XYG
GLASS HOLDINGS LIMITED
2016
ANNUAL
REPORT

Corporate Information

EXECUTIVE DIRECTORS

Datuk LEE Yin Yee, B.B.S. (Chairman) ø~<
Mr. TUNG Ching Bor (Vice Chairman)
Datuk TUNG Ching Sai (Chief Executive Officer) <ø
Mr. LEE Shing Kan

NON-EXECUTIVE DIRECTORS

Mr. LI Ching Wai
Mr. SZE Nang Sze
Mr. LI Ching Leung
Mr. NG Ngan Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Kwong Siu, S.B.S. # *+ <ø
Mr. WONG Chat Chor Samuel # <ø
Dr. WONG Ying Wai, G.B.S., JP # <ø
Mr. TRAN Chuen Wah, John #
Mr. TAM Wai Hung, David #

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

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mr. LAU Sik Yuen, FCPA, AICPA

REGISTERED OFFICE

P.O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman, KY1-1108
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2101-2108, 21st Floor
Rykadan Capital Tower
135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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

AUDITOR

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

PRINCIPAL BANKERS

Australia and New Zealand Bank
Bank of China (Hong Kong)
Bank of East Asia
Citibank, N.A.
CTBC Bank (Hong Kong)
DBS Bank
Deutsche Bank
First Gulf Bank
Fubon Bank (Hong Kong)
Hang Seng Bank
HSBC
Maybank Hong Kong
Mizuho Bank
Nanyang Commercial Bank
Standard Chartered Bank
Sumitomo Mitsui Banking Corporation
Bank of China
Bank of Communications
Ping An Bank
China Merchants Bank
China Citic Bank
Huishang Bank
Industrial and Commercial Bank of China
Industrial Bank
Shanghai Pudong Development Bank

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
P. O. Box 1350 GT, Clifton House, 75 Fort Street
George Town, Grand Cayman, KY1-1108
Cayman Islands

WEBSITE

http://www.xinyiglass.com

SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock code: 00868
Listing date: 3 February 2005
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as at the date of this annual report: HK$7.04
Market capitalisation as at the date of this annual report: Approximately HK$27.4 billion

KEY DATES

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

Chairman's Statement

At the same time, the Directors are generally optimistic about the sustained stable performance of its automobile glass in the global market, the opportunities in the automobile glass installation business in the PRC and the potential growth of the energy-saving and double-glazed Low-E glass segments in the future.

After years of expanding production facilities in the PRC, the Group is ready to explore acquisition and global expansion opportunities which can provide an attractive market environment, lower production and energy costs, and offer favorable tax treatments and other incentive programs. The construction of a glass production complex in Malaysia is our first overseas project, the operation of which will benefit our future growth in the Southeast Asian region as well as facilitate specific transactions.

The Group's first high quality float glass production line and one Low-E coating glass production line in the first phase project in Malacca, Malaysia has commenced operation in January 2017. The new plant enables us to better serve our ASEAN-based customers through the preferential import duty treatment and appropriate pricing strategy as well as the shorter transport distance. We plan to build the second phase of two float glass production lines in 2017.

The Group will continue to ensure that adequate resources are allocated to product research and development, enhancing product quality, boosting production efficiency and staff training in order to maintain its competitiveness and improve its profit margin.

CONCLUSION

The Group continues to tackle the challenges and changes in the global market amidst a slowdown in economic growth in the PRC and overseas by optimising its efficiency and bolstering its profitability through effective management across its operations and continued collaboration with its customers. The Directors believe that these strategies enable the Group to maximize the benefits from the emerging business opportunities. The Directors are also optimistic about the Group's long-term business development prospects. The Group is also adopting proven business strategies to sustain and strengthen growth. To maintain its industry-leading position, the Group is evaluating expanding its presence in the global glass market across a wide spectrum of industries, applications and products while exploring opportunities for business cooperation as well as building production complexes in major overseas markets.

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

28 February 2017

Management's Discussion and Analysis

INTRODUCTION

The Group is engaged in the production and sales of a wide range of glass products, including automobile glass, energy-saving construction glass, high quality float glass and other glass products for different commercial and industrial applications. These glass products are manufactured at the production facilities strategically located in the PRC at Shenzhen, Dongguan and Jiangmen in Guangdong Province, Wuhu in Anhui Province, Tianjin, Yingkou in Liaoning Province and Deyang in Sichuan Province. In addition, the Group also produces automobile rubber and plastic components.

The Group's glass products are sold to customers in around 130 countries and territories, including the PRC, Hong Kong, the United States, Canada, Australia, New Zealand and countries in Asia, the Middle East, Europe, Africa, and Central and South America. Its customers include companies in the business of automobile glass manufacturing, wholesale and distribution, automobile repair, motor vehicle manufacturing, curtain wall engineering and installing, construction and furniture glass manufacturing, and float glass wholesale and distribution.

