controllable plant and its mechanism of one-dimensional nanometer semiconductor materials (一維納米半導體材料的可控生產長及其機理)". Mr. Yang served as independent non-executive Director since June 2015.

Mr. Yang now also serves as independent non-executive director of Hangzhou First PV Material Co., Ltd. (杭州福斯特光伏材料股份有限公司) (Stock code: 603806.SH) and Zhejiang Jingsheng Mechanical & Electrical Co., Ltd. (浙江盛晶機電有限公司) (Stock code: 300316.SZ).

Mr. Wong, Yui Keung Marcellus, aged 63, is currently serving as independent non-executive Director. Mr. Wong obtained bachelor degree, and he is a Certified Tax Adviser in Hong Kong and a Fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) as well as CPA Australia. Mr. Wong is currently serving as vice chairman of the global advisory board of L.R. Capital Management Company (Cayman) Limited, honorary adviser of CPA Australia, council member of the Taxation Institute and chairman of Tax Policy Committee of Hong Kong, a member of the joint contacting group in Inland Revenue Department of Hong Kong, senior adviser of PricewaterhouseCooper. He worked as a partner of PricewaterhouseCooper, served as a head supervising compliance, tax risk and quality of PricewaterhouseCooper in Hong Kong, Mainland China and Asia-Pacific region. Mr. Wong is a member of the joint contacting group in Inland Revenue Department of Hong Kong, the president of the Taxation Institute of Hong Kong and the president of CPA Australia (Greater China Division). Mr. Wong served as independent non-executive Director since June 2015.

Supervisors

Mr. Chen Qijun, aged 46, currently serves as chairman of Supervisory Board. He obtained an associate degree and is a senior economist of economic management. Mr. Chen is now serving as the chief risk controller and chairman of Supervisory Board of TBEA. He worked as the deputy factory manager and executive deputy factory manager of Xinjiang Transformers Factory of TBEA, the general manager of TBEA Shandong Luneng Taishan Cable Co., Ltd. (特變電工山東魯能泰山電纜有限公司), and the deputy general manager of TBEA. Mr. Chen has served as Supervisor since June 2015.

Ms. Wu Wei, aged 48, currently serves as Supervisor. She obtained master degree and is titled senior economist of enterprise management, senior political engineer, electrical insulation and cable engineer. Ms. Wu now serves as deputy general manager of TBEA Shenyang Transformer Group Co., Ltd. (特變電工瀋陽變壓器集團有限公司), and she worked as the director of sales company, the assistant to the general manager and the vice president of marketing of TBEA Xinjiang Transformers Factory, and has served as the director of Beijing office and deputy general manager of TBEA. Ms. Wu has served as Supervisor since July 2012.

Mr. Hu Shujun, aged 44, currently serves as Supervisor, obtained an associate degree and is a senior electrical engineer. Mr. Hu now serves as chairman and general manager of Xinjiang Tebian. He worked as iron core workshop director, head of production department, assistant to the factory manager and deputy factory manager of TBEA Xinjiang Transformers Factory, and the assistant to the general manager and deputy general manager of TBEA. Mr. Hu has served as Supervisor since June 2015.

Mr. Cao Huan, aged 33, currently serves as an employee representative Supervisor. He obtained bachelor degree. Mr. Cao now serves as director of audit department. He worked as the purchasing supervisor of purchase department, assistant to the director of audit department, deputy director of audit department. Mr. Cao has joined the Company since June 2008 and served as Supervisor since June 2015.

Mr. Zhang Yueqiang, aged 41, currently serves as an employee representative Supervisor. He obtained bachelor degree and has acquired the first-class qualification of Corporate Culture Expert. He is currently the chairman of labor union of the Company and was the assistant to the director and deputy director of corporate governance department, the director of corporate affairs department and the vice-chairman of labor union of TBEA. Mr. Zhang joined the Company in February 2008 and has been an employee representative Supervisor since April 2016.

Other Senior Management Members

Mr. Yin Bo, aged 38, is currently serving as executive Director and general manager. Biographical details of Mr. Yin Bo as at the Latest Practicable Date are set out on page 40 of this annual report.

Ms. Jia Fei, aged 42, served as the deputy general manager of the Company during the Reporting Period. She obtained master degree and is an economist. Ms. Jia worked as the assistant to the director, deputy director, director of corporate governance department, deputy chief economist and the general manager of the new energy business department of TBEA. Ms. Jia served as non-executive Director of the Company from July 2012 to June 2015, and served as deputy general manager from June 2015 to January 2017.

Mr. Peng Jianghua, aged 41, currently serves as deputy general manager. He obtained master degree and is an senior engineer of Industrial automation. Mr. Peng worked as a clerk of the polysilicon preparatory group of TBEA, head of electric department and deputy head of engineering department, assistant to the general manager of the Company. Mr. Peng has joined the Company since February 2008 and has served as deputy general manager since August 2012.

Mr. Gan Xinye, aged 41, currently serves as deputy general manager. He obtained an associate degree and is an electrical engineer. Mr. Gan worked as the director of Inner Mongolia Office of TBEA Hengyang Transformer Co., Ltd. (特變電工衡陽變壓器有限公司), head of strategic development department, deputy general manager of marketing department, assistant to the general manager and general manager of international complete engineering branch of the Company. Mr. Gan has joined the Company since February 2008 and has served as deputy general manager since December 2012.

Mr. Liu Weizeng, aged 39, currently serves as deputy general manager and the general manager of TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司). He obtained Phd and is an senior engineer of power electronic technology. Mr. Liu worked as executive deputy general manager and chief engineer of TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司), and the chief engineer of Xinjiang New Energy. Mr. Liu has served as deputy general manager since June 2015.

Profile of Directors, Supervisors and Senior Management

Mr. Mian Yulong, aged 48, currently serves as the safety director. He obtained master degree and is a safety engineer. Mr. Mian worked as the deputy director of safety management division of safety and environmental protection department, deputy director of safety and technical supervision division of safety and environmental protection department, deputy director of quality, safety and environmental protection department, and the director and deputy chief engineer of safety management division of quality, safety and environmental protection department of Urumqi Petrochemical Company (烏魯木齊石化公司). Mr. Mian has joined the Company since August 2014 and has served as safety director since June 2015.

Mr. He Yongjian, aged 50, currently serves as the chief engineer. He obtained bachelor degree and is a senior mechanical engineer. Mr. He worked as deputy equipment director of and team leader of the mechanical team of the synthesis of rubber factory, deputy manager of project department under the large-scale ethylene project commanding department (大乙烯指揮部聚丙烯項目), director of mechanics division and deputy chief equipment engineer of the project department of the polyolefin business unit (聚烯烴事業部) as well as deputy chief equipment engineer of the ethylene plant of Lanzhou Petrochemical Company. Mr. He has joined the Company since January 2013 and has served as the chief engineer since June 2015.

Mr. Zheng Weijie, aged 39, currently serves as the chief accountant. He obtained bachelor degree and is an intermediate financial planner. Mr. Zheng worked as the bank and tax accountant and the head of financing of finance department, director of the fund management center of TBEA, deputy chief accountant and chief accountant of Xinjiang New Energy. Mr. Zheng has served as the chief accountant since June 2015.

Ms. Zhang Juan, aged 28, currently serves as the secretary to the Board. She obtained bachelor degree and is a Certified Public Accountant of Canada (加拿大註冊會計師). Ms. Zhang worked as a clerk of securities department of TBEA and the assistant to the head of securities department of the Company. Ms. Zhang has joined the Company since October 2014 and has served as the secretary to the Board since June 2015.

Report of the Board of Directors

MAJOR BUSINESS

The Company is mainly engaged in producing and sales of polysilicon and inverter, and the developing and operating of PV and wind power plant.

MANAGEMENT DISCUSSION AND ANALYSIS

The details of discussion and analysis of the management of the Company during this year are set out in pages 14 to 39 of this annual report.

SHARE ISSUANCE

The Company was listed on the Main Board of the Stock Exchange on 30 December 2015, by issuing 146,500,000 H Shares.

The Joint Global Coordinator partly exercised the over-allotment option on 21 January 2016 by over-allocating 20,776,800 H Shares, with the offering price of HK$8.80 per share. Its completion took place on 25 January 2016. The share capital of the Company has been increased to 1,045,005,162 Shares from 1,024,228,362 Shares.

DEBENTURES ISSUANCE

For the year ended 31 December 2016, the Company does not have any debentures issuance.

RESULTS

The audited result of the Group for the year ended 31 December 2016 are set out in the Consolidated Statement of Comprehensive Income on page 107. The financial position of the Company for the year ended 31 December 2016 are set out in the Consolidated Balance Sheet from page 105 to page 106. The consolidated cash flow of the Company for the year ended 31 December 2016 is set out in the Consolidated Statement of Cash Flows on page 109. The discussion and analysis on result performances, the important factors effecting the results and financial position relevant to the Group during the year are set out in the Management Discussions and Analysis from page 14 to page 39 in the annual report.

SHARE CAPITAL

As of 31 December 2016, the structure of the share capital issued of the Company is as follow:

Classification of Shares	Number of Issued Shares on 31 December 2016	The percentage of the number of shares issued on 31 December 2016 (%)
Domestic Shares	731,529,532	70%
H Shares	313,475,630	30%
Total	1,045,005,162	100%

On 31 December 2016, the total share capital of the Company was 1,045,005,162 Shares, divided into 731,529,532 Domestic Shares with nominal value of RMB1 each and 313,475,630 H Shares with nominal value of RMB1 each.

DISTRIBUTABLE RETAINED EARNINGS

As of 31 December 2016, the Company had distributable retained earnings of RMB1,052,215,000.

RESERVES

Movements in the reserves of the Company for the year are set out in Note 37(b) to the consolidated financial statements.

PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

On 24 March 2017, the Board proposed the distribution of a final dividend of RMB0.12 per share (including tax) for the year ended 31 December 2016, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal of distributing final dividend is subject to the approval by shareholders of the Company at the annual general meeting to be held on 16 June 2017.

The distribution of dividend will be completed within two months after the annual general meeting (if approved). The final dividend will be paid by RMB to domestic shareholders and H shareholders will be paid by Hong Kong dollars. The actual amount of dividend of H-share to be paid by Hong Kong dollars is calculated basing on the average of the middle rate of RMB against Hong Kong dollars for five business days preceding the date of approval of the dividend declaration at the annual general meeting published by the People's Bank of China.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from Friday, 23 June 2017 to Wednesday, 28 June 2017, both days inclusive, during which no transfer of shares will be registered. Holders of H Shares and Domestic Shares whose names appear on the register of members of the Company on Wednesday, 28 June 2017 are entitled to receive the final dividend. In order to determine the holders of H Shares of the Company who are qualified for the final dividend payment, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Thursday, 22 June 2017 for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on Friday, 16 June 2017, the register of members of the Company will be closed from Wednesday, 17 May 2017 to Friday, 16 June 2017, both days inclusive, during which no transfer of shares will be registered. Holders of H Shares and Domestic shares whose names appear on the register of members of the Company on Friday, 16 June 2017 are entitled to attend and vote at the annual general meeting. Holders of H Shares of the Company who intend to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant H Share certificates must be lodged with the Company's H Share registrar mentioned above no later than 4:30 p.m. on Tuesday, 16 May 2017 for registration. Domestic shareholder of the Company who intend to attend and vote at the annual general meeting shall submit all transfer documents accompanied by the relevant domestic share certificates to the office of the Secretary of the Board of the Company no later than 4:30p.m. on Tuesday, 16 May 2017 for registration.

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

Withholding and Payment of Enterprise Income Tax on Behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

Report of the Board of Directors

Withholding and Payment of Individual Income Tax on Behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementing rules as well as the Tax Notice (《税收通知》), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- For individual holders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend. If relevant individual holders of H Shares would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice (《税收通知》). Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual holders of H Shares in the distribution of the final dividend; and

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual holders of H Shares in the distribution of the final dividend.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Group has not purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2016.

USE OF PROCEEDS

The Company conducted the initial public offering of its H Shares and had its H Shares listed on the Main Board of the Stock Exchange in December 2015. The proceeds of H Shares offering were the equivalent of approximately RMB1,192 million in HKD. According to the plan of the use of the proceeds of the Company, as of 31 December 2016, accumulated used proceeds were the equivalent of approximately RMB947 million, and the unused proceeds were the equivalent of approximately RMB245 million.

As of 31 December 2016, the uses of proceeds of H Shares of the Company are as follows:

No.	Usage	Allocation Amount (RMB million)	Used Proceeds (RMB million)	Unused Proceeds (RMB million)
1	Construction and operation of the BOO projects of the Group	762.00	582.66	179.34
2	Replenishment of operating capital	135.27	128.59	6.68
3	Repayment of part of long-term bank loans	235.74	235.74	0.00
4	Investment in R&D activities and purchasing or upgrading of IT systems	58.66	0.00	58.66
	Total	1,191.67	946.99	244.68

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the Group's revenue from operations attributed to our five major customers and the major customer were 34.39% and 11.46%, respectively.

During the same period, the Group's total procurement amount attributed to our five major suppliers and the major supplier were 28.78% and 10.83%, respectively.

The customers of the Group were mainly the operation enterprises of PV and wind power plant in the downstream of new energy industry, mainly including state-owned enterprises, central enterprises and private enterprises, who have established cooperation with the Group in the recent 5 years. Major customers were similar to other customers in these aspects, such as delivery method, payment method, settle conditions, without special terms. The settlement of major customers's accounts receivable was strictly complied with the requirements of the contract, and provision was made for accounts receivable in accordance with the Group's accounting policy.

Hoboksar Mongol Autonomous County Huaguang New Energy Co., Ltd. (和布克賽爾蒙古自治縣華光新能源有限責任公司) ("Huaguang New Energy") is one of the five major customers of the Group for the year ended 31 December 2016, 30% equity interest of which is owned by Xinjiang New Energy, a subsidiary of the Company, and 98.89% equity interest of which is held by the Company as of the Latest Practicable Date. Apart from the equity indirectly held through the Company, the Group has no other equity interest in Huaguang New Energy. As of the Latest Practicable Date, Xinjiang New Energy has 30% equity interest in Huaguang New Energy.

TBEA is one of the five major suppliers of the Group for the year ended 31 December 2016, and has 60.25% equity interest in the Company as of the Latest Practicable Date.

Save as those disclosed in this annual report, none of the Directors, their associates or substantial shareholders who own more than 5% of the issued share capital of the Company has any equity interest in the five major customers and the five major suppliers.

The Group has been keeping a sustained and stable relationship with customers and suppliers. The Group has not relied on any individual customer and supplier as regard to the business, which has a significant impact on the Group.

RELATIONSHIP WITH EMPLOYEES

The Group always adhered to the corporate culture with "employee-based development for the sake of staff and sharing of development achievement with employees", actively practiced the concept of "innovation and participation", and deepen the projects in public interest, promoting the construction of harmonious corporate continuously. In 2016, the labor union of the Group at different levels continued to conduct "livelihood projects", which covered various aspects, such as staff's children education, support of the employees who have difficulties, medicine, training and love and marriage matters of employees, based on the most direct livelihood problems that were urgently necessary to deal with for employees. The Group delivered a satisfactory "result on livelihood" to extensive employees by practical actions, promoting a higher level of producing, living, working, learning environment and welfare and security of employees.

Meanwhile, the Group's employees have one or two meetings with their superiors in a regular basis each year based on their positions and responsibilities, discuss their work performance and challenges they're facing, and set their goals and achieve them. The Group will evaluate their working quality, attitude and space for improvement and performance, which are considered as the evaluation bases of significant decision-making, such as wage/salary adjustment, promotion/demotion and job relocation. Employees can receive guidance and consultation, training or career development plan as appropriate. For details of staff development and training, please refer to environmental, social and governance report in 2016 issued by the Company in due course.

BANK LOAN AND OTHER BORROWING

Details of the bank loan and other borrowing for the Group on 31 December 2016 are set out in Note 20 to the consolidated financial statements.

CHARITABLE DONATION

For the year ended 31 December 2016, the Group has made charitable donation of approximately RMB1.97 million. The donation is mainly used for people's livelihood projects, construction of infrastructure facilities at the donated places, etc.

PROPERTY, PLANT AND EQUIPMENT

Details of change on the property, plant and equipment of the Company during the year are set out in Note 6 to the consolidated financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors of the Company for the year ended 31 December 2016 and up to the reporting date are as follows:

Executive Directors
Zhang Jianxin *(Chairman of the Board of Directors)*
Ma Xuping
Yin Bo

Non-executive Directors
Wang Jian[(1)]
Zhang Xin
Guo Junxiang

Independent non-executive Directors
Qin Haiyan
Yang Deren
Wong, Yui Keung Marcellus

For the year ended 31 December 2016, biographies of Directors, Supervisors and senior management are set out in page 40 to page 44 to this report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers that all independent non-executive Directors are independent from the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts are (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) are subject to termination in accordance with their respective terms.

Each of the Directors and Supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles of association and arbitration and other provisions with the Company.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

(1) Mr Wang Jian had resigned on 8 March 2017.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Company's Directors and Supervisors for the year ended 31 December 2016 are as follows:

	Total RMB'000
Executive Directors	
Zhang Jianxin	1,506
Ma Xuping	—
Yin Bo	1,444
Non-executive Directors (1)	
Zhang Xin	—
Guo Junxiang	—
Wang Jian	—
Independent non-executive Directors	
Yang Deren	120
Qin Haiyan	120
Wong, Yui Keung Marcellus	120
Supervisors	
Chen Qijun (2)	—
Wu Wei (2)	—
Hu Shujun (2)	—
Zhang Yueqiang (3)	537
Cao Huan	281

Notes:

(1) Non-executive Directors would not receive any remuneration from the Company;

(2) Mr. Chen Qijun, Ms. Wu Wei and Mr. Hu Shujun are Supervisors appointed by the Shareholders and shall not receive any remuneration from the Company; and

(3) Mr. Zhang Yueqiang was appointed as the employee representative Supervisors from 14 April 2016, and the illustrated remuneration was for the period from 14 April 2016 to 31 December 2016.

Report of the Board of Directors

The emoluments of the senior management of the Company for the year ended 31 December 2016 are within the following bands:

Remuneration bands	No. of person
RMB100,000 to RMB500,000	1
RMB500,001 to RMB1,000,000	7
RMB1,000,001 to RMB1,500,000	1

The Company's internal policies on the Directors and Supervisors remuneration are as follows:

1. Independent non-executive Directors will receive their remuneration from the Company. The Company will pay each Independent Non-executive Director RMB120,000 annually (before tax, paid on a quarterly basis, the Company being responsible for withholding and paying personal income tax). Travel expenses incurred by independent non-executive Directors in attending Board meetings of the Company, general meetings and relevant activities organized by the Board will be borne by the Company;

2. Non-executive Directors without holding offices in the Company will not receive any remuneration from the Company;

3. Executive Directors holding offices in the Company will receive their remuneration from the Company. The remuneration of an executive Director will be determined based on the senior management position held by such executive Director, in accordance with rules relating to the management of remuneration of the Company; and

4. Supervisors without holding offices in the Company will not receive any remuneration from the Company; employee representative supervisors will receive their remuneration from the Company where they currently hold a position. The remuneration of an employee Supervisor of the Company will be determined with reference to the duties of the management position where he holds, in accordance with rules relating to the management of remuneration of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance to the Group's business in which the Company was a party, and in which a Director or Supervisor or an entity connected with the Director or Supervisor had a material interest, either directly or indirectly, and subsisted during the year or at the end of the year.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed below, during the year of 2016, no Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

Name of Director	Position in the Company	Other interests
Mr. Zhang Xin	Non-executive Director	Chairman of the board of directors and executive director of TBEA
Ms. Guo Junxiang	Non-executive Director	Secretary of the board of directors and executive director of TBEA

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES SHARE OPTION SCHEME

As of 31 December 2016, so far as known to the Company, the interest and short positions of the Directors, Supervisors or chief executive of the Company in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which will have to be notified to the Company and the Stock Exchange (including those being taken or deemed to have by them under such provisions of the SFO); or (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") are as follows:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of the Company/ relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation)[1]	Approximate percentage of shareholdings in the relevant class of Shares of the Company[2]	Long position/ short position
Directors						
Mr. Zhang Xin	Interest in a controlled corporation[3]	The Company	57,826,308 Domestic Shares	5.53%	7.90%	Long position
	Beneficial Owner	TBEA [4]	351,478 shares	0.01%	N/A	Long position
	Interest in a controlled corporation[5]	TBEA [4]	377,429,387 shares	11.63%	N/A	Long position
Mr. Zhang Jianxin	Beneficial Owner	TBEA [4]	160,000 shares	0.00%	N/A	Long position
Mr. Ma Xuping	Beneficial Owner	TBEA [4]	270,280 shares	0.01%	N/A	Long position
Ms. Guo Junxiang	Beneficial Owner	TBEA [4]	300,000 shares	0.01%	N/A	Long position
Mr. Yin Bo	Beneficial Owner	TBEA [4]	60,000 shares	0.00%	N/A	Long position
Supervisors						
Ms. Wu Wei	Beneficial Owner	TBEA [4]	350,000 shares	0.01%	N/A	Long position
Mr. Hu Shujun	Beneficial Owner	TBEA [4]	60,000 shares	0.00%	N/A	Long position
Mr. Cao Huan	Beneficial Owner	TBEA [4]	35,000 shares	0.00%	N/A	Long position
Mr. Zhang Yueqiang	Beneficial Owner	TBEA [4]	40,000 shares	0.00%	N/A	Long position

(1) The calculation is based on the total number of 3,243,460,886 shares of TBEA and 1,045,005,162 Shares of the Company in issue as of 31 December 2016.

(2) The calculation is based on the total number of 731,529,532 Domestic Shares of the Company in issue as of 31 December 2016.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as of 31 December 2016, Xinjiang Tebian directly holds 5.53% equity interest of the Company.

(4) TBEA is our Company's Controlling Shareholder and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO. As of 31 December 2016, TBEA held 628,926,449 Domestic Shares of our Company, TBEA (Hongkong) Co., Limited, a wholly owned subsidiary of the TBEA, held 592,400 H shares of our Company, which in total accounted for approximately 60.24% of the total share capital of the Company.

(5) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 377,429,387 shares of TBEA.

Save as disclosed above, as at 31 December 2016, none of the Directors, Supervisors and chief executive of the Company have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including those being taken or deemed to have by them under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR INSURANCE

As of the reporting date, the Company had bought effective Director insurance for the Directors (current and resigned).

PERMITTED INDEMNITY PROVISIONS

During the year of 2016 and up to the date of this annual report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

During the Reporting Period, TBEA, the Controlling Shareholder of the Company, granted restricted shares to some Directors, Supervisors and senior executives of the Company as equity incentive.

FINANCIAL, BUSINESS OR RELATIVE RELATIONSHIPS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS

As at the date of the report, there is no financial, business or relative relationships between the members of the Board of Directors.

EQUITY INCENTIVE TO THE DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVE

The Company did not make equity incentive to the Directors, Supervisors and senior executives of the Company, but TBEA, the Controlling Shareholder of the Company, granted restricted shares to some Directors, Supervisors and senior executives of the Company as equity incentive.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of 31 December 2016, so far as known to the directors of the Company after reasonable enquiry, the following persons (other than the Directors, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company [1]	Approximate percentage of shareholding in the total share capital of the Company[1]	Long position/ short position
TBEA	Beneficial Owner	Domestic Shares	628,926,449	85.97%	60.18%	Long position
Xinjiang Tebian	Beneficial Owner	Domestic Shares	57,826,308	7.90%	5.53%	Long position
Mr. Chen Weilin[2]	Interest in a controlled corporation	Domestic Shares	57,826,308	7.90%	5.53%	Long position
L.R. Capital Management Company (Cayman) Limited	Beneficial Owner	H Shares	73,099,415	23.32%	7.00%	Long position
CM International Capital Limited	Beneficial Owner	H Shares	43,859,649	13.99%	4.20%	Long position
Keystone Group Ltd.[3]	Beneficial Owner	H Shares	26,420,400	8.43%	2.53%	Long position
Ms. Ouyang Xinxiang[3]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
LRC. Belt and Road Investment Limited[4]	Beneficial Owner	H Shares	26,420,400	8.43%	2.53%	Long position
Strategic Global Investment Corporation Limited[4]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
Union Sky Holding Group Limited[5]	Beneficial Owner	H Shares	17,618,800	5.62%	1.69%	Long position
Mr. Shi Yuzhu[5]	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.69%	long position
GF Securities Co., Ltd.[6]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Holdings (Hong Kong) Corporation Limited[6]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Investment (Hong Kong) Company Limited[6]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Energy Investment Limited[6]	Beneficial Owner	H Shares	29,239,766	9.33%	2.80%	Long position
Fubon Financial Holding Co., Ltd.[7]	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.69%	Long position
Fubon Life Insurance Co., Ltd.[7]	Beneficial Owner	H Shares	17,613,600	5.62%	1.69%	Long position

Report of the Board of Directors

Notes:

(1) The calculation is based on the total number of 1,045,005,162 shares of the Company in issue on 31 December 2016, in which 313,475,630 are H Shares and 731,529,532 are Domestic Shares.

(2) Mr. Chen Weilin holds 33.61% equity interest in Xinjiang Tebian, while Xinjiang Tebian holds 5.53% equity interest of the Company directly. As a result, Mr. Chen Weilin was deemed to have an interest in 57,826,308 Domestic Shares held by Xinjiang Tebian under the SFO.

(3) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all the Company's Shares held by Keystone Group Ltd. for the purpose of the SFO.

(4) Chan Mei Ching and Chan Min Chi hold 47% and 51% equity interest in Strategic Global Investment Corporation Limited, respectively. Strategic Global Investment Corporation Limited holds 99% equity interest in LRC. Belt and Road Investment Limited. Therefore, each of Chan Mei Ching, Chan Min Chi and Strategic Global Investment Corporation Limited is deemed or taken to be interested in all the Company's Shares held by LRC. Belt and Road Investment Limited for the purpose of the SFO.

(5) Union Sky Holding Group Limited is 100% owned by Mr. Shi Yuzhu. Therefore, Mr. Shi Yuzhu is deemed or taken to be interested in all the Company's Shares held by Union Sky Holding Group Limited for the purpose of the SFO.

(6) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, GF Holdings (Hong Kong) Corporation Limited holds 100% of the equity interest of GF Investment (Hong Kong) Company Limited and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd.. Accordingly, under SFO, GF Securities Co., Ltd, GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the 29,239,766 H Shares held by GF Energy Investment Limited.

(7) Fubon Financial Holding Co. Ltd. holds 100% equity interests in Fubon Life Insurance Co. Ltd.. Accordingly, under SFO, GF Securities Co., Ltd. is deemed to be interested in the Company's shares held by Fubon Life Insurance Co., Ltd..

Save as disclosed above, as at 31 December 2016, the Directors of the Company are not aware that any other person (other than the Directors, chief executive Members of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or has to be entered in the register kept by the Company according to Section 336 of the SFO.

COMPLIANCE WITH OFAC UNDERTAKINGS

During the Listing of the Company, an undertaking is made to the Hong Kong Stock Exchange by the Company that the Company would not use any proceeds from the Global Offering directly or indirectly provide to or prompt in any activities or businesses (no matter what purpose) of conducted in any sanctioned objects. Hence, the Directors of the Company confirmed that the Company complied with the OFAC Undertakings during the reporting period and will continue to comply with the OFAC Undertakings in the normal course of business in future.

MANAGEMENT CONTRACT

The Company did not enter into or establish any management and administrative contracts relating to all or any material part of business during the Reporting Period.

SIGNIFICANT CONTRACTS

Apart from as disclosed under the heading of the “Connected Transaction” in this report, neither the Company nor any one of its subsidiaries has signed significant contracts with the Controlling Shareholder or any one of its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and the Controlling Shareholder or any one of its subsidiaries other than the Group.

CONNECTED TRANSACTIONS

The following disclosed connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and conform to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors are of the opinions that the Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules. Please refer to the announcements disclosed on the website of the Stock Exchange and the website of the Company.

The following disclosed amounts in respect of the continuing connected transactions in this section are not equivalent to transactions with related parties in Note 35 to the consolidated financial statements. The differences are attributable to: (i) the amount of transactions which were one-off transactions between the Company and the respective associates of TBEA; (ii) the amount of the fully exempt continuing connected transactions.

Apart from the below and the connected transactions and continuing connected transactions as disclosed in this annual report, none of the related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, which are subject to announcement or independent shareholder’s approval requirements.

EXEMPT CONNECTED TRANSACTIONS

The Group conducted certain exempt continuing connected transactions. The cap of relevant transactions for the year ended 31 December 2016 as announced has not been exceeded.

NON-EXEMPT ONE-OFF CONNECTED TRANSACTIONS

Entering into the Power Station Commissioning Contract

On 17 August 2016, the Company and TBEA entered into the Power Station Commissioning Contract ("Power Station Commissioning Contract"), of which the total contract amount was RMB27 million. Pursuant to the Power Station Commissioning Contract, the Company will provide TBEA with the power station commissioning services in respect of: (i) Construction Project of Phase II of 2×150MW No.2 Thermal Power Station in Dushanbe of Tajikistan; (ii) Transformation Project of 2×150MW Thermal Power Plant in Bishkek of Kyrgyzstan; and (iii) Unit No.2 of 2×350MW Thermal Power Plant Project in Changji.

TBEA directly and indirectly held approximately 60.21% of the issued share capital of the Company at that time and was therefore the controlling shareholder of the Company under the Listing Rules, thus it is a connected person of the Company. Accordingly, pursuant to Chapter 14A of the Listing Rules, the transaction between the Company and TBEA constitutes a connected transaction of the Company.

As the highest applicable percentage ratio in respect of the Power Station Commissioning Contract calculated in accordance with Chapter 14A of the Listing Rules are more than 0.1% but less than 5%, the Transaction shall be subject to the annual reporting, annual review and announcement requirements but exempt from the circular and the independent shareholders' approval requirement as set out in Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has the following non-exempt continuing connected transactions during the year.

For type 1 to type 3 of the non-exempt continuing connected transactions mentioned below, the Company was granted approval of an annual cap for such continuing connected transactions by Hong Kong Stock Exchange upon the listing of H Shares and exempted from the requirements relating to announcement and approval of independent shareholders. For type 1 to type 3 of the continuing connected transactions, the Group has published an announcement on the continuing connected transactions for 2016 and 2017 on 24 March 2016, and the Board proposed that the annual caps shall be revised, and obtained the approval of type 1 of the continuing connected transactions from the Independent Shareholders to amend the annual caps for 2016 and 2017.

For type 4, type 5 of the non-exempt continuing connected transactions mentioned below, the Group has published an announcement on the annual caps for continuing connected transactions for 2016 and 2017 on 24 March 2016, and the Board proposed that the annual caps for the TBEA and Xinjiang Tebian Miscellaneous Construction Services Framework Agreement for the year ending 31 December 2016 and 31 December 2017 shall be revised. By virtue of Rule 14A.76 of the Listing Rules, at least one of the annual percentage ratios of the transaction amount calculated for the purpose of the Listing Rules is more than 0.1% but less than 5%, the Company shall re-comply with annual reporting, annual review and announcement requirements in relation to such continuing connected transaction, but is exempted from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the same time, the Group has issued an announcement on 24 March 2016 for the continuing connected transactions exceeded the annual caps of 2015 and obtained the approval from the Independent Shareholders to amend the annual caps for 2016 and 2017.

The following table stated the annual cap and actual transaction amount of such transactions in 2016:

Matters of the connected transactions	Connected person	2016 annual cap (RMB'000,000)	2016 Actual annual transaction amounts (RMB'000,000)
1. Products Procurement Framework Agreement (Type 1)	TBEA	500.00	231.44
2. Coal Procurement Framework Agreement (Type 2)	TBEA	200.00	168.85
3. Products Procurement Framework Agreement (Type 3)	Xinjiang Tebian	50.00	13.06
4. Miscellaneous Construction Services Framework Agreement (Type 4)	TBEA	200.00	29.11
5. Miscellaneous Construction Services Framework Agreement (Type 5)	Xinjiang Tebian	250.00	40.11

Product Procurement Framework Agreement (Type 1)

Our Company entered into a products procurement framework agreement with TBEA, being the Controlling Shareholder of our Company on 30 October 2015, pursuant to which, TBEA and/or its associates shall provide the Company with transformers (including ancillary equipments), wires, cables and other equipments. The Products Procurement Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Products Procurement Framework Agreement.

Coal Procurement Framework Agreement (Type 2)

Our Company entered into a coal procurement framework agreement with TBEA on 30 October 2015, pursuant to which, TBEA and/or its associates shall provide coal to us. Pursuant to Coal Procurement Framework Agreement, Xinjiang Tianchi Energy Co., Ltd, a subsidiary of TBEA, provided coal to the Company for power generation and heating. The Coal Procurement Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Coal Procurement Framework Agreement.

Procurement of Products Framework Agreement (Type 3)

Our Company entered into a procurement of products framework agreement with Xinjiang Tebian on 30 October 2015, pursuant to which we will procure equipments and cabinets such as high-low voltage switch cabinet, control cabinet, electricity control cabinet, power distribution cabinet (the "products") from Xinjiang Tebian and its associates. The Products Procurement Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing, quality and service standards) according to the normal commercial terms provided in the Products Procurement Framework Agreement.

Miscellaneous Construction Services Framework Agreement (Type 4)

The Company entered into a miscellaneous construction service framework agreement with TBEA on 30 October 2015, pursuant to which TBEA and/or its associates shall provide the Company with Miscellaneous Construction service (such as engineering construction, greening service, installation of water, electricity, gas and heat) (the "TBEA Miscellaneous Construction Services"). The Miscellaneous Construction Services is mainly in supporting nature which is different from the main construction service for our EPC and BT business. The TBEA Miscellaneous Construction Service Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the TBEA Miscellaneous Construction Service Framework Agreement.

Miscellaneous Construction Services Framework Agreement (Type 5)

The Company entered into a miscellaneous construction service framework agreement with Xinjiang Tebian on 30 October 2015, pursuant to which the Company shall purchase Miscellaneous service (such as engineering labor, installation of electricity and gas) from Xinjiang Tebian and/or its associates. The Xinjiang Tebian Miscellaneous Construction Service Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Xinjiang Tebian Miscellaneous Construction Service Framework Agreement.

Information relating to TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As of the date of this annual report, its registered capital amounted to RMB3,238,313,686. TBEA and its close associates (excluding our Group) (the "TBEA Group") are principally engaged in: (i) the manufacturing and sale of power transformers, reactors, wires, cables and other electrical and mechanical equipment and (ii) domestic and overseas engineering and construction contracting for power transmission exemplary case, water power and thermal power station exemplary case. As of the Latest Practicable Date, TBEA is interested in approximately 60.25% of the total issued share capital of the Company, and thus is a Controlling Shareholder of the Company. Accordingly, TBEA is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Information relating to Xinjiang Tebian

Xinjiang Tebian is a company with limited liability incorporated in the PRC on 27 January 2003, with a registered capital of RMB75,000,000 as of the date of this annual report. Xinjiang Tebian is principally engaged in the production and sales of electromechanical products and transformer accessories, and industrial investment. Mr. Zhang Xin is a connected person of our Company by virtue of his position as our Director as defined under Chapter 14A of the Listing Rules. Xinjiang Tebian, being the company in which Mr. Zhang Xin holds 30% or more interest, is a connected person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In preparation for the Company's listing on the Main Board of Stock Exchange, the Board proposed and the Shareholders approved the Management Rules on Connected Transaction of Xinte Energy Co., Ltd. (the "Management Rules on Connected Transaction") on the Company's third extraordinary general meeting on 2 June 2015 to identify, record and monitor the Company's connected transactions (including continuing connected transactions) to confirm with the requirements of the Listing Rules. The Management Rules on Connected Transaction sets out the detailed authorisation criteria for the connected transactions (including continuing connected transactions), provides that such review and approval by the Company shall comply with the applicable rules and regulations, including the Listing Rules, and the Company's Articles of associations.

The Audit Committee of the Company are responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms; it would discuss with our subsidiaries and business departments to determine the annual caps and performance of the Company's connected transactions; it shall also report to the Board and the Supervisory Board on the Group's continuing connected transactions on a monthly basis. If based on the monitoring report it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek for independent Shareholders' approval after the Board's review and approval (as the case may be);

The directors of the Company (including the independent non-executive directors) has monitored and supervised the compliance of the connected transactions with the Chapter 14A of the Listing Rules of Hong Kong in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have also provided the continuing connected transactions related information to the directors (including the independent non-executive directors) mentioned above and the finalization of the internal control procedures. Under the overseeing of the management, the Company has strictly implemented the risk management and internal control procedures in relation to the continuing connected transactions in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have audited the continuing connected transactions above on the same basis. The Company's internal control advisor has also reviewed the Rules and confirmed that the Rules are sufficient enough to manage the Company's internal control in connection with the Company's connected transactions. The designing of the existing related-party transaction policy is effective. The directors of the Company (including the independent non-executive directors) has also reviewed the relevant information in accordance with the Management Rules to ensure that each of the ongoing continuing transactions above is conducted within the price policy or system under the Framework Agreement.

The independent non-executive directors of the Company have reviewed the continuing connected transactions above, taking into consideration of the report from executives of the risk management and internal control as well as information about continuing connected transactions, and confirmed that such transactions:

(1) conducted in the normal course of business of the Group;

(2) conducted pursuant to normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, those terms should not be less favorable than the terms accepted or provided by independent parties; and

(3) conducted in accordance with the terms of agreement related to the transactions and the terms were fair and reasonable and in the interests of shareholders of the Group as a whole.

CONFIRMATION OF AUDITORS

The Group's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor has issued their letter containing their findings and conclusions in respect of the above mentioned transactions in accordance with Rule 14A.56 of Listing Rules. The Company has provided a copy of the said letter to Hong Kong Stock Exchange.

For the connected transactions, save as disclosed above, Directors had also confirmed the Group's compliance with the disclosure requirements of Chapter 14A of Listing Rules.

BUSINESS REVIEW

In 2016, the Group conscientiously implemented the Electric Power Law of the People's Republic of China and the Renewable Energy Law of the People's Republic of China, the Notice of the National Energy Administration on Issuing the Construction and Implementation Plan of PV Generation for 2016 (《國家能源局關於下達2016年光伏發電建設實施方案的通知》) issued by the National Energy Administration, Notice Regarding the Improvement of Onshore Wind Power and PV Power Generation Benchmark Price Policy (《關於完善陸上風電、光伏發電上網標桿電價政策的通知》) issued by the NDRC and Notice on the Management of the Protective Buyout of Wind Power and Photovoltaic Power Generation (《國家發展改革委、國家能源局關於做好風電、光伏發電全額保障性收購管理工作的通知》) jointly issued by NDRC and NEA. The Group has strictly complied with the relevant laws and regulations and has not been punished by the relevant regulatory authorities in 2016. For more details, please see the sections in "Management Discussion and Analysis" and "Human Resources".

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in pages 14 to 39 of this report. Description of possible risks and uncertainties that the Group may face can be found in pages 14 to 19 and 26 to 35 of this report. Particulars of the important events affecting the Group since the end of this year are set out in pages 70 of this report. An analysis of the Group's performance during the year using financial key performance indicators is set out in pages 26 to 35 of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

In compliance with the laws and regulations of environmental protection under the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), the Group formulated relevant internal system focusing on areas such as management on emission of waste gas, waste water and solid residue, site management on the environment, environmental monitoring, clean manufacturing, evaluation and performance, for the purpose of a standardized production environment to ensure the environmental quality, and improved the environmental governance level of the Group with the correct policies and guidelines on an ongoing basis.

The Group has established environmental management systems (ISO14001) and obtained the relevant certifications. The Group has also implemented a comprehensive pollution and environmental protection control system, adopting stringent measures to control the discharge of pollutants during our business operations. In particular, our advanced closed-loop polysilicon production process not only promotes production efficiency but also significantly reduced pollution. The Group has taken various measures to reduce the impact of our polysilicon production on the environment. These measures include monitoring and controlling solid waste, waste water, exhaust fumes, and noise.

Report of the Board of Directors

In our engineering and construction contracting business, the Group placed an emphasis on environmental protection and strive to conduct our research and development activities on an environmentally friendly basis and use environmentally-friendly technologies and products.

In 2016, the Group did not suffer any material environmental accidents or instances of pollution and we were not subject to any material administrative penalties due to environmental accidents or pollution. As of the Latest Practicable Date, the Group had not been subject to any material fines or legal action involving non-compliance with any PRC environmental law or regulation, or received any warning or pending action from any environmental regulatory authority in China or overseas.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Our Controlling Shareholder TBEA has undertaken on 16 June 2015 (the "Non-competition Undertaking"), that it, its subsidiaries and its associates (except for any members of our Group) will not carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved or interested (economically or otherwise) in any business investment activities (excluding the CNNC EPC Project, the EGing Project and the Roof EPC Project) which compete or are likely to compete, alone or with other persons, directly or indirectly, with our business (the "Restrained Businesses").

The Non-competition Undertaking does not apply to (i) the holding of any equity interests in any members of our Group; and (ii) the holding of securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange; provided that TBEA or its associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company; provided that such holding of voting rights does not grant TBEA or its close associates any right to control the composition of the board of directors of such company, none of the members of TBEA group controls the board of directors of such company and such holding of voting rights does not grant TBEA or its close associates any right to participate, directly or indirectly, in such company.

As of the Latest Practicable Date, no decisions are required to be made by our independent non-executive Directors as stipulated by the Non-competition undertaking relating to exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for purchase which would need to be disclosed in the annual report.

The independent non-executive Directors had reviewed TBEA's compliance with the "Non-competition Undertaking". As of the Latest Practicable Date, there is no breach of Non-competition Undertaking by TBEA.

PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

Pursuant to the PRC laws and requirements of the Articles of associations, the Company has no pre-emptive rights or share option.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 27 to the consolidated financial statements.

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments in areas in which we operate, the Group established the pension plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In addition, the Group also set up a corporate annuity system for providing retired employees with further protection. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on state, provincial, autonomous region and municipal requirements of the PRC. The Group also established an employee housing fund in accordance with applicable PRC regulations.

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2016, the Group has not entered into any equity-linked agreement.

PUBLIC FLOAT

Based on the publicly available information to the Group, so far as to the Directors knowledge, no less than 25% of the shares of the Group in issue are held by the public as at the Latest Practicable Date prior to the publication of this annual report, which complied with the requirement of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Group has adopted the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of Listing Rules as its own code of corporate governance. The Group will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. For the year ended 31 December 2016, the Group has complied with applicable code provisions as set out in the CG Code.

ARTICLES OF ASSOCIATION

On 16 June 2016, the Articles of association of the Company were reviewed, amended and approved at the annual general meeting in 2015.

MAJOR LEGAL PROCEEDING

As of 31 December 2016, the Group was involved in one major legal proceedings, which have disclosed in the prospectus:

Jiangsu Zhongneng Case:

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") initiated a civil lawsuit against us with the People's Court in Jiangsu for alleged infringements by us of certain intellectual property rights and trade secrets which claimed to be owned by Jiangsu Zhongneng, including STC hydrochlorination technology, high-efficiency and energy saving CVD reactor and silane-based FBR technology. Jiangsu Zhongneng sought a compensatory damage of RMB60 million against us. In December 2014, after our appeals, the Supreme People's Court in China ruled in our favour that the People's Court in Jiangsu lacked jurisdiction and this case should be heard in a court based in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against us in relation to the infringement of intellectual property rights in December 2014.

Given that (i) we have never applied the silane-based FBR technology in our Polysilicon Production business, and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which we used in our production were both purchased from legitimate third-party suppliers under valid purchase agreements, the Company believe that we did not infringe upon the intellectual property rights and trade secrets of Jiangsu Zhongneng. As of the Latest Practicable Date, this legal proceeding is being transferred to a court based in Xinjiang and therefore has not been initiated, and Jiangsu Zhongneng has not submitted any substantive evidence for the court to review and judge the case on the merits.

Save as the relevant information disclosed in this annual report of the Company, there is no other update for the case.

Except for the above-mentioned proceeding, as of 31 December 2016, the Group was not involved in any major legal proceedings or arbitrations. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

AUDIT COMMITTEE

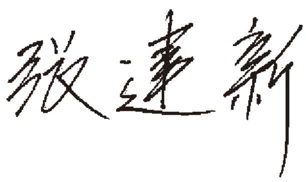
The Audit Committee of the Company has reviewed the Group's 2016 annual results and the financial statements for the year ended 31 December 2016 prepared in accordance with the IFRS.

AUDITOR

The consolidated financial statements for the year ended 31 December 2016 prepared in accordance with the IFRS have been audited by PricewaterhouseCoopers who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting of the Company. The Company has retained PricewaterhouseCoopers since the date of preparation of its Listing.

FINANCIAL SUMMARY

The summary of operating results, assets and liabilities of the Group for the year ended 31 December 2016 is set out on pages 98 to 184 of this annual report.



Zhang Jianxin
Chairman
By order of the Board
Xinte Energy Co., Ltd.

24 March 2017 in Xinjiang

Report of Supervisory Board

The current session of the Supervisory Board was re-elected upon approval by the 3rd Extraordinary General Meeting and the first meeting of the second session of the Supervisory Board of the Company convened on 2 June 2015, and consists of five Supervisors, two of which are employee representative supervisors. In 2016, the Supervisory Board of the Company, for the long-term interests of the Company and rights and interests of Shareholders, dutifully supervised the performance of duties by Directors and senior management personnel of the Company in strict accordance with laws such as PRC Company Law, regulations, rules and normative documents, the Articles and Rules of Procedure for Meetings of the Supervisory Board of the Company. Following is a report of the principal work of the Supervisory Board during the Reporting Period:

1. SUPERVISORY BOARD MEETINGS

During the year, a total of 4 Supervisory Board meetings took place. The Supervisory Board has approved the annual report and results announcement, the report of the supervisory board for the year ended 31 December 2015, the implementation of the continuing connected transactions for the year of 2015 and the proposal of continuing connected transactions for the year from 2016 to 2017, the proposal of operation reporting for the first quarter of 2016, the announcement of the interim results for the six months ended 30 June 2016 of the Group, declaration of interim dividend and the announcement of the main financial information for the third quarter ended on 30 September 2016 and other matters.

All the Supervisors had taken part in the above meetings.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY BOARD

The Supervisory Board made the following observations regarding relevant aspects of the Company during the year:

1. Compliance with Laws and Regulations in the Course of Company Operations

During the Reporting Period, the Supervisory Board attended all Board meetings and general meetings. The Supervisory Board also supervised the Board and general meeting procedures and proposal discussions, the Board's implementation of decisions made during general meetings, the ability of senior management employees to perform their duties, the implementation of various management policies of the Group, and the Group's operational performance. The Supervisory Board believes that the Company operated in compliance with required standards, made lawful and rational decisions, acted in compliance with its corporate governance structure, and established adequate internal controls. Directors and senior management of the Company performed their duties with responsibility, integrity and diligence, and strictly implemented the various decisions of the general meetings. The Supervisory Board did not find any activities that were unlawful, out of compliance with government or Company regulations, or damaging to the Company or shareholders' interest.

2. Financial Position of the Group

The Supervisory Board carefully inspected the Group's periodic financial report and financial policies during the Reporting Period. The Supervisory Board believes that the Group's financial department's internal control system is complete, and is continuously being improved. The Supervisory Board believes all policies and systems were strictly implemented, and therefore effectively guaranteed the successful functioning of the Group's production and operation. During 2016, the Group's financial position was sound, financial management was effective, the consolidated financial statements were complete and objective, and truthfully reflected the Group's financial position and operational performance. The Supervisory Board believes that the 2016 annual report with unqualified opinion issued by PricewaterhouseCoopers was true and fair.

3. Connected Transactions of the Group

During the Reporting Period, the pricing method of the connected transaction agreements were in accordance with accepted business practices and the relevant rules and regulations, demonstrating the principles of fairness and equality. The Supervisory Board believes that, during the year 2016 there were no connected transactions that would damage the Group or shareholders', especially medium and small shareholders' interests.

Chen Qijun
Chairman of the Supervisory Board
Xinjiang, 24 March 2017

Corporate Governance Report

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2016.

1. THE BOARD

1.1 Composition of the Board

As of 31 December 2016, the Board consisted of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 40 to 44 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

Since the Listing of the Company, the Board has been in compliance with the requirement of the Listing Rules requiring the appointment of at least three independent non-executive Directors. It has also complied with the requirement which requires that independent non-executive Directors shall represent at least one third of the Board. The three independent non-executive Directors of the Company fully qualified with the requirements under Rule 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from each of independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considers all independent non-executive Directors to be independent pursuant to the requirements as set out in the Listing Rules.

The composition of the Board in 2016 is set out as follows:

Name	Position	Term of office
Mr. Zhang Jianxin	Chairman and Executive Director	2015.6–2018.6
Mr. Ma Xuping	Executive Director	2015.6–2018.6
Mr. Yin Bo	Executive Director	2015.6–2018.6
Mr. Zhang Xin	Non-executive Director	2015.6–2018.6
Ms. Guo Junxiang	Non-executive Director	2015.6–2018.6
Mr. Wang Jian(1)	Non-executive Director	2015.6–2017.3
Mr. Qin Haiyan	Independent Non-executive Director	2015.6–2018.6
Ms. Yang Deren	Independent Non-executive Director	2015.6–2018.6
Mr. Wong, Yui Keung Marcellus	Independent Non-executive Director	2015.6–2018.6

Pursuant to the Corporate Governance Code and the Corporate Governance Report of Appendix 14 of the Listing Rules, the Company has adopted the Board Diversification Policy of Xinte Energy Co., Ltd. (《新特能源股份有限公司董事會成員多元化政策》).

(1) Mr. Wang Jian resigned on 8 March 2017.

1.2 Board Meetings

Pursuant to the Articles of association, the Board is required to hold at least four meetings each year and such meetings shall be convened by the Chairman. A notice of the Board meeting shall be sent to all Directors at least 14 days prior to the convening of the meeting, to ensure that they can attend the meeting and incorporate the related matters in the agenda.

Corporate Governance Report

In 2016, the Board convened 11 meetings and submitted 12 resolutions to the general meeting. The attendance of the Directors at Board meetings is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Jianxin	11	11	0
Mr. Ma Xuping	11	11	0
Mr. Yin Bo	11	11	0
Mr. Zhang Xin	11	11	0
Ms. Guo Junxiang	11	11	0
Mr. Wang Jian	11	11	0
Mr. Qin Haiyan	11	11	0
Mr. Yang Deren	11	11	0
Mr. Wong, Yui Keung Marcellus	11	11	0

1.3 Duties and Powers Exercised By the Board of Director and Management

The Board of Directors has the following duties and powers (among others) according to the Article of association:

- convening general meetings and presenting reports thereto;
- implementing the resolutions made at the general meetings;
- determining the Company's business and investment plans;
- working out the Company's annual financial budget plans and final account plans;
- working out the Company's profit distribution plans and loss recovery plans;
- working out the Company's plans on the increase or reduction of registered capital, as well as on the issuance of shares, bonds or other securities and listing plans;
- formulating proposals for material acquisitions, purchase of shares of the Company, merger, split-up, dissolution and change of the Company nature;

- deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the scope authorized by the general meeting;

- deciding on the establishment of the Company's internal management departments;

- deciding on the appointment or dismissal of general manager and the Board secretary of the Company; decide on the appointment or dismissal of the Board secretary and deputy general manager, chief accountant and other senior management personnel according to the nomination of Chairman of the Board and the general manager, respectively as well as their remuneration and incentives;

- formulating the Company's basic management system;

- formulating the plan for modification of the Articles of association of the Company;

- proposing the employment or replacement of the accounting firm which audits the Company's accounts to the general meeting;

- hearing the manager's work report and check the general manager's work;

- checking any major transaction, very material disposal, very material acquisition and anti-acquisition action of the Company under the Hong Kong Listing Rules, and report to the general meeting for approval;

- approving any transaction under the Hong Kong Listing Rules except those major transactions, very material disposal, very material acquisitions and anti-acquisition actions which must be published;

- approving the connected transactions without the approval or announcement at the general meeting and under the Hong Kong Listing Rules;

- approving the connected transactions requiring the approval at the general meeting under the Hong Kong Listing Rules;

- exercising other powers regulated in laws, regulations and the listing rules of the stock exchange where the Company's Shares are listed and conferred by the general meeting and the Articles of association of the Company.

The Board of Directors shall also be responsible for the followings: implementing, reviewing and improving the corporate governance system and condition of the Company; reviewing and supervising the training and continuing professional development of Directors and senior management; reviewing and supervising the compliance of the Company's policies with laws and relevant regulations of the securities regulatory authority where the Shares are listed and making relevant disclosure in the Corporate Governance Report; formulating, reviewing and supervising the code of conduct and relevant compliance manual of employees and directors.

The Company's general manager, deputy general manager, chief accountant, the secretary of the Board, chief engineer, chief safety director are the senior management officers of the Company. The general manager is accountable to the Board and exercises the duties below:

- to take charge of the production operations and management tasks and organize the implementation of the Board's resolution, and to report his/her work to the Board;
- to organize the implementation of the Company's annual operating plan and investment plan;
- to devise the set-up of the Company's internal management structure;
- to formulate the basic management policy of the Company;
- to formulate the basic rules of the Company;
- to propose the appointment or dismissal of the deputy general manager, chief accountant, chief machinist, chief safety director and other senior management;
- to appoint or dismiss management personnel, aside from those requiring the Board in approving their appointment or dismissal;
- other duties as granted by the Articles of association of the Company and the Board.

1.4 Chairman and General Manager

The positions of the Chairman and the General Manager (i.e., chief executive officer under the Listing Rules) of the Company are held by different persons in order to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them. Mr. Zhang Jianxin and Mr. Yin Bo served as the Chairman and the General Manager respectively, whose powers and responsibilities were clearly divided according to Articles of association.

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of association, Directors shall be elected at Shareholders' meetings with a term not more than three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term of three years.

1.6 Directors' Remuneration

During the Reporting period, the Company paid RMB120,000 to each independent non-executive Director (before tax, individual income tax shall be withheld by the Company). Non-executive Directors will not receive salaries from the Company. While executive Directors will receive their salaries corresponding to their management position according to the regulations about salaries of the Company.

Corporate Governance Report

1.7 Training of Directors

All Directors participated in continuous professional development in 2016 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of the Directors' training during the year 2016 are set out as belows:

Name	Position	Training Received	Areas covered in the training
Mr. Zhang Jianxin	Chairman and Executive Director	No less than 60 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation,etc.
Mr. Yin Bo	Executive Director and general manager	No less than 60 hours	Corporate governance and relevant regulations, corporate management, industry research, human resources, market analysis, etc.
Mr. Ma Xuping	Executive Director	No less than 60 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Zhang Xin	Non-executive Director	No less than 60 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Ms. Guo Junxiang	Non-executive Director	No less than 60 hours	Corporate governance and relevant regulations, information disclosure, corporate governance, finance, corporate management, capital operation, etc.
Mr. Wang Jian	Non-executive Director	No less than 30 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Qin Haiyan	Independent non-executive Director	No less than 100 hours	Corporate governance and relevant regulations, corporate management, strategy planning, industry research, etc.
Mr. Yang Deren	Independent non-executive Director	No less than 20 hours	Corporate governance and relevant regulations, corporate management, research of new energy materials, etc.
Mr. Wong, Yui Keung Marcellus	Independent non-executive Director	No less than 20 hours	Corporate governance and relevant regulations, corporate governance, audit, accounting, tax and financial management, etc.

1.8 Corporate Governance Functions

The corporate governance functions were performed by the Board. The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the Corporate Governance Code and other legal or regulatory requirements and make recommendations to the Board, to oversee the Company's orientation program for new Director, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct applicable to employees and Directors and compliance manual, and to review the Company's disclosure in the Corporate Governance Report.

The Board of the Company has developed the corporate governance policy of the Company and has fulfilled its duties. Meanwhile, it has developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board. In addition, it has reviewed and confirmed the following matters:

- Compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report;

- the Company has complied with the policies and practices on legal and regulatory requirements;

- the code of conduct applicable to employees and Directors of the Company has been implemented;

- the Directors, Supervisors and senior management of the Company have attended training and continuous professional development.

2. BOARD COMMITTEES

There are four Board committees, namely the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategic Committee.

2.1 Audit Committee

Currently, the Audit Committee consists of four Directors, including three independent non-executive Directors, namely Mr. Wong, Yui Keung Marcellus, Mr. Yang Deren, Mr. Qin Haiyan and a non-executive Director, namely Ms. Guo Junxiang, with Mr. Wong, Yui Keung Marcellus as the chairman of the audit committee.

The Audit Committee is mainly responsible for the internal and external communication on audit, supervision and checking work of the Company, including:

1. to make suggestions to the Board for the appointment, re-appointment and change of external auditors, handle issues relating to the resignation or removal of such external auditors and make suggestions for the appointment contracts and audit fees of the relevant external auditors; to evaluate the work of external auditors, and supervise the independence, objectivity, and the effectiveness, quality and results of work procedures of external auditors;

2. to supervise the internal audit system of the Company and its implementation;

3. to guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of the internal auditing department;

4. to review the financial statements of the Company and its disclosure;

5. to review and supervise the effective implementation of the financial reporting system, internal control system and risk management system of the Company;

6. to evaluate and discuss the following arrangements set by the Company: whistle blower system for employees of the Company to report on any potential misconducts regarding the financial reporting, internal control and other aspects; to ensure that the Company has put in place appropriate arrangements to carry out fair and independent investigations and follow-up actions for such issues; to serve as the major channel between the Company and the external auditors and to supervise their relationship;

7. to review and supervise the connected transactions and to evaluate the suitability of the connected transactions;

8. other duties as conferred by the Board;

9. to review the routine matters on risk as presented by the management and internal review team, including but not limited to the Company's corporate risk management structure, evaluation of internal monitoring system, appendix to the global risk tolerance structure, risk tolerance and latest information on risks in business market; and

10. to review the sufficiency in terms of allocation, qualification and experience of staff in the risk and compliance monitoring department of the Company and the training and budget for them.

The Audit Committee held four meetings during the Reporting Period. The Audit Committee reviewed the Company's final financial report of 2015, annual report of 2015, actual situation about connected transactions and proposals for the adjustment of the annual cap of connected transactions, results for the first quarter, interim and the third quarter of in 2016, etc. The Audit Committee has held regular meetings with the risk monitoring team on the yearly basis in accordance with its terms of reference without the presence of management.

2.2 Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company consists of five Directors, including three independent non-executive Directors, namely Mr. Yang Deren, Mr. Qin Haiyan and Mr. Wong, Yui Keung Marcellus, and two executive Directors Mr. Zhang Jianxin and Mr. Ma Xuping, with Mr. Yang Deren as the chairman.

The Company has adopted the model as suggested by Remuneration and Appraisal Committee to the Board to determine the salaries of executive directors and senior management.

The main duties of the Remuneration and Appraisal Committee are to formulate the appraisal standards of Directors and managers of the Company and to conduct the appraisal, and to develop and review the remuneration policies and schemes of the Directors and managers of the Company. Details are as follows:

1. to make suggestions to the Board for the appraisal standards, general remuneration policies and structure for the Company's Directors and senior management, and for the establishment of formal and transparent procedures for the formulation of such remuneration policies, and to review the performance appraisal standards and conduct appraisal for Directors and senior management, and to provide corresponding suggestions;

2. to review and approve the proposed remuneration of the management according to corporate operating objectives, and to make suggestions to the Board for the specific remuneration packages for Directors and senior management, including performance-based remuneration schemes. The Remuneration and Appraisal Committee shall consider factors including the remuneration paid by comparable companies, time commitments and duties of the Directors, employment conditions of other positions of the Company, and whether the remuneration shall be based on the results performance; to make recommendations to the Board on or determine, based on the authorization, the remuneration packages of individual executive Directors and senior management, which include non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their office or appointment);

3. to appraise the work performance of Directors and senior management based on the appraisal scheme, and to decide on their remuneration, incentive and punishment;

4. to make suggestions to the Board for the remuneration package of individual executive Directors and senior management, including non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their office or appointment);

5. to make suggestions to the Board for the remuneration of non-executive Directors;

6. to make suggestions to the Board for the relevant compensation paid to executive Directors and senior management for their loss or termination of office or appointment, and the compensation arrangements regarding the removal or dismissal of Directors due to misconduct (and to ensure the arrangements conform to the terms of services contracts between such Directors and the Company, or that otherwise the compensation shall be reasonable and appropriate);

7. to ensure none of the Directors shall participate in determining his own remuneration;

8. to be responsible for monitoring and supervising the implementation of the Company's remuneration system; and

9. other duties as conferred by the Board.

There is one meeting held by the Remuneration and Appraisal Committee during the Reporting Period. The Remuneration and Appraisal Committee has convened a meeting on 23 March 2016 to review matters on the explanations of remuneration of Directors and senior management and remuneration plan for the independent non-executive Director.

2.3 Nomination Committee

The Nomination Committee consists of five Directors, including three independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, and an executive Director Mr. Yin Bo, and a non-executive Director Mr. Zhang Xin, with Mr. Qin Haiyan as the chairman.

The main duties of the Nomination Committee are to select the candidates of, as well as the selection criteria and procedures for selecting, Directors and management officers of the Company, and make suggestions therefor. Details are as follows:

1. to review the selection criteria and procedures of Directors and senior management and make suggestions therefor to the Board;

2. to review the structure, size and composition (including the skills, knowledge and experience of Directors) of the Board at least once a year, and make suggestions in respect of any changes to the Board due to the change of corporate strategies of the Company; and the Nomination Committee shall formulate the Board diversity policy;

3. to identify potential candidates from talent markets within and outside China and within the Company;

4. to make suggestions to the Board regarding the candidates of Directors and senior management, to examine the qualifications of candidates for the role of Directors and senior management, and to make suggestions to the Board in respect of the appointment or reappointment of Directors and the succession plans of Directors, particularly the chairman of the Board and president;

5. to evaluate the independence of independent non-executive Directors; and

6. other duties as conferred by the Board.

The Nomination Committee considered that the composition of members of the Board of the Company was in compliance with the requirement of the "Board Diversity Policy" during the Reporting Period.

There is two meetings held by the Nomination Committee during the Reporting Period. The Nomination Committee has convened a meeting on 2 March 2016 to review the qualification of candidate to be appointed as general manager; the Nomination Committee has convened a meeting on 23 March 2016 to review the structure, size and composition of the Board of Directors of the Company, independence of the independent non-executive Directors.

2.4 Strategic Committee

The Strategic Committee consists of five Directors, including executive Directors, namely Mr. Zhang Jianxin and Mr. Ma Xuping, two independent non-executive Directors, namely Mr. Yang Deren and Mr. Qin Haiyan, and a non-executive Director Mr. Zhang Xin, with Mr. Zhang Jianxin as the chairman.

The main duties of the Strategic Committee are to review the Company's long-term development strategy and major investment decisions and propose suggestion therefor. Details are as follows:

1. to review the Company's long-term development strategic plans and propose suggestion;

2. to review major investment financing programs which requires the approval of the Board as stated in the Articles of association and propose suggestion;

3. to review major capital operation and assets management projects which requires the approval of the Board as stated in the Articles of association and propose suggestion;

4. to review other important matters affecting the Company's development and propose suggestion;

5. to check the implementation of the above matters; and

6. other duties as conferred by the Board.

There is no any meetings held by the Strategic Committee during the Reporting Period.

2.5 The attendance of the Directors at the Board committee meetings is as follows:

	Meetings Attended/Held		
Name	**Audit Committee**	**Remuneration and Appraisal Committee**	**Nomination Committee**
Zhang Jianxin	N/A	1/1	N/A
Ma Xuping	N/A	1/1	N/A
Yin Bo	N/A	N/A	2/2
Wang Jian[(1)]	4/4	N/A	N/A
Zhang Xin	N/A	N/A	2/2
Guo Junxiang	4/4	N/A	N/A
Qin Haiyan	4/4	1/1	2/2
Yang Deren	4/4	1/1	2/2
Wong, Yui Keung Marcellus	4/4	1/1	2/2

(1) Mr. Wang Jian resigned on 8 March 2017.

3. BOARD INDEPENDENCE

Each of the independent non-executive Directors of the Company meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the requisite annual confirmation as to his independence. None of the independent non-executive Directors of the Company has any business with or significant financial interests in the Company or its subsidiaries and therefore all the independent non-executive Directors continue to be considered by the Company to be independent.

4. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2016.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, sensitive information of share price and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may have a severe impact on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance cover in respect of possible legal actions and liabilities against the Directors.

5. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct governing dealings by its Directors and Supervisors in the securities of the Company. Having made specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standard set out in the Model Code during the Report Period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

6. INTERNAL CONTROL SYSTEM

In order to fulfill the relevant regulatory requirements for the Company to list in Hong Kong and strengthen the internal control management of the Company, the Group has established a range of internal control management systems, including documents such as System for Information Disclosure, System for Connected Transaction, Capital Management System, System for Procurement, System for Budget, Internal Audit System, and Risks Management System, thus further completed the internal control system.

The Directors have reviewed the effectiveness of the internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the Corporate Governance Code and Corporate Governance Report under the Chapter 14 of the Listing Rules. The review covered financial control, operation control and compliance control and risk management function control.

The Board of Directors conducted a review for financial monitoring, operation monitoring, compliance monitoring and risk management and other internal control systems of the Company and its subsidiaries during the Reporting Period. The total assets of the main entities under such review accounted for 99.86% of the aggregate assets in the consolidated financial statements, and the total operating revenue accounted for 99.55% of the aggregate revenue in the consolidated financial statements. In addition, the Company carried out assessment on operating revenue recognition, project construction contracting, logistics business, investment in fixed assets, factoring business, non-operating income and capitalization of research & development expenditure in high-risk field. The Company carried out a review work every half year and assessment work once a year, and continuously optimized the internal control system.

The internal monitoring system of the Company includes the complete organizational structure under the supervision of the Audit Committee, and all-round implementation of policies and standards. The terms of reference of each functional department should be clearly set out in writing, so as to ensure the clear division of labour and effective balance among departments. The Company has also adopted a number of systems and procedures as proposed by the internal control adviser to identify, monitor and report the major risks confronted by the Company.

(1) Supervision and evaluation of risk control and internal control system

Due to the continued construction of risk and internal control system by the Group, the risk management was continuously strengthened. The focus of risk and internal control was placed on completion of the setting of organizations, extending the coverage of system to all branches and subsidiaries, entering into the statement on goals and responsibilities of risk control, monthly risk and internal screening, streamlining risk control talent map, training on risk and internal control and compliance, streamlining and completion of risk case library, etc.; besides, risk and internal control self-assessment, identification of differences, and effective rectification were conducted. For the remaining rectification items, the risk and internal control office performed weekly follow-up and notification at morning conference, to promote up-to-standard risk and internal control and rectification in an all-round way.

The construction of internal control system of the Group was proceeded with continuously. The construction and streamlining of internal control system for all branches, subsidiaries and business segments of the Company were completed in accordance with the internal control system streamlining plan to guarantee the effective operation of internal control system.

In order to let risk and internal control meet standards in the year, the Company and its subsidiaries continued to reinforce the implementation of risk and internal control:

- On the basis of the original internal control work team, the Group updated the staff employment requirements, and engaged the members of internal control team in accordance with the latest employment requirements and organizational structure;

- Through cooperation with Ernst & Young, the external consulting agency, in streamlining the internal control process, matrix, etc., the Group updated the documents of its internal control system;

- The internal control examination was carried out simultaneously with the rectification for risk control. The stress of the rectification was laid on the lack or failure of system and unreasonable process of system found in the internal control process. All staff has firmly established the idea of integrating business development with risk control and internal control. The Group adhered to corporate governance in accordance with laws and regulations, and regarded internal control as the foundation, with a view to build the three lines of defense for risk management;

- In accordance with the annual arrangement for internal control of the Group, internal control examination was performed for key business units. It was planned to cover all key businesses and help business departments streamline their processes and systems to ensure more efficient and normalized operation and management.

(2) Prevention and control of operating risks

For the key operating sections exposed to risks, the audit system of the Group conducted 28 special audits in terms of tender management, financial management, assets management, bill management, inventory management, accounts receivable management, cost management, quality management, supplier management, engineering project management, safety management, etc., covering all key risky businesses. Moreover, special arrangement and implementation were made for annual operation audit, monthly special audit, audit for economic benefits of project companies, tracking audit for internal and external engineering projects, issues found at risk control communication meetings, problems identified in on-site tour inspection by the discipline inspection department, etc., and continued tracking and rectification were conduced to form closed -loop management, to prevent reoccurrence of similar risks.

In 2016, the Audit Department of the Group participated in various business supervisions and audits in strict accordance with the responsibilities streamlining requirements of the Audit System, and tender supervision strictly complied with the "three separations" principle. More efforts were exerted on whole-process management and control for the tender process. The Group avoided contract and capital risks by way of supplier investigation, enquiry, tender supervision, review of contract terms, audit for procurement payment, etc., effectively controlling risks with procurement and payment.

The audit system of the Group further strengthened the management and control of the costs of technological transformation projects. The Audit Department participated in the whole process of engineering management with the emphasis placed on tracking audit for preparation of bill of quantities, review of contract on technological transformation, engineering change, engineering visa, project acceptance, fund payment, engineering settlement, etc.

The Board of Directors believe the risk management and monitoring system are sufficient and effective. These internal control systems are designed to manage rather than eliminate the risks of failing to achieve the business goals, and the Board can only make reasonable (not absolute) guarantee for non-material misrepresentation or loss.

7. AUDITOR AND ITS REMUNERATION

PricewaterhouseCoopers is appointed as the auditor of the Company's consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2016.

The fees charged by the auditor of the Company, PricewaterhouseCoopers for rendering audit and related services to the Company for the year of 2016 was RMB4.2 million. In addition, PricewaterhouseCoopers charged RMB506,000 for rendering of non-audit service to the Company for the year of 2016.

The Audit Committee and the Board of Directors agree to continue appointing PricewaterhouseCoopers as its auditor in 2017 and grant authority to the Board of Directors to determine their remuneration, which will be submitted to the general meeting of shareholders in 2016 for approval.

8. SHAREHOLDERS' MEETINGS

During the Reporting Period, the Company held one general meeting in total, part of the Directors, Supervisors and senior management had attended the general meeting, in which records of the Directors are as follow:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Zhang Jianxin	1	1
Mr. Ma Xuping	1	1
Mr. Yin Bo	1	1
Mr. Zhang Xin	1	1
Ms. Guo Junxiang	1	1
Mr. Wang Jian	1	1
Mr. Qin Haiyan	1	1
Mr. Yang Deren	1	0
Mr. Wong, Yui Keung Marcellus	1	1

9. COMMUNICATION POLICY WITH SHAREHOLDERS

9.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. A forty-five (45) days' prior written notice for convening a general meeting shall be served to notify shareholders, whose names appear in the register of shareholders, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies on the Company twenty (20) days prior to the date of the meeting.

Two or more than two Shareholders who jointly hold more than 10% (including 10%) of the issued and voting Shares of the Company may request the Board, in writing, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the request proceed to convene an extraordinary general meeting or a Shareholders' class meeting. The calculation of the above mentioned shareholdings shall be based on the information as at the date of deposit of the request.

If no notice of convening a general meeting was issued within thirty (30) days after the Board of Directors receiving the above mentioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within four (4) months after the Board of Directors receiving the above mentioned written request(s), and the procedures for convening such meeting shall follow the procedures of the Shareholders' general meeting convened by the Board of Directors as much as possible.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the board of directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting directors.

The Company holds the general meetings. Shareholder(s) individually or in aggregate holding over 3% of the Shares in the Company may propose extraordinary proposals and submit the same in writing to the convener 10 days prior to the holding of the shareholders' general meeting. The convener shall issue a supplemental notice of the shareholders' general meeting within 2 days of the receipt of the proposals and announce the contents of the extraordinary proposals.

9.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant information on its website at www.xtnysolar.com, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on pages 3 of this annual report.

The Board welcomes Shareholders' views and encourages them to attend general meetings to communicate and raise any concerns they might have with the Board or the management. The Chairman of the Board and the chairmen of the respective Board committees usually attend the annual general meeting and other general meetings to address shareholders' queries.

10. COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

As a company listed on the main board of the Stock Exchange, the Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2016, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules since its Listing, and adopted the recommended best practices set out in the Corporate Governance Code.

11. INVESTOR RELATIONS

11.1 Investor Relations Activities

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. In 2016, the Company communicated with more than 80 investors in relation to the operating results and business development trends of the Group by means of results roadshows, analyst luncheon, investor one-on-one communication and other means to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, holding telephone conferences, attending major investment forums, by telephone and email, etc. and proactively provides investor relations information on the Company's website, with a view to establishing and maintaining a good relationship with investors.

11.2 Information Disclosure

The Company devote to ensure a timely and fairly disclosure of comprehensive and accurate information to investors. In 2016, the Company published 38 pieces of announcements on the Stock Exchange, including announcements of Entering into the Strategic Cooperation Framework Agreement, Positive Profit Alert, Voluntary Announcement of Hydrochlorination Technological Transformation and Entering into the Power Station Commissioning Contract, etc.

12. COMPANY SECRETARY

Ms. Zhang Juan ("Ms. Zhang"), the joint company secretary of our Company, is responsible for advising the Board regarding corporate governance issues, and ensures to comply with the policies and procedures of the Board, applicable laws, rules and regulations. In order to maintain good corporate governance and make sure to comply with the Listing Rules and applicable laws of Hong Kong, the Company also appointed Ms. Ng Wing Shan ("Ms. Ng"), as assistant vice president of SW Corporate Services Group Limited (the provider of company secretarial services), as the joint company secretary of our Company, who will assist Ms. Zhang in performing her duties as the company secretary of our Company. Ms. Zhang is the major contactor between the Company and Ms. Ng.

During the Reporting Period, in order to more effectively perform their duties and according to the requirements of the Listing Rules, Ms. Zhang and Ms. Ng, the joint company secretaries of the Company had accepted professional training for over 15 hours in total, respectively.

13. HUMAN RESOURCES

13.1 Description of Human Resources

As of 31 December 2016, there are 3,706 employees in total in the Group, and their professional and educational background are as follow:

Items	Categories	Number of people	Percentage to the total number of people
Profession	Operating management	648	17.49%
	Technology	564	15.22%
	Production	1,374	37.08%
	Engineering management	571	15.41%
	Marketing	400	10.79%
	Office Support	149	4.02%
	Total	3,706	100.00%
Education	Postgraduate and above	350	9.44%
	Undergraduate	1,743	47.03%
	Associate degree	1,613	43.52%
	Total	3,706	100.00%

13.2 Incentives for Employees

The Group, according to the requirement of development, further established and improved the overall responsibility management and staff performance assessment system on the basis of clear objectives of each post. The employees' performance is objectively and accurately assessed by breaking down the key tasks specified in the development plan of the Group to each layer of various posts, clarifying performance objective of different roles and setting performance standards. The assessment results are quantized to form the scores and are linked to the employees' performance based salary to encourage the potential innovation and working passion of employees, which fully demonstrated the combination of incentive and restraint and laid a solid foundation for orderly career development of employees.

The Group currently executed three categories of incentives, including: compensation incentive (market-based compensation standards, commission incentive and long-term incentive), work incentive (involved in operating decisions, work authorization, etc.) and promotion incentive (improvement of educational background and job promotion, etc.), and clearly regulated the principle of realization of incentives.

13.3 Employees' Training

The Company always believed that the training is the best welfare for staff, and our training system was further improved and our capability of professional training was further enhanced in 2016. The Company adopted several forms of training including mentor coaching, expert's instruction, industry bench marking, monthly brainstorming and work shift, which helped to convert the theoretical knowledge to production results.

In 2016, the trainings of our Group mainly covered a total of 12 categories, including operation and management, professional skills, production skills and etc. The number of employees participated in the trainings reached 5,800 throughout the year and the staff training rate reached 91%.

13.4 Employees' Remuneration Policy

The employees' remuneration comprises of basic salary and performance-based salary, and the performance-based salary is determined based on the performance assessment results of the employees of our Group.

In order to further exert incentive function of the performance-based salary, the Company comprehensively coordinated and adjusted the salary structure, performance appraisal indicators and proportion, and enhanced the application of performance results in the aspects of staff salary adjustment, training, promotion, optimization and etc,. The compensation system is designed to encourage the employees with outstanding performance, achieve the combination of personal skills improvement and salary income growth, break equalitarianism and open the way to promotion based on the improvement of professional skills, so as to match income growth of the employees with operational effectiveness of the enterprise, achieve the objectives of sharing the business development with employees and proactively establish a challenging compensation incentive system.

14. INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- The Company has established Disclosure of Inside Information Policy and Measures (“Measures”) of System Documents. The Measures ensured that the sensitive information or “Inside” information of potential share prices can be timely confirmed, accessed and reported grade by grade to the Board to determine whether it is needed to disclose to ensure compliance with the SFO;

- is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbors set out in the SFO;

- conducts its affairs with close regard to the “Guidelines on Disclosure of Inside Information” and “Recent Economic Developments and the Disclosure Obligations of Listed Issuers” issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively; and

- has established and implemented procedures for responding to external enquiries about the Group’s affairs. Senior management of the Company is identified and authorized to act as the Company’s spokesperson and responds to enquiries in allocated areas of issues.

15. BOARD DIVERSIFICATION POLICY

Believing the diversification of the composition of the Board would be helpful in enhancing the Company’s performance, which stipulates that the diversification of the composition of the Board takes account of a variety of aspects when determining the composition of the Board, including but not limited to age, culture and education background, professional experience, skill and knowledge. The Board made all the appointments based on talents and had considered the benefits, which would bring about by diversifying the composition of the Board under the objective conditions, when selecting the candidates. The Board will select its members based on an array of diversification standards, including but not limited to age, culture and education background, professional experience, skill and knowledge.

The Nomination Committee will disclose the composition of the Board in the Corporate Governance Report every year and will oversee the enforcement of the Policy. The Nomination Committee will review the Policy when appropriate to ensure its effectiveness. It will also discuss and propose any necessary revisions to the Board for approval.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Xinte Energy Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Xinte Energy Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 184, which comprise:

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

Our opinion

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
Tel: +852 2289 8888, Fax: +852 2810 9888, www.pwchk.com

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Independent Auditor's Report

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

- Recoverability of the carrying amount of wafer and module production lines
- Net realisable value of power plants under development and held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of the carrying amount of wafer and module production lines Refer to Note 4 (Critical accounting estimates and judgements) and 6 to the consolidated financial statements. Due to continuous negative margin of wafer and module products, the management assessed potential impairment of property, plant and equipment of wafer and module production lines, in particular the microtome equipment. Impairment provision was recognised to reduce the carrying amount to the recoverable amount, which is based on the higher of the value in use method and fair value less costs of disposal method. The management adopted value in use approach in determining the recoverable amounts using discounted cash flow forecast, where the following key assumptions and have been adopted: — Forecast revenue; — Forecast operating costs; and — Discount rates We focused on this area because the significant amount of impairment provision made in the year of 2016 (RMB81 million) thereon and the management's impairment assessment involves judgement and assumptions.	We evaluated the composition of management's cash flow forecasts and the process by which they were developed, including assessing the methodology adopted. We checked the mathematical accuracy of management's cash flow model. We challenged management's key assumptions in the forecasts for: 1) Forecast revenue, by comparing to their historical actual operation data and current market selling price of the products; 2) Forecast operating costs, by comparing to historical actual costs and growth rates comparable to forecast revenue; 3) The discount rate, by assessing the cost of capital for comparable companies, as well as considering territory specific factors. We also evaluated the sensitivity analyses prepared by the Group, and assessed the potential impacts of a range of possible outcomes. Based on our work, we found the key assumptions and input data adopted were supported by the evidences we gathered and were consistent with our expectations.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realisable value of power plants under development and held for sale Refer to Note 4 (Critical accounting estimates and judgements) and 12 to the consolidated financial statements. At 31 December 2016, the Group held power plants under development and held for sale inventories of RMB2,979 million, which are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. Management calculates NRV at each period end based on the estimated selling price less cost to sell. The determination of the selling price requires the management to make judgements and estimations on the discounted future cash flows forecast of the projects because sales price negotiations with the customers normally make reference to the discounted cash flow model, based on current market conditions and available information. In addition, the selling price also takes reference of historical experience of selling projects of similar nature. The forecast of the discounted future cash flows adopts the following key assumptions: — Forecast power generation; — Electricity tariff; and — Discount rates We focused on this area because the significant amount of impairment provision made in the year of 2016 (RMB52 million) thereon and the management's NRV assessment involves judgement and assumptions.	We understood the method by which management determined the estimated selling price for such projects being consistent as in prior years where historically there were no material adjustments required as a result of the estimation process. We checked the mathematical accuracy of management's cash flow model. We challenged management's key assumptions in the forecasts for: 1) Forecast power generation, by verifying the installed capacity and comparing with the feasibility study of each project and current electricity market condition; 2) Electricity tariff, by matching with the current market price set and published by local government authorities; 3) Discount rates, by assessing the cost of capital for comparable companies, as well as considering territory specific factors. We also evaluated management's estimation of selling price by comparing with the historical sales of power plant projects with similar size and similar locations, and comparing with the actual prices of recently sold projects subsequent to the year end of 2016. Based on our work, we found the key assumptions and input data adopted in the cash flow model to be in line with our expectations and the results of management's NRV assessment is supported by the evidence we gathered.

Independent Auditor's Report

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- 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 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 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 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 Tsun NG.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24 March 2017

Consolidated Balance Sheet

As of 31 December 2016

		As of 31 December	
		2016	2015
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**11,984,258**	9,831,693
Land use rights	7	**546,735**	503,946
Intangible assets	8	**48,580**	54,431
Investments accounted for using the equity method	10	**94,441**	102,640
Available-for-sale financial assets		**1,000**	1,000
Deferred income tax assets	11	**136,394**	82,644
Other non-current assets	15	**1,091,667**	351,864
Total non-current assets		**13,903,075**	10,928,218
Current assets			
Inventories	12	**4,401,280**	4,383,438
Amounts due from customers for contract work	13	**2,387,570**	1,342,701
Other current assets	15	**269,586**	292,664
Trade and notes receivable	14	**3,247,106**	3,036,457
Prepayments and other receivables	16	**755,465**	1,097,419
Restricted cash	17	**950,525**	1,285,993
Cash and cash equivalents	17	**1,897,947**	2,862,403
Total current assets		**13,909,479**	14,301,075
Total assets		**27,812,554**	25,229,293

The accompanying notes on pages 110 to 184 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As of 31 December 2016

	Note	As of 31 December 2016 RMB'000	2015 RMB'000
EQUITY			
Equity attribute to owners of the Company			
Share capital	18	**1,045,005**	1,024,228
Share premium	18	**5,030,375**	4,902,097
Other reserves	19	**353,024**	295,378
Retained earnings		**1,831,898**	1,182,991
		8,260,302	7,404,694
Non-controlling interests	9	**51,442**	46,242
Total equity		**8,311,744**	7,450,936
LIABILITIES			
Non-current liabilities			
Borrowings	20	**6,336,601**	3,326,500
Deferred government grants	21	**361,680**	353,666
Total non-current liabilities		**6,698,281**	3,680,166
Current liabilities			
Trade and notes payable	22	**6,935,441**	7,667,365
Provisions and other payables	23	**2,253,427**	1,625,719
Amounts due to customers for contract work	13	**144,563**	257,551
Current income tax liabilities		**36,865**	45,928
Borrowings	20	**3,432,233**	4,501,628
Total current liabilities		**12,802,529**	14,098,191
Total liabilities		**19,500,810**	17,778,357
Total equity and liabilities		**27,812,554**	25,229,293

The accompanying notes on pages 110 to 184 are an integral part of these consolidated financial statements.

These consolidated statements were approved by the Board of Directors on 24 March 2017 and were signed on its behalf.

Zhang Jianxin
Chairman

Yin Bo
Executive Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Revenue	5	**12,001,303**	9,440,899
Cost of sales	24	**(10,005,131)**	(7,837,326)
Gross profit		**1,996,172**	1,603,573
Selling and marketing expenses	24	**(364,192)**	(266,014)
General and administrative expenses	24	**(593,604)**	(566,184)
Other income	25	**95,934**	189,074
Other gains — net	26	**35,223**	6,326
Operating profit		**1,169,533**	966,775
Interest income	28	**26,255**	32,931
Finance expenses	28	**(249,731)**	(294,687)
Financial expenses — net		**(223,476)**	(261,756)
Share of profit of investments accounted for using the equity method		**1,808**	3,198
Profit before income tax		**947,865**	708,217
Income tax expense	29	**(141,532)**	(89,073)
Profit for the year		**806,333**	619,144
Profit for the year attributable to:			
Owners of the Company		**801,133**	611,817
Non-controlling interests		**5,200**	7,327
		806,333	619,144
Other comprehensive income:			
Items that may be reclassified to profit and loss			
Currency translation differences		**23**	555
Total comprehensive income for the year		**806,356**	619,699
Total comprehensive income for the year attributable to:			
Owners of the Company		**801,156**	612,372
Non-controlling interests		**5,200**	7,327
		806,356	619,699
Earnings per share for profit attribute to owners of the Company			
Basic earnings per share (RMB)	30	**0.77**	0.76
Diluted earnings per share (RMB)	30	**0.77**	0.76

The accompanying notes on pages 110 to 184 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

As of 31 December 2016

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015	673,050	2,827,336	240,856	606,559	4,347,801	39,447	4,387,248
Comprehensive income							
Profit for the year	–	–	–	611,817	611,817	7,327	619,144
Currency translation differences	–	–	555	–	555	–	555
Total comprehensive income	–	–	555	611,817	612,372	7,327	619,699
Transactions with owners							
Capital contributions from pre-IPO investors	204,678	1,195,322	–	–	1,400,000	–	1,400,000
Issuance of H shares (Note 18)	146,500	895,832	–	–	1,042,332	–	1,042,332
Shares issue costs (Note 18)	–	(16,393)	–	–	(16,393)	–	(16,393)
Appropriation of surplus reserve (Note 19(a))	–	–	35,385	(35,385)	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	(335)	(335)
Transaction with non-controlling interests	–	–	197	–	197	(197)	–
Share-based payments:							
– fair value of employee services (Note 19(b))	–	–	18,385	–	18,385	–	18,385
Total transactions with owners, recognised directly in equity	351,178	2,074,761	53,967	(35,385)	2,444,521	(532)	2,443,989
Balance at 31 December 2015	1,024,228	4,902,097	295,378	1,182,991	7,404,694	46,242	7,450,936
Comprehensive income							
Profit for the year	–	–	–	801,133	801,133	5,200	806,333
Currency translation differences	–	–	23	–	23	–	23
Total comprehensive income	–	–	23	801,133	801,156	5,200	806,356
Transactions with owners							
Issuance of the over-allotment shares (Note 18(b))	20,777	132,878	–	–	153,655	–	153,655
Shares issue costs (Note 18(b))	–	(4,600)	–	–	(4,600)	–	(4,600)
Appropriation of surplus reserve (Note 19(a))	–	–	47,725	(47,725)	–	–	–
Dividends (Note 31)	–	–	–	(104,501)	(104,501)	–	(104,501)
Share-based payments:							
– fair value of employee services (Note 19(b))	–	–	9,898	–	9,898	–	9,898
Total transactions with owners, recognised directly in equity	20,777	128,278	57,623	(152,226)	54,452	–	54,452
Balance at 31 December 2016	1,045,005	5,030,375	353,024	1,831,898	8,260,302	51,442	8,311,744

The accompanying notes on pages 110 to 184 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Cash (used in)/generated from operations	32(a)	(14,615)	2,988,602
Income tax paid		(209,983)	(90,163)
Net cash (used in)/generated from operating activities		(224,598)	2,898,439
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,610,440)	(2,309,115)
Purchase of intangible assets		(8,603)	(12,295)
Purchase of land use rights		(57,863)	(188,994)
Proceeds from disposal of property, plant and equipment	32(b)	14,364	4,264
Proceeds from disposal of intangible assets		637	—
Increase in investments accounted for using the equity method		(37,900)	(55,620)
Government grants received		12,878	21,861
Changes in restricted cash	17	335,468	(433,928)
Net cash used in investing activities		(2,351,459)	(2,973,827)
Cash flows from financing activities			
Proceeds from issuance of shares upon IPO	18(a)	—	1,042,332
Listing expenses		—	(15,560)
Proceeds from issuance of over-allotment shares		153,655	—
Share issue costs		(4,600)	—
Repayments of borrowings		(6,327,419)	(6,346,170)
Proceeds from borrowings		8,247,509	6,333,389
Interest paid		(420,730)	(439,274)
Capital contributions from parent company and other investors		—	1,400,000
Dividends paid		(41,608)	—
Net cash generated from financing activities		1,606,807	1,974,717
Net (decrease)/increase in cash and cash equivalents		(969,250)	1,899,329
Cash and cash equivalents at beginning of the year	17	2,862,403	962,688
Exchange gain on cash and cash equivalents		4,794	386
Cash and cash equivalents at end of the year	17	1,897,947	2,862,403

The accompanying notes on pages 110 to 184 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1 General information

Xinte Energy Co., Ltd. (新特能源股份有限公司) (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 20 February 2008 as a limited liability company. On 16 October 2012, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is No. 2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), High-tech Industrial Development Zone (New Downtown), Urumqi, Xinjiang Uygur Autonomous Region, the PRC.

The Company's parent company and ultimate holding company is TBEA Co., Ltd. (特變電工股份有限公司) ("**TBEA**"), a joint stock company with limited liability incorporated in the PRC.

The Company and its subsidiaries (the "**Group**") are principally engaged in polysilicon production and rendering of engineering and construction contracting ("**ECC**") service for solar and wind power plants and systems.

On 30 December 2015, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") ("**IPO**").

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRS**") and requirements of the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards and annual improvements adopted by the Group

The following new and amended standards or annual improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

- Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortisation”
- Amendments to IAS 27 “Equity Method in Separate Financial Statements”
- Amendments to IAS 1 “Disclosure Initiative”
- Annual Improvements 2012–2014 cycle

The adoption of the above mentioned new and amended standards and annual improvements did not result in any significant impact on the current period or any prior period and is not likely to affect future periods.

(b) New and amended standards issued but not yet adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, ‘Financial instruments’

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale (AFS) financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

The other financial assets held by the Group include:

- equity instruments currently classified as AFS for which a FVOCI election is available

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

There will be no impact on the Group’s accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement have not been changed.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) *New and amended standards issued but not yet adopted by the Group (continued)*

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt IFRS 9 before its mandatory date.

<u>IFRS 15, 'Revenue from contracts with customers'</u>

A new standard for the recognition of revenue has been issued. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

(c) Disposal of subsidiaries

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

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

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

2.3 Associate

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the profit or loss.

2 Summary of significant accounting policies (continued)

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, deputy general managers and directors of the Company who makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within "Finance expenses — net". All other foreign exchange gains and losses are presented in the profit or loss within "Other gains — net".

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

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

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

	Estimated useful lives
Buildings	20–40 years
Machinery and equipment	5–20 years
Vehicles	5–10 years
Furniture and fixtures	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

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

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

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and are expensed in the profit or loss on a straight-line basis over the periods of the leases.

2 Summary of significant accounting policies (continued)

2.8 Intangible assets

(a) Patent and proprietary technologies

Patent and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over the shorter of their useful lives or licence terms.

(b) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years.

2.9 Research and development

Research expenditures is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are fulfilled:

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) Management intends to complete the intangible asset and use or sell it;

(iii) There is an ability to use or sell the intangible asset;

(iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses when incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period.

2 Summary of significant accounting policies (continued)

2.10 Impairment of non-financial assets

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

Provision for impairment of inventory is usually determined by the excess of cost over net realisable value on single item basis and recorded in the statement of comprehensive income. Net realisable value are determined based on the estimated selling price less estimated conversion costs, selling expenses and related taxes in the ordinary course of business. Provision for or reversal of impairment of inventory is recognised in the consolidated statement of comprehensive income.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Dividend on available-for-sale equity instruments are recognised in the consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

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

2 Summary of significant accounting policies (continued)

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.14 Inventories

Inventories comprise raw materials, work in progress including power plants under development and held for sale (Note 2.24(c)), finished goods and spared parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method except for construction of power plant which is stated at accumulated construction cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade payables

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

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

2 Summary of significant accounting policies (continued)

2.19 Borrowings

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

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

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) Offsetting

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

2 Summary of significant accounting policies (continued)

2.22 Employee benefits

(a) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

(b) Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to consolidated statement of comprehensive income as incurred. Apart from this, the Group do not have other legal or constructive obligations over such benefits.

(c) Employee leave entitlements

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

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

(d) Share-based compensation

The Group operates a restricted share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the parent of the Company. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(d) Share-based compensation (continued)

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

The grant by the parent of the Company of restricted shares over its equity instruments to the employees of entities in the Group is treated as a capital contribution by the parent. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as employee benefit expenses, with a corresponding credit to equity.

2.23 Provisions

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

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

2.24 Revenue recognition

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

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(a) Rendering of ECC services under construction contracts

A construction contract is defined by IAS11 as a contract specifically negotiated for the construction of an asset.

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

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

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

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. The respective balance items are "Amounts due from customers for contract work" and "Amounts due to customers for contract work".

(b) Rendering of other services

The Group also provides technology development, design, consultation and supervision services to power plant owners/operators and other manufacturers. The services revenue is recognised in the accounting period in which the services are rendered, by reference to state of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(c) Sales of power plant projects

Under the Group's normal operation of ECC, it establishes various subsidiaries as the owner of power plant projects to be disposed during or upon completion of the relevant construction ("**project companies**"). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These projects will be sold to third-party customers at different stages by way of transferring the equity interests in these subsidiaries. These subsidiaries have no other commercial operation other than the holding of the relevant projects. In the opinion of the directors of the Company, the disposal of equity interests in these project companies is in substance the sales of inventories held by the Group.

Sales of power plant projects are recognised when the risks and rewards of the power plant projects are transferred to the customers, which occur when the relevant power plant projects have been delivered to the purchasers pursuant to the sales agreements.

(d) Sales of other goods

The Group manufactures and sells polysilicon, as well as produces and sells electricity. Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the projects and collectability of the related receivables is reasonably assured.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases — operating lease

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

2 Summary of significant accounting policies (continued)

2.26 Dividend distribution

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

2.27 Government grants

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge these risk exposures.

Risk management is carried out by the Company's finance department under the policies and directions approved by its Board of Directors. The Company's finance department identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group's operations are substantially located in the PRC and transacted at RMB. At 31 December 2016, if RMB had weakened/strengthened by 1% against the USD with all other variables held constant, profit before tax for the year ended 31 December 2016 would have been RMB1,490,000 higher/lower (2015: RMB361,000 lower/higher).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

At 31 December 2016, if interest rates on the Group's long-term borrowings at that dates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2016 would have been RMB20,016,000 lower/higher (2015: RMB16,600,000 lower/higher).

(b) Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including restricted cash), as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. Management does not expect any losses from non-performance by these counterparties except for those recognised.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of 31 December 2016					
Borrowings	**3,836,047**	**1,154,560**	**3,506,015**	**4,265,440**	**12,762,062**
Trade payables (Note 22)	**3,434,521**	**—**	**—**	**—**	**3,434,521**
Notes payable (Note 22)	**3,500,920**	**—**	**—**	**—**	**3,500,920**
Other payables	**1,156,899**	**—**	**—**	**—**	**1,156,899**
	11,928,387	**1,154,560**	**3,506,015**	**4,265,440**	**20,854,402**
As of 31 December 2015					
Borrowings	4,841,609	944,902	2,324,420	607,058	8,717,989
Trade payables (Note 22)	3,385,869	—	—	—	3,385,869
Notes payable (Note 22)	4,281,496	—	—	—	4,281,496
Other payables	754,091	—	—	—	754,091
	13,263,065	944,902	2,324,420	607,058	17,139,445

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt ratio. The debt ratio is calculated as total liabilities divided by total assets as shown in the consolidated balance sheet. The Group aims to maintain the debt ratio at a reasonable level.

The debt ratio of the Group as of 31 December 2016 was 70% (31 December 2015: 70%).

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Management estimates value in use based on the estimated discounted future cash flows of the cash generating unit at the lowest level to which the asset belongs. Management uses a series of assumptions and estimations to determine the recoverable amount, including useful life of the asset, future market anticipation, future revenue, gross margin rate and discount rate, etc.

4 Critical accounting estimates and judgements (continued)

(b) Provision of power plants under development and held for sale

Power plants under development and held for sale are recorded in inventories and stated at the lower of cost or net realisable value, with net realisable value being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group estimates the selling price for such power plants held for sale based primarily upon the discounted future cash flows. If the net realizable value of a power plant held for sale item is determined to be below its carrying value, the Group records a write-down to cost of sales for the difference between the carrying cost and net realisable value.

(c) Revenue from construction contracts

Revenue from individual contract is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

5 Segment information

The CODM have been identified as the chief executive officer, deputy general manager and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments on the basis of these reports. As the Group's operations are primarily located in the PRC, the CODM considers the business from a product and service perspective. Management separately considers polysilicon production, ECC, PV wafer and module manufacturing and build-own-operate of power plants ("**BOO**") as reportable operating segments. Others segment mainly comprises of businesses including inverter manufacturing, design services and logistics services.

During the year ended 31 December 2016, the portion of sales from the self-owned coal-fired power plant to supply electricity to the polysilicon production segment continued to increase, the CODM does not consider the sales of electricity to be a business that should be separately reviewed. Therefore, the Group has combined the sales of electricity with polysilicon production segment; the comparatives have been restated.

In addition, since the inverter manufacturing segment does not meet the quantitative thresholds required by IFRS 8 for reportable segments, the CODM has combined the inverter manufacturing with others segment; the comparatives have also been restated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5 Segment information (continued)

The CODM assesses the performance of the operating segments based on revenue and gross profit margin. Sales and other transactions between segments are carried out based on terms and conditions mutually agreed between the relevant parties. The CODM evaluate the performance of the reportable segments based on gross profit margin. The measurement of segment revenue and results reported to the CODM are in a manner consistent with that in the consolidated statement of comprehensive income. The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the balance sheet. These assets are allocated based on the operations of the segment.

For the year ended 31 December 2016:

	Polysilicon production RMB'000	ECC RMB'000	PV wafer and module manufacturing RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2016:							
Segment revenue and results							
Total segment revenue	2,560,990	8,830,293	212,641	127,677	861,268	(591,566)	12,001,303
Inter-segment revenue	(18,295)	(398,283)	(8,561)	–	(166,427)	591,566	–
Revenue from external customers	2,542,695	8,432,010	204,080	127,677	694,841	–	12,001,303
Segment results	863,953	937,200	(75,506)	91,077	179,448	–	1,996,172
Amortisation	14,209	2,556	825	6,673	4,628	–	28,891
Depreciation	476,460	12,209	30,127	25,503	14,397	–	558,696
Provisions of impairment:							
– trade and other receivables	(1,584)	9,405	113	5,965	(1,645)	–	12,254
– property, plant and equipment	–	–	81,809	–	–	–	81,809
– inventory	–	52,480	–	–	133	–	52,613
– construction contracts	–	134	–	–	–	–	134
Share of profit of investments accounted for using the equity method	–	1,808	–	–	–	–	1,808

5 Segment information (continued)

	Polysilicon production RMB'000	ECC RMB'000	PV wafer and module manufacturing RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2015 (restated):							
Segment revenue and results							
Total segment revenue	2,526,306	6,232,993	297,039	–	965,256	(580,695)	9,440,899
Inter-segment revenue	(13,499)	(274,798)	(52,764)	–	(239,634)	580,695	–
Revenue from external customers	2,512,807	5,958,195	244,275	–	725,622	–	9,440,899
Segment results	775,909	805,177	(139,095)	–	161,582	–	1,603,573
Amortisation	14,934	2,664	830	–	3,531	–	21,959
Depreciation	450,700	6,041	40,441	–	7,598	–	504,780
Provisions of impairment:							
– trade and other receivables	2,574	8,781	(631)	–	8,785	–	19,509
– property, plant and equipment	–	–	97,300	–	–	–	97,300
– intangible assets	–	2,746	–	–	–	–	2,746
– inventory	–	–	35,116	–	–	–	35,116
– construction contracts	–	108	–	–	–	–	108
Share of profit of investments accounted for using the equity method	–	3,198	–	–	–	–	3,198

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5 Segment information (continued)

A reconciliation of segment results to total profit for the year is provided as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Polysilicon production	**863,953**	775,909
ECC	**937,200**	805,177
PV wafer and module manufacturing	**(75,506)**	(139,095)
BOO	**91,077**	—
Others	**179,448**	161,582
Total segment results for reportable segments	**1,996,172**	1,603,573
Selling and marketing expenses	**(364,192)**	(266,014)
General and administrative expenses	**(593,604)**	(566,184)
Other income	**95,934**	189,074
Other gains — net	**35,223**	6,326
Finance expenses — net	**(223,476)**	(261,756)
Share of profit of investments accounted for using the equity method	**1,808**	3,198
Profit before income tax	**947,865**	708,217
Income tax expense	**(141,532)**	(89,073)
Profit for the year	**806,333**	619,144

5 Segment information (continued)

The segment assets as of 31 December 2016 are as follows:

	Polysilicon production RMB'000	ECC RMB'000	PV wafer and module manufacturing RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
As of 31 December 2016							
Segment assets	12,434,237	12,272,027	731,536	5,199,155	2,152,268	(5,207,504)	27,581,719
Investments accounted for using the equity method	–	94,441	–	–	–	–	94,441
	12,434,237	12,366,468	731,536	5,199,155	2,152,268	(5,207,504)	27,676,160
Unallocated assets							136,394
Total assets							27,812,554
Additions to non-current assets	490,699	479,429	859	1,641,110	273,300	–	2,885,397
As of 31 December 2015 (restated)							
Segment assets	12,182,451	11,609,998	584,007	3,596,431	1,565,125	(4,494,003)	25,044,009
Investments accounted for using the equity method	–	102,640	–	–	–	–	102,640
	12,182,451	11,712,638	584,007	3,596,431	1,565,125	(4,494,003)	25,146,649
Unallocated assets							82,644
Total assets							25,229,293
Additions to non-current assets	186,239	58,091	2,921	1,935,088	93,578	–	2,275,917

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

5 Segment information (continued)

Entity-wide information

Breakdown of the revenue from all goods and services is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Provision of ECC services	**8,432,010**	5,958,195
Sales of goods	**3,277,165**	3,365,271
Provision of services other than ECC	**292,128**	117,433
	12,001,303	9,440,899

Revenue from external customers in the PRC and other countries is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
The PRC	**11,796,511**	8,641,159
Other countries	**204,792**	799,740
	12,001,303	9,440,899

There was no single external customer contributed more than 10% of the total revenue for the year ended 31 December 2015. For the year ended 31 December 2016, there was one external customer (2015:Nil) contributed more than 10% of the total revenue and attributable to ECC services segment, with its proportion as 11% in the total revenue of the year.

At 31 December 2015 and 2016, all the Group's non-current assets, other than deferred income tax assets are primarily located in the PRC.

6 Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
As of 1 January 2015						
Cost	2,617,648	6,844,778	37,972	32,773	66,676	9,599,847
Accumulated depreciation	(194,685)	(907,724)	(10,255)	(11,539)	—	(1,124,203)
Accumulated impairment provisions	—	(85,700)	(44)	(5)	—	(85,749)
Net book value	2,422,963	5,851,354	27,673	21,229	66,676	8,389,895
Year ended 31 December 2015						
Opening net book value	2,422,963	5,851,354	27,673	21,229	66,676	8,389,895
Additions	100,438	46,287	9,960	3,528	1,914,415	2,074,628
Transfers	56,176	57,933	—	2,240	(116,349)	—
Disposals	(4)	(2,157)	(1,363)	(21)	—	(3,545)
Depreciation charge	(79,757)	(442,178)	(4,178)	(5,872)	—	(531,985)
Impairment provisions	—	(96,819)	(59)	(422)	—	(97,300)
Closing net book value	2,499,816	5,414,420	32,033	20,682	1,864,742	9,831,693
As of 31 December 2015						
Cost	2,774,258	6,946,841	46,569	38,520	1,864,742	11,670,930
Accumulated depreciation	(274,442)	(1,349,902)	(14,433)	(17,411)	—	(1,656,188)
Accumulated impairment provisions	—	(182,519)	(103)	(427)	—	(183,049)
Net book value	2,499,816	5,414,420	32,033	20,682	1,864,742	9,831,693
Year ended 31 December 2016						
Opening net book value	**2,499,816**	**5,414,420**	**32,033**	**20,682**	**1,864,742**	**9,831,693**
Additions	**—**	**402,674**	**5,766**	**5,232**	**2,405,259**	**2,818,931**
Transfers	**310,561**	**1,770,271**	**—**	**34,647**	**(2,115,479)**	**—**
Disposals	**—**	**(6,795)**	**(3,223)**	**(37)**	**—**	**(10,055)**
Depreciation charge	**(88,974)**	**(462,973)**	**(4,847)**	**(17,708)**	**—**	**(574,502)**
Impairment provisions (Note (a))	**—**	**(81,270)**	**—**	**(539)**	**—**	**(81,809)**
Closing net book value	**2,721,403**	**7,036,327**	**29,729**	**42,277**	**2,154,522**	**11,984,258**
As of 31 December 2016						
Cost	**3,084,819**	**9,061,138**	**46,759**	**78,329**	**2,154,522**	**14,425,567**
Accumulated depreciation	**(363,416)**	**(1,789,616)**	**(16,928)**	**(35,086)**	**—**	**(2,205,046)**
Accumulated impairment provisions	**—**	**(235,195)**	**(102)**	**(966)**	**—**	**(236,263)**
Net book value	**2,721,403**	**7,036,327**	**29,729**	**42,277**	**2,154,522**	**11,984,258**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6 Property, plant and equipment (continued)

The depreciation expense has been charged as below:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of sales	**502,105**	452,459
Selling and marketing expenses	**573**	724
General and administrative expenses	**56,018**	51,597
Capitalised in inventories	**15,806**	27,205
	574,502	531,985

For the year ended 31 December 2016, interest expenses of RMB104,114,000 (2015: RMB43,201,000) were capitalised in property, plant and equipment at average interest rate of 5.02% (2015: 5.15%).

As of 31 December 2016, the Group's buildings, machinery and equipment and construction in progress with original book value of RMB12,301,706,000 is pledged as securities for Group's borrowings (Note 20) (31 December 2015: RMB9,195,397,000).

(a) Impairment losses of property, plant and equipment

Due to the obsolescence of the Group's microtome system and negative profit margin of wafers products in year 2016, there was an impairment indicator for certain machinery owned by the Group. Impairment provision was determined based on their recoverable amounts, which is the higher of the value in use and fair value less costs of disposal. During the year ended 31 December 2016, the management adopted value in use in determining the recoverable amounts using the discounted future cash flow to assess the impairment of the microtome system. The future cash flows are estimated based on several key assumptions, including the expected revenue and operating costs and pre-tax discount rate of 17%. The expected revenue and operating costs were determined by historical business performances and current market development. Based on this impairment assessment, the Group recorded an impairment provision of RMB81,809,000 in year 2016.

7 Land use rights

	RMB'000
As of 1 January 2015	
Cost	351,246
Accumulated amortisation	(27,992)
Net book value	323,254
Year ended 31 December 2015	
Opening net book value	323,254
Additions	188,994
Amortisation charge	(8,302)
Closing net book value	503,946
As of 31 December 2015	
Cost	540,240
Accumulated amortisation	(36,294)
Net book value	503,946
Year ended 31 December 2016	
Opening net book value	**503,946**
Additions	**57,863**
Amortisation charge	**(15,074)**
Closing net book value	**546,735**
As of 31 December 2016	
Cost	**598,103**
Accumulated amortisation	**(51,368)**
Net book value	**546,735**

For the year ended 31 December 2016, amortisation of RMB15,074,000 (2015: RMB8,302,000) is included in "general and administrative expenses" of the Group.

As of 31 December 2016, the Group's land use rights with the original book value of RMB335,054,000 (31 December 2015: RMB234,449,000) were pledged as security for long-term borrowings (Note 20).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

8 Intangible assets

	Patent and proprietary technologies RMB'000	Software RMB'000	Total RMB'000
As of 1 January 2015			
Cost	113,935	11,862	125,797
Accumulated amortisation	(60,790)	(6,468)	(67,258)
Net book value	53,145	5,394	58,539
Year ended 31 December 2015			
Opening net book value	53,145	5,394	58,539
Additions	9,526	2,769	12,295
Amortisation charge	(11,258)	(2,399)	(13,657)
Impairment	(2,696)	(50)	(2,746)
Closing net book value	48,717	5,714	54,431
As of 31 December 2015			
Cost	123,461	14,631	138,092
Accumulated amortisation	(72,048)	(8,867)	(80,915)
Impairment	(2,696)	(50)	(2,746)
Net book value	48,717	5,714	54,431
Year ended 31 December 2016			
Opening net book value	**48,717**	**5,714**	**54,431**
Additions	**1,887**	**6,716**	**8,603**
Disposals	**—**	**(637)**	**(637)**
Amortisation charge	**(11,463)**	**(2,354)**	**(13,817)**
Closing net book value	**39,141**	**9,439**	**48,580**
As of 31 December 2016			
Cost	**125,348**	**19,513**	**144,861**
Accumulated amortisation	**(83,511)**	**(10,024)**	**(93,535)**
Impairment	**(2,696)**	**(50)**	**(2,746)**
Net book value	**39,141**	**9,439**	**48,580**

The Group's patent and proprietary technologies represent solar energy, monocrystalline silicon, silicon dioxide and polycrystalline silicon related proprietary technologies that were mainly purchased from third parties.

8 Intangible assets (continued)

The amortisation expense has been charged as below:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of sales	**9,507**	9,507
General and administrative expenses	**4,310**	4,150
	13,817	13,657

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9 Subsidiaries

The following is a list of the principal subsidiaries, all of which are incorporated and operated in the PRC:

		As of 31 December			
Name	Principal activities	2016 Registered capital RMB'000	2016 Equity interests held by the Group (%)	2015 Registered capital RMB'000	2015 Equity interests held by the Group (%)
Xinjiang New Energy	ECC	2,381,878	98.89%	1,859,961	98.58%
TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司)	Production of invertor products	150,000	100.00%	150,000	100.00%
Shaanxi TBEA New Energy Co., Ltd. (陝西特變電工新能源有限公司)	ECC	42,230	100.00%	42,230	100.00%
Xi'an Purui Xinte Energy Co., Ltd. (西安普瑞新特能源有限公司)	Trading of module products	41,176	100.00%	41,176	100.00%
Xi'an TBEA Electric Power Design Co., Ltd. (西安特變電工電力設計有限責任公司)	Consulting, design, research and development	20,999	66.09%	10,000	66.09%
TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司)	Production of static var generator products	50,000	100.00%	50,000	100.00%
TBEA Hami Photovoltaic Technology Co., Ltd. (特變電工哈密光伏科技有限公司)	Production of invertor products	10,000	100.00%	10,000	100.00%
Mulei Country Xinke Wind Power Co., Ltd. (木壘縣新科風能有限責任公司)	Sales of electricity	76,000	100.00%	76,000	100.00%
Hami Fengshang Power Generation Co.,Ltd. (哈密風尚發電有限責任公司)	Sales of electricity	384,577	100.00%	384,577	100.00%
Hami Huafeng New Energy Power Generation Co., Ltd. (哈密華風新能源發電有限公司)	Sales of electricity	301,624	100.00%	100,000	100.00%
Guyang Country Power Generation Co., Ltd. (固陽縣風源發電有限責任公司)	Sales of electricity	194,650	100.00%	158,000	100.00%

9 Subsidiaries (continued)

All English names represent the Company's directors' best effort of translations and are for reference only. The official names of these entities are in Chinese.

Material non-controlling interests

The balance of total non-controlling interests as of 31 December 2016 is RMB51,442,000 (31 December 2015: RMB46,242,000), of which RMB42,220,000 (31 December 2015: RMB38,603,000) is for Xinjiang New Energy. The non-controlling interests in respect of other subsidiaries are not material.

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Current		
Assets	**12,259,277**	11,925,563
Liabilities	**(9,482,763)**	(11,211,182)
Total current net assets	**2,776,514**	714,381
Non-current		
Assets	**5,983,257**	3,155,118
Liabilities	**(4,947,683)**	(1,147,908)
Total non-current net assets	**1,035,574**	2,007,210
Net assets	**3,812,088**	2,721,591
Net assets allocated to non-controlling interests	**42,220**	38,603

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

9 Subsidiaries (continued)

Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**9,274,865**	6,864,641
Profit before income tax	**379,388**	295,112
Income tax expense	**(59,990)**	(34,959)
Profit for the year	**319,398**	260,153
Total comprehensive income	**319,398**	260,153
Total comprehensive income allocated to non-controlling interests	**4,524**	3,143

Summarised cash flows

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	**(1,330,266)**	1,945,378
Income tax paid	**(99,011)**	(61,064)
Net cash (used in)/generated from operating activities	**(1,429,277)**	1,884,314
Net cash used in investing activities	**(2,014,900)**	(1,999,109)
Net cash generated from financing activities	**3,365,034**	951,629
Net (decrease)/increase in cash and cash equivalents	**(79,143)**	836,834
Cash and cash equivalents at beginning of year	**1,715,307**	878,131
Exchange gains on cash and cash equivalents	**3,160**	342
Cash and cash equivalents at end of year	**1,639,324**	1,715,307

10 Investments accounted for using the equity method

The Group's investments accounted for using the equity method represent investment in associates, all of which are incorporated and operated in the PRC. These companies are private companies and there is no quoted price available for its shares.

As of 31 December 2015 and 2016, in the opinion of the directors of the Company, no associates are considered individually material to the Group. Movements of investments in associates are set out as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
At beginning of the year	**102,640**	49,079
Transfer from subsidiaries to associates (Note (b))	**—**	55,620
Additional capital injections	**37,900**	—
Transfer from associates to subsidiaries (Note (c))	**—**	(2,386)
Share of (losses)/profits	**(5,378)**	2,768
Elimination of transactions with associates, net of tax (Note (d))	**(40,721)**	(2,441)
At end of the year	**94,441**	102,640

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

(b) Under normal operation of the ECC service business, the Group establishes various subsidiaries as the owner of solar power plant projects to be disposed in future (these entities are refer as "Project Companies" thereafter). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These ECC projects will be sold to third-party customers by way of transferring the equity interests in these Project Companies. These subsidiaries have no commercial operation other than the holding of the relevant ECC projects. In the opinion of the directors of the Company, the disposal of equity interests in these Project Companies is in substance the sales of inventories held by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

10 Investments accounted for using the equity method (continued)

The Group sold ECC projects to third party customers by way of transferring equity interests in the relevant project companies. The Group retained equity interests ranging from 20% to 49% in some of these disposed Project Companies and continue to exercise significant influence by virtue of its contractual right to appoint at least one director to the board of directors of them and has power to participate in the financial and operating policy decisions in them. Accordingly, these relevant Project Companies are accounted for as associates after the disposal.

During the year ended 31 December 2015, initial investments amounting to RMB55,620,000 represented the proportionate share of the estimated value of the relevant Project Companies at the date of the disposal.

(c) During the year ended 31 December 2015, the Group acquired the remaining 51.00% equity interests of Xinjiang Energy Construction Co., Ltd. from TBEA. Upon this transaction, the Group held 100.00% equity interests in Xinjiang Energy Construction Co., Ltd. and obtained its control after it became a subsidiary of the Company.

(d) Since the Group sold inventories and provided construction services to its associates ("Downstream Transactions"), the unrealised profits resulting from such transactions are eliminated against the carrying amount of its investment in associates. As a result, the deferred income tax arising from the elimination are charged to the carrying amount of the investment in associates, with corresponding adjustments in statement of comprehensive income within "Share of profit of investments accounted for using the equity method". When the related assets are disposed of or consumed by the associate, or the associates are disposed by the Group, the unrealised profit, as well as the corresponding tax adjustment, will be reversed. The table blow summarised the financial impact arising from the Downstream Transactions in the year ended 31 December 2015 and 2016.

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Elimination effect arising from Downstream Transactions with associates	**(47,907)**	(2,871)
Relevant tax effect	**7,186**	430
Elimination of transactions with associates, net of tax	**(40,721)**	(2,441)

10 Investments accounted for using the equity method (continued)

Summarised financial information for associates

Set out below are the summarised financial information in aggregate for all individually immaterial associates, which are accounted for using the equity method.

Summarised statement of comprehensive income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Revenue	**137,100**	143,882
Operating (loss)/income	**(14,538)**	6,594
Income tax benefit/(expense)	**13**	(332)
(Loss)/profit for the year	**(14,525)**	6,262
Total comprehensive income	**(14,525)**	6,262

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

11 Deferred income tax

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered within 12 months	**68,644**	53,794
Deferred income tax assets to be recovered after more than 12 months	**67,750**	28,850
	136,394	82,644

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

11 Deferred income tax (continued)

The gross movement of the Group's deferred income tax account is as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning of the year	**82,644**	41,460
Credited to the consolidated statements of comprehensive income (Note 29)	**53,750**	41,184
End of the year	**136,394**	82,644

The movements in deferred income tax assets of the Group during the year ended 31 December 2016, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Impairment provision of assets RMB'000	**Government grants RMB'000**	**Taxable losses and others RMB'000**	**Total RMB'000**
As of 1 January 2015	27,095	6,973	7,392	41,460
Credited/(charged) to the consolidated statement of comprehensive income	26,137	(1,864)	16,911	41,184
As of 31 December 2015	53,232	5,109	24,303	82,644
Credited to the consolidated statement of comprehensive income	13,584	30,804	9,362	53,750
As of 31 December 2016	**66,816**	**35,913**	**33,665**	**136,394**

Others mainly represent unrealised profit of inter-group transactions, accrued warranty provision and share-based payment.

11 Deferred income tax (continued)

As of 31 December 2016, the Group did not recognise deferred tax assets as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Tax losses	**23,482**	16,225
Other temporary differences	**3,252**	14,478
	26,734	30,703

Deferred income tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2016, the Group did not recognise deferred tax assets of RMB23,482,000 (31 December 2015: RMB16,225,000) in respect of tax losses amounting to RMB156,549,000 (31 December 2015: RMB108,167,000), as the directors of the Company believe it is more likely than not that such tax losses would not be utilised before they expire.

	As of 31 December	
	2016	2015
Year of expiry	**RMB'000**	RMB'000
2016	**—**	714
2017	**9,332**	9,332
2018	**7,917**	7,917
2019	**21,350**	21,350
2020	**68,854**	68,854
2021	**49,096**	—
	156,549	108,167

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

12 Inventories

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Raw materials	**230,283**	801,652
Finished goods	**188,575**	271,115
Work in progress	**1,048,458**	584,254
Power plants under development and held for sale	**2,978,512**	2,738,998
Spare parts	**8,837**	6,918
	4,454,665	4,402,937
Less: provision for impairment	**(53,385)**	(19,499)
	4,401,280	4,383,438

Movements of Group's provision for inventory obsolescence are analysed as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning of the year	**19,499**	15,126
Additions	**52,613**	35,116
Write-off	**(18,727)**	(30,743)
End of the year	**53,385**	19,499

As at 31 December 2016, the Group made a provision for impairment losses of power plants under development and held for sale of RMB52,480,000 (31 December 2015: RMB2,834,000) mainly due to decreased in estimated net realisable value.

As of 31 December 2016, the Group's inventories with the original book value of RMB68,402,000 (31 December 2015: Nil) were pledged as security for long-term borrowings (Note 20).

For the year ended 31 December 2016, the Group's total cost of inventories recognised is RMB3,955,444,000 (2015: RMB2,972,798,000).

13 Amounts due from/(to) customers for contract work

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	**8,637,483**	9,036,305
Less: Progress billings	**(6,394,476)**	(7,951,155)
Net balance sheet position for ongoing contracts	**2,243,007**	1,085,150
Representing:		
Amounts due from customers for contract work	**2,387,570**	1,342,701
Amounts due to customers for contract work	**(144,563)**	(257,551)
	2,243,007	1,085,150

For the year ended 31 December 2016, total contract revenue recognised is RMB6,762,904,000 (2015: RMB5,474,088,000).

14 Trade and notes receivable

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Trade receivables	**1,642,990**	2,068,937
Notes receivable	**1,686,716**	1,036,894
	3,329,706	3,105,831
Less: provision for impairment	**(82,600)**	(69,374)
	3,247,106	3,036,457

Notes receivable of the Group are bank acceptance notes and trade acceptance notes with maturity dates within six months.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

14 Trade and notes receivable (continued)

As of 31 December 2016, the Group's notes receivable with the original book value of RMB226,394,000 (31 December 2015: Nil) were pledged as security for short-term bank borrowings (Note 20).

Aging analysis of the Group's gross trade receivables based on the due date at the respective balance sheet dates is as follows:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Within 3 months	**307,968**	923,229
4 to 6 months	**387,417**	407,570
6 months to 1 year	**432,432**	381,409
1 to 2 years	**395,020**	305,829
2 to 3 years	**87,576**	34,513
Over 3 years	**32,577**	16,387
	1,642,990	2,068,937

Most of the Group's trade receivables are due upon the issuance of the invoices, except for retention money which would primarily be collected within 1–2 years after the completion of the sales.

As of 31 December 2016, retention money included in trade receivables amounted to RMB223,211,000 (31 December 2015: RMB334,864,000), which was neither past due nor impaired.

As of 31 December 2016, the Group has no trade receivables (31 December 2015: RMB500,710,000) past due but not impaired.

Ageing analysis of past due but not impaired trade receivables:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Less than 1 year	**–**	500,710

14 Trade and notes receivable (continued)

As of 31 December 2016, trade receivables of RMB1,419,779,000 (31 December 2015: RMB1,233,363,000) was partially impaired. The amount of the related provisions for impairment pertaining to these receivables was approximately RMB82,600,000 at 31 December 2016 (31 December 2015: RMB69,374,000). It was assessed that a portion of the receivables is expected to be recovered. The aging analysis of these receivables are as follows:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Less than 1 year	**1,050,711**	994,822
1 year to 2 years	**318,100**	217,405
2 years to 3 years	**46,718**	12,220
Over 3 years	**4,250**	8,916
	1,419,779	1,233,363

Movements of the Group's provisions for impairment of trade and notes receivable are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning of the year	**69,374**	54,480
Additions	**30,439**	43,708
Reversal	**(15,706)**	(26,405)
Write-off	**(1,507)**	(2,409)
End of the year	**82,600**	69,374

As of 31 December 2015 and 2016, the carrying amounts of trade and notes receivable approximated their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

14 Trade and notes receivable (continued)

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

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**3,179,773**	2,815,875
USD	**61,737**	201,489
PKR	**5,596**	19,093
	3,247,106	3,036,457

15 Other current/non-current assets

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Prepayments for purchase of property, plant and equipment	**232,277**	38,200
Value-added tax recoverable (Note (a))	**759,224**	578,643
Prepaid income tax	**18,323**	12,685
Prepaid interest expenses	**2,426**	—
Tariff adjustment receivables (Note (b))	**319,203**	—
Guarantee deposit for other borrowings (Note 20(b))	**29,800**	15,000
	1,361,253	644,528
Less: current portion of		
— Value-added tax recoverable	**(233,837)**	(264,979)
— Prepaid income tax	**(18,323)**	(12,685)
— Prepaid interest expenses	**(2,426)**	—
— Guarantee deposit for other borrowings (Note 20(b))	**(15,000)**	(15,000)
	(269,586)	(292,664)
	1,091,667	351,864

15 Other current/non-current assets (continued)

(a) Value-added tax ("VAT") recoverable represents the input VAT relating to purchase of property, plant and equipment, which can be deducted from the output VAT arising from future sales.

(b) Tariff adjustment receivables represented the subsidies from the PRC government on renewable energy projects in China based on nationwide government policies.

16 Prepayments and other receivables

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Staff advances	**32,614**	32,836
Deposits as guarantee for contract execution	**101,629**	82,116
Receivables from TBEA	**113,575**	126,398
Others	**29,419**	104,693
Total other receivables	**277,237**	346,043
Less: provision for impairment	**(7,338)**	(9,837)
	269,899	336,206
Prepayments to suppliers	**511,260**	786,907
Less: provision for impairment	**(25,694)**	(25,694)
	485,566	761,213
	755,465	1,097,419

As of 31 December 2015 and 2016, the carrying amounts of the Group's other receivables approximated their fair values due to short maturity.

The provision for impairment of prepayments is mainly for supplier in the process of liquidation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

16 Prepayments and other receivables (continued)

Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning of the year	**9,837**	11,794
Addition	**698**	15,927
Reversal	**(3,177)**	(13,721)
Write-off	**(20)**	(4,163)
End of the year	**7,338**	9,837

17 Cash and bank balances

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Restricted cash:		
Bank deposits	**950,525**	1,285,993
Cash and cash equivalents:		
Cash on hand	**13**	15
Cash in bank	**1,897,934**	2,862,388
	1,897,947	2,862,403
Total cash and bank balances	**2,848,472**	4,148,396

The restricted bank deposits were held as securities for letter of credit, letter of guarantee and bank acceptance notes.

17 Cash and bank balances (continued)

Cash and bank balances were denominated in the following currencies:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**2,750,871**	3,090,392
HKD	**6,700**	1,042,334
USD	**87,393**	13,223
Others	**3,508**	2,447
	2,848,472	4,148,396

18 Share capital and share premium

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	Nominal value RMB'000	Share premium RMB'000
At 1 January 2015	673,050	673,050	2,827,336
Issuance of shares to pre-IPO investors (Note (a))	204,678	204,678	1,195,322
Issuance of H shares (Note (a))	146,500	146,500	879,439
At 31 December 2015	1,024,228	1,024,228	4,902,097
Issuance of the over-allotment shares (Note (b))	20,777	20,777	128,278
At 31 December 2016	1,045,005	1,045,005	5,030,375

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

18 Share capital and share premium (continued)

(a) In April 2015, the Company entered into pre-IPO share subscription agreements with TBEA, Jinlong Technology Holdings Limited, CM International Capital Limited, GF Energy Investment Limited and L.R. Capital China Growth I Company Limited, respectively, pursuant to which the Company issued 204,678,362 shares, divided into 146,198,830 unlisted foreign shares and 58,479,532 domestic shares with par value of RMB1.00 per share at RMB6.84 per share, for a total cash consideration of approximately RMB1,400 million.

On 30 December 2015, the Company completed its IPO by issuing 146,500,000 H shares with nominal value of RMB1.00 each at a price of HKD8.80 per share.

The total proceeds from the IPO (excluding underwriter commissions) was approximately HKD1,250,248,000 (equivalent to approximately RMB1,042,332,000), with which share capital was increased by RMB146,500,000 and share premium was increased by RMB895,832,000. The share issuance costs relating to the IPO amounted to RMB16,393,000.

(b) The over-allotment option was exercised on 21 January 2016 of an aggregate of 20,776,800 H Shares with nominal value of RMB1.00 each at a price of HKD8.80 per share. The total proceeds from the over-allotment (including underwriter commissions) was approximately HKD182,836,000 (equivalent to approximately RMB153,655,000), with which share capital increased by approximately RMB20,777,000 and share premium increased by approximately RMB128,278,000, after offsetting with the share issuance cost of RMB4,600,000.

19 Other reserves

	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2015	47,031	193,825	240,856
Appropriation of surplus reserve (Note (a))	35,385	—	35,385
Share-based payments (Note (b))	—	18,385	18,385
Currency translation differences	—	555	555
Transaction with non-controlling interests	—	197	197
At 31 December 2015	82,416	212,962	295,378
Appropriation of surplus reserve (Note (a))	47,725	—	47,725
Share-based payments (Note (b))	—	9,898	9,898
Currency translation differences	—	23	23
At 31 December 2016	130,141	222,882	353,024

19 Other reserves (continued)

(a) In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. For the year ended 31 December 2016, the Company made appropriation of statutory surplus reserve amounting to RMB47,725,000 (2015: RMB35,385,000).

(b) Restricted share incentive plan

The Group's directors and selected employees participated in a restricted share incentive plan operated by its parent company TBEA in 2014.

During the year ended 31 December 2014, 12,802,000 restricted shares of TBEA were granted to certain Group's directors and employees at a price of RMB5.65 per share for their services rendered to the Company. These restricted shares would vest at the rate of 20%, 30% and 50% respectively for each 12-month period commencing from the 12 months after the grant date, subject to TBEA achieving its target growth in profit over the vesting period.

During the year ended 31 December 2015, 1,720,000 restricted shares of TBEA were granted to certain Group's directors and employees at a price of RMB7.87 per share for their services rendered to the Company. These restricted shares would vest at the rate of 50%, and 50% respectively for each 12-month period commencing from the 12 months after the grant date, subject to TBEA achieving its target growth in profit over the vesting period.

During the year ended 31 December 2015 and 2016, 20% of the restricted shares were unlocked and transferred to the grantees.

Movements in the number of restricted shares granted and related fair value are as follows:

	Exercise Price (RMB per share)	Number of restricted shares granted (thousands)
As of 1 January 2015		12,802
Granted	7.87	1,720
Vested		(2,431)
Forfeited		(516)
As of 31 December 2015		11,575
Vested		(4,349)
Forfeited		(550)
As of 31 December 2016		6,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

19 Other reserves (continued)

The fair value of restricted shares granted was determined by reference to the market price of TBEA on the date of grant. For the year ended 31 December 2016, the share-based compensation expense recognised in the consolidated statement of comprehensive income as employee benefits expenses (Note 27) was RMB9,898,000 (2015: RMB18,385,000).

20 Borrowings

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**6,635,150**	3,984,039
Other borrowings:		
— Secured (Note (b))	**521,142**	—
Less: current portion of long-term borrowings	**(819,691)**	(657,539)
Total non-current borrowings	**6,336,601**	3,326,500
Short-term borrowings		
Bank borrowings:		
— Secured (Note (a))	**200,000**	1,269,282
— Unsecured	**2,018,000**	2,309,000
	2,218,000	3,578,282
Other borrowings:		
— Secured (Note (b))	**194,542**	265,807
— Unsecured	**200,000**	—
	394,542	265,807
Current portion of long-term borrowings	**819,691**	657,539
Total current borrowings	**3,432,233**	4,501,628
Total borrowings	**9,768,834**	7,828,128

20 Borrowings (continued)

The maturities of the Group's total borrowings at the balance sheet date are repayable as follows:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**3,432,233**	4,501,628
1 year to 2 years	**847,669**	728,500
2 years to 5 years	**2,712,056**	2,167,500
Over 5 years	**2,776,876**	430,500
	9,768,834	7,828,128

The carrying amount of the Group's borrowings are denominated in the following currencies:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**9,768,834**	7,677,597
USD	**—**	150,531
	9,768,834	7,828,128

(a) As of 31 December 2016, secured short-term bank borrowings with amount of RMB200,000,000 were pledged with the Group's notes receivable (Note 14).

As of 31 December 2015, secured short-term bank borrowings with amount of RMB500,710,000 represented proceeds received under trade receivable factoring agreements with recourse with banks.

As of 31 December 2015, secured short-term bank borrowings with amount of RMB111,569,000, RMB500,000,000, and RMB157,003,000 were pledged with the Group's certain property, plant and equipment (Note 6), approximated 75% stock right of Xinjiang New Energy and certain future receivable collection right, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

20 Borrowings (continued)

As of 31 December 2016, secured long-term bank borrowings with amount of RMB6,635,150,000 (2015:RMB3,984,039,000) were pledged with the Group's certain property, plant and equipment (Note 6), land use rights (Note 7), inventories (Note 12), and future trade receivable collection right.

(b) As of 31 December 2016, secured short-term other borrowings with amount of RMB194,542,000 (2015: RMB265,807,000) were pledged with the Group's certain property, plant and equipment (Note 6) and guarantee deposits amounting to RMB15,000,000 (2015: RMB15,000,000) (Note15).

As of 31 December 2016, secured long-term other borrowings with amount of RMB342,142,000 were pledged with the Group's certain property, plant and equipment (Note 6) and guarantee deposits amounting to RMB14,800,000 (Note15); secured long-term other borrowings with amount of RMB143,000,000 and RMB36,000,000 were guaranteed by the Company and Xinjiang New Energy, the Company's subsidiary, respectively.

(c) For the year ended 31 December 2016, the interest rates of borrowings ranged from 1.20% to 5.40% (2015: from 2.65% to 6.60%).

(d) The Group has the following undrawn bank borrowing facilities:

	As of 31 December	
	2016	2015
	RMB'000	RMB '000
Expiring within 1 year	**6,389,482**	4,637,314
Expiring beyond 1 year	**—**	1,802,000
	6,389,482	6,439,314

21 Deferred government grants

As of 31 December 2015 and 2016, deferred government grants mainly represented assets-related government grants received with respect to encouraging the research and development activities and charges of asset-related grants in connection with the infrastructure construction of solar power projects and production of polysilicon.

22 Trade and notes payable

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Trade payables	**3,434,521**	3,385,869
Notes payable	**3,500,920**	4,281,496
	6,935,441	7,667,365

The aging analysis of trade payables is as follows:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**2,943,005**	3,087,267
1 to 2 years	**437,115**	258,517
2 to 3 years	**34,738**	27,123
Over 3 years	**19,663**	12,962
	3,434,521	3,385,869

As of 31 December 2015 and 2016, the carrying amounts of trade and notes payable approximated their fair values due to short maturity.

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

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
RMB	**6,928,013**	7,562,869
USD	**792**	100,295
Others	**6,636**	4,201
	6,935,441	7,667,365

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

23 Provisions and other payables

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Payables relating to purchase of property, plant and equipment	**873,933**	613,833
Advances and deposits	**971,383**	841,424
Warranty provisions (Note (a))	**70,894**	30,772
Accrued wages and other benefits	**133,913**	110,108
Tax payable other than income taxes	**41,842**	8,724
Dividends payable	**62,893**	—
Others	**98,569**	20,858
	2,253,427	1,625,719

(a) Movements on the Group's provision for warranty expenses are as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Beginning of the year	**30,772**	18,937
Additional provisions	**81,448**	34,410
Utilisation	**(40,436)**	(22,575)
Reversal	**(890)**	—
End of the year	**70,894**	30,772

24 Expense by nature

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	**(200,344)**	(1,187,910)
Raw materials, equipment and consumables	**7,370,979**	5,750,418
Subcontract costs	**1,167,739**	1,558,151
Employee benefit expenses (Note 27)	**664,938**	661,153
Depreciation and amortisation (Notes 6, 7 and 8)	**587,587**	526,739
Utilities	**168,464**	211,845
Repair and maintenance	**162,042**	164,945
Impairment of assets (Notes 6, 8, 12, 14 and 16)	**146,810**	154,779
Transportation	**136,412**	234,877
Travelling expenses	**52,824**	45,668
Taxation	**66,014**	50,797
Warranty expenses (Note 23)	**80,558**	34,410
Rental expenses	**29,204**	26,778
Auditor's remuneration	**4,706**	3,000
— audit and related services	**4,200**	3,000
— non-audit services	**506**	—
Listing expenses	**—**	17,423
Others	**524,994**	416,451
	10,962,927	8,669,524

25 Other income

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Government grants	**77,794**	151,542
Sales of raw materials	**5,614**	10,121
Consulting services	**12,526**	27,411
	95,934	189,074

For the year ended 31 December 2016, the Group's government grant income included amortisation of asset-related government grants with amount of RMB25,603,000 (2015: RMB52,762,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

26 Other gains — net

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Gains on disposal of property, plant and equipment	**4,309**	719
Gains on compensations and penalties	**5,968**	11,250
Donations	**(1,970)**	(24,500)
Net exchange gains arising from other than borrowings	**13,031**	3,549
Others	**13,885**	15,308
	35,223	6,326

For the year ended 31 December 2016 and 2015, donations mainly represented the amounts donated for local public utility construction projects to local government in Xinjiang Uygur Autonomous Region and Shanxi Province, the PRC.

27 Employee benefit expenses

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Wages and salaries	**539,842**	523,198
Social insurance costs	**71,971**	78,169
Welfare benefits	**43,227**	41,401
Share-based payment (Note 19(b))	**9,898**	18,385
	664,938	661,153

27 Employee benefit expenses (continued)

(a) Five highest paid individuals

For year ended 31 December 2016, the five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals Year ended 31 December	
	2016	2015
Directors	**2**	3
Non-director individuals	**3**	2
	5	5

The Directors' emoluments are disclosed in Note 38. The emoluments payable to the remaining individuals were as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Basic salaries and allowances	**1,814**	504
Discretionary bonuses	**266**	519
Share-based compensation	**38**	177
	2,118	1,200

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2016	2015
Emolument bands		
HKD1,000,000 and below	**3**	2

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28 Finance expenses — net

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Interest expenses on borrowing	**444,558**	472,038
—Bank borrowings	**414,414**	464,163
—Other borrowings	**30,144**	7,875
Less: amounts capitalised	**(195,872)**	(172,849)
—in property, plant and equipment	**(104,114)**	(43,201)
—in inventories and construction contracts	**(91,758)**	(129,648)
Net exchange losses/(gains)	**1,045**	(4,502)
Finance expenses	**249,731**	294,687
Interest income	**(26,255)**	(32,931)
	223,476	261,756

29 Income tax expense

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Current income tax expense	**195,282**	130,257
Deferred income tax benefit (Note 11)	**(53,750)**	(41,184)
	141,532	89,073

29 Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Profit before income tax	**947,865**	708,217
Tax expense calculated at applicable statutory tax rate of 25%	**236,966**	177,054
Effect of difference between applicable tax rate and statutory tax rate	**(77,938)**	(66,589)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	**12,096**	17,448
Utilisation of previously unrecognised temporary differences and tax losses	**(18,711)**	(4,738)
Elimination of transactions with associates (Note 10)	**10,180**	(610)
Expenses not deductible for taxation purposes	**3,013**	5,358
Tax credits and additional deduction entitlements	**(24,074)**	(38,850)
	141,532	89,073

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 15%.

Tax credits and additional deduction entitlements mainly represent tax credit for purchases of qualified environmental protection equipment and research and development expenses eligible for additional tax deduction.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

30 Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2016.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**801,133**	611,817
Weighted average number of ordinary shares in issue (thousands)	**1,043,857**	805,350
Basic earnings per share (RMB)	**0.77**	0.76

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2015 and 2016, as the Group had no dilutive potential ordinary shares.

31 Dividends

On the board meeting held on 24 March 2017, the Board proposed payment of a final dividend of RMB0.12 per share for the year ended 31 December 2016, totalling RMB125,400,619. Such dividend is to be approved by the shareholders of the Company on the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

Final dividend of RMB0.1 per share for the year ended 31 December 2015, totalling RMB104,500,516 was approved in the annual general meeting of shareholders of the Company on 16 June 2016, and RMB41,608,000 was paid as of 31 December 2016 (as of 31 December 2015: Nil).

32 Notes to the consolidated statements of cash flows

(a) Reconciliation of profit before income tax to net cash (used in)/generated from operations:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cash (used in)/generated from operations		
Profit before income tax	**947,865**	708,217
Adjustments for:		
– Provision for impairment of inventories	**52,613**	35,116
– Depreciation of property, plant and equipment	**558,696**	504,780
– Amortisation of land use rights	**15,074**	8,302
– Amortisation of intangible assets	**13,817**	13,657
– Provision for impairment of property, plant and equipment	**81,809**	97,300
– Allowance for impairment of trade and other receivables	**12,254**	19,509
– Share of profit from investments accounted for using the equity method	**(1,808)**	(3,198)
– Share-based payment	**9,898**	18,385
– Gains on disposal of property, plant and equipment	**(4,309)**	(719)
– Amortisation of asset-related deferred government grants	**(25,603)**	(52,762)
– Provision for impairment of construction contracts	**134**	(108)
– Provision for impairment of intangible assets	**–**	2,746
– Finance expenses – net	**223,476**	261,756
– Elimination effect arising from downstream transactions with associates (Note 10(d))	**47,907**	2,871
– IPO listing expenses	**–**	17,423
Changes in working capital:		
– Inventories	**(209,209)**	(2,357,111)
– Trade and notes receivable	**(218,215)**	(266,852)
– Prepayments and other receivables	**18,064**	(71,132)
– Trade and notes payable	**(523,961)**	4,401,584
– Provisions and other payables	**325,454**	347,398
– Amounts due to customers for contract work	**(1,157,991)**	(530,863)
– Value-added tax recoverable	**(180,580)**	(167,697)
Cash (used in)/generated from operations	**(14,615)**	2,988,602

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32 Notes to the consolidated statements of cash flows (continued)

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

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Net book amount of property, plant and equipment disposed (Note 6)	**10,055**	3,545
Gains on disposal of property, plant and equipment (Note 26)	**4,309**	719
Proceeds from disposal of property, plant and equipment	**14,364**	4,264

33 Contingency and litigation

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司, "Jiangsu Zhongneng") filed a claim with the Jiangsu Province People's Court against the Company for certain patent infringement and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed the Company, the Supreme People's Court of the People's Republic of China ruled to the case should be under the jurisdiction of the Xinjiang Province People's Court. As of the date of these consolidated financial statements are approved for issue, the aforementioned litigation is still in the process of transfer therefore no trial session has been conducted by Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the directors of the Company are of the opinion that this litigation is still at a very early stage with the outcome and the contingent obligation cannot be measured with sufficient reliability. Accordingly, no provision is made with respect to the aforementioned claim at 31 December 2016.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal procedures arising in its ordinary course of business from time to time. As of 31 December 2016, the directors of the Company did not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the consolidated financial statements.

34 Commitments

(a) Capital commitments

At 31 December 2016, capital commitments with respect to capital expenditures of property, plant and equipment are as follows:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Contractual but not yet incurred	**597,234**	1,260,641

(b) Operating lease commitments

The Group leases various offices and warehouses under non-cancellable operating lease agreements. The future minimum lease payable under non-cancellable operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Within 1 year	**11,907**	5,294
Between 1 to 5 years	**11,092**	394
	22,999	5,688

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Significant transactions with related parties

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
With parent company:		
— Sales of goods or services	**15,939**	40,673
— Rental expenses	**7,224**	8,726
— Proceeds from borrowings (gross amount)	**—**	400,000
— Interest expenses	**—**	46,381
— Procurement deposits	**571**	—
— Purchases of goods or services	**65,601**	180,841
With fellow subsidiaries:		
— Sales of goods or services	**15,775**	32,968
— Procurement deposits	**520**	—
— Purchases of goods or services	**363,722**	382,817
With associates of parent company:		
— Sales of goods or services	**7,472**	15,475
— Procurement deposits	**639**	—
— Purchases of goods or services	**31,475**	54,704
With associates:		
— ECC services provided	**646,041**	303,783
— Procurement deposits	**38**	—
— Purchases of goods or services	**277**	—
With associates of a director of the Company:		
— Sales of goods	**241**	—
— Rental expenses	**429**	720
— Procurement deposits	**110**	—
— Purchases of goods or services	**53,174**	21,214

These transactions are carried out on terms mutually agreed with the counter parties in the ordinary course of business.

35 Related party transactions (continued)

(b) Key management compensation

The compensation paid or payable to key management is shown below:

	Year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Salaries and bonuses	**7,364**	4,563
Pension and others	**852**	431
Share-based payments	**282**	682
	8,498	5,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

35 Related party transactions (continued)

(c) Balances with related parties

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
Included in "trade and notes receivable"		
Receivable from:		
— parent company	**6,844**	778
— fellow subsidiaries	**18,587**	—
— associates of parent company	**1,363**	—
— associates	**206,600**	—
— associates of a director of the Company	**182**	—
	233,576	778
Included in "prepayments and other receivables"		
Prepaid to or receivable from:		
— parent company	**115,257**	126,398
— fellow subsidiaries	**1,949**	4,614
— associates	**3,004**	—
— associates of a director of the Company	**46**	—
	120,256	131,012
Included in "trade and notes payable"		
Payable to:		
— parent company	**41,718**	3,885
— fellow subsidiaries	**363,925**	72,185
— associates of parent company	**14,401**	1,073
— associates of a director of the Company	**23,899**	3,302
	443,943	80,445
Included in "provisions and other payables"		
Advances received from:		
— parent company	**2,679**	529
— fellow subsidiaries	**30**	230
— associates of parent company	**809**	—
— associates of a director of the Company	**20**	—
	3,538	759

36 Events after the balance sheet date

On the board meeting held on 24 March 2017, the board of directors proposed a final dividend of RMB0.12 per share for the year ended 31 December 2016 (Note 31).

37 Balance sheet and reserve movement of the company

(a) Balance sheet

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	7,475,873	7,485,323
Land use rights	204,872	209,574
Intangible assets	30,083	39,190
Investments in subsidiaries	2,928,125	2,166,125
Deferred income tax assets	37,699	6,371
Other non-current assets	154,221	15,000
Total non-current assets	10,830,873	9,921,583
Current assets		
Inventories	223,681	260,029
Other current assets	27,827	54,909
Trade and notes receivable	747,911	409,488
Prepayments and other receivables	107,270	242,945
Restricted cash	312,927	241,760
Cash and cash equivalents	217,429	1,104,245
Total current assets	1,637,045	2,313,376
Total assets	12,467,918	12,234,959

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

37 Balance sheet and reserve movement of the company (continued)

(a) Balance sheet (continued)

	As of 31 December	
	2016	2015
	RMB'000	RMB'000
EQUITY		
Share capital	**1,045,005**	1,024,228
Share premium	**5,128,954**	4,902,097
Other reserves	**128,523**	173,971
Retained earnings	**1,052,215**	727,195
Total equity	**7,354,697**	6,827,491
LIABILITIES		
Non-current liabilities		
Borrowings	**1,562,500**	2,337,500
Deferred government grants	**205,721**	201,449
Total non-current liabilities	**1,768,221**	2,538,949
Current liabilities		
Trade and notes payable	**1,012,637**	318,139
Provisions and other payables	**802,821**	852,039
Borrowings	**1,529,542**	1,698,341
Total current liabilities	**3,345,000**	2,868,519
Total liabilities	**5,113,221**	5,407,468
Total equity and liabilities	**12,467,918**	12,234,959

The balance sheet of the Company was approved by the Board of Directors on 24 March 2017 and was signed on its behalf.

Zhang Jianxin
Chairman

Yin Bo
Executive Director

37 Balance sheet and reserve movement of the company (continued)

(b) Reserve movement of the Company

	Surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2015	45,414	83,751	412,879	542,044
Comprehensive income	—	—	349,701	349,701
Share-based payments	—	9,421	—	9,421
Appropriation of surplus reserve	35,385	—	(35,385)	—
At 31 December 2015	80,799	93,172	727,195	901,166
Dividends	—	—	(104,501)	(104,501)
Comprehensive income	—	—	477,246	477,246
Share-based payments	—	5,406	—	5,406
Appropriation of surplus reserve	47,725	—	(47,725)	—
At 31 December 2016	**128,524**	**98,578**	**1,052,215**	**1,279,317**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of the directors and the chief executive is set out below:

For the year ended 31 December 2016:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note(i))	–	1,413	–	26	67	–	1,506
Ma Xuping	–	–	–	–	–	–	–
Yin Bo	–	949	423	27	45	–	1,444
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
Wang Jian (Note(ii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Wang Jian was appointed on 18 April 2015 and resigned on 8 March 2017.

38 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

For the year ended 31 December 2015:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin	–	856	79	7	105	–	1,047
Ma Xuping	–	560	358	15	105	–	1,038
Yin Bo (Note(i))	–	369	128	7	51	–	555
Non-executive Directors							
Zhang Xin (Note(i))	–	–	–	–	–	–	–
Guo Junxiang (Note(i))	–	–	–	–	–	–	–
Wang Jian	–	–	–	–	–	–	–
Yang Deren (Note(i))	70	–	–	–	–	–	70
Qin Haiyan (Note(i))	70	–	–	–	–	–	70
Wong Yui Keung Marcellus (Note(i))	70	–	–	–	–	–	70
Chen Weilin (Note(ii))	–	–	–	–	–	–	–
Jia Fei (Note(ii))	–	–	–	–	–	–	–

(i) Appointed on 2 June 2015.

(ii) Resigned on 2 June 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

38 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from other companies they are employed to. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the other companies.

(b) Directors' retirement benefits

During the year ended 31 December 2016 and 2015, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year ended 31 December 2016 and 2015, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable.

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2016 and 2015, no consideration was provided to or receivable by third parties for making available directors' services.

新特能源股份有限公司
Xinte Energy Co., Ltd.