BUSINESS REVIEW

The Group continued to maintain its leading position in the global glass industry in 2016 by tapping the strong demand for high quality float glass in the PRC. In 2016, the sales and the net profit attributable to equity holders of the Company amounted to HK$12,848.4 million and HK$3,213.4 million, respectively, representing an increase of 12.1% and a significant increase of 52.1%, compared with HK$11,460.3 million and HK$2,113.1 million, respectively in 2015. If the one-off gain of HK$228.0 million arising from the non-cash dilution gain in equity interests of Xinyi Solar in March and October 2015 is excluded, the net profit attributable to equity holders of the Company represents an increase of 70.5%. The compound annual growth rate of the Group's sales for the five-year period including 2016 was 8.8%.

In 2016, the Group's high quality float glass enjoyed a strong revenue growth by providing a wide range of product specifications with increased production capacity. The Group has captured the opportunity presented by decreasing energy costs to improve our net profit.

OPERATIONAL REVIEW

Sales

The sales of the Group in 2016 increased by 12.1%, principally due to the strong growth in the sales of float glass products in the PRC market.

The tables below set forth the Group's sales by product and by geographical region:

	Financial Year Ended 31 December			
	2016		2015	
	HK$ million	%	HK$ million	%
By Product				
Float glass products	6,509.8	50.7	5,022.2	43.8
Automobile glass products *(Note (a))*	3,748.4	29.2	3,786.6	33.0
Construction glass products	2,590.2	20.1	2,651.5	23.2
	12,848.4	100.0	11,460.3	100.0

Note:

(a) Included sales of automobile glass and automobile rubber and plastic components on an original equipment manufacturing ("**OEM**") and an aftermarket basis.

	Financial Year Ended 31 December			
	2016		2015	
	HK$ million	%	HK$ million	%
By Geographical Region				
Greater China *(Note (a))*	9,419.8	73.3	8,058.5	70.3
North America	1,296.0	10.1	1,343.7	11.7
Europe	355.4	2.8	364.8	3.2
Others *(Note (b))*	1,777.2	13.8	1,693.3	14.8
	12,848.4	100.0	11,460.3	100.0

Notes:

(a) China and Hong Kong.

(b) Australia, New Zealand, Africa, the Middle East, Central America, South America and other countries.

Income tax expense

The Group's income tax expense increased 128.3% to HK$607.3 million in 2016. The effective tax rate increased by 4.7% to 15.9%. The increase was mainly due to the increase of PRC corporate income tax by HK$286.8 million as more profits generated by several subsidiaries with standard CIT tax rate of 25% and the increase in the deferred income tax by HK$59.3 million.

EBITDA and net profit for the year

In 2016, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$4,778.0 million, representing an increase of 46.3% as compared with HK$3,264.9 million in 2015. The Company's EBITDA margin, calculated based on turnover in 2016, was 37.2% as compared with 28.5% in 2015.

Net profit attributable to equity holders of the Company in 2016 was HK$3,213.4 million, representing an increase of 52.1%, as compared with HK$2,113.1 million in 2015. Net profit margin rose to 25.0% in 2016 primarily due to a higher gross profit margin as a result of decreases of material costs and energy costs in 2016 and greater profit shared from Xinyi Solar in 2016.

CURRENT RATIO

The Group's current ratio as of 31 December 2016 was 1.09, as compared with 1.01 as of 31 December 2015.

NET CURRENT ASSETS

As of 31 December 2016, the Group had net current assets of HK$536.3 million, as compared with HK$36.3 million as of 31 December 2015. The increase was in line with the increase in current ratio.

FINANCIAL RESOURCES AND LIQUIDITY

In 2016, the Group's primary source of funding included cash generated from its operating activities and the new banking facilities provided by the principal banks of the Group in Hong Kong and the PRC. Net cash inflow from operating activities amounted to HK$3,565.0 million (2015: HK$2,636.6 million) as a result of the significant increase of net profit for the year and efficient working capital management generating a net cash surplus from operations. As of 31 December 2016, the Group had cash and bank balances (including pledged bank deposits) of HK$2,768.0 million (2015: HK$1,299.7 million).

As at 31 December 2016, the Group's bank and other borrowings has increased 27.3% to the amount of HK$7,674.4 million as compared to the balance of HK$6,028.3 million as at 31 December 2015.

The Group's net debt gearing ratio as at 31 December 2016 was 37.0% (31 December 2015: 37.2%). This ratio is calculated by dividing the net bank debt, which is calculated as total borrowings less cash, bank balances and pledged bank deposits, by the total equity of the Group as at 31 December 2016.

PLEDGE OF ASSETS

As of 31 December 2016, a bank balance of HK$5.0 million was pledged as collateral principally for the import duties payable to the U.S. government and for the standby letter of credit issued by a bank in the PRC.

EMPLOYEES AND REMUNERATION POLICY

As of 31 December 2016, the Group had 12,170 full-time employees of whom 11,757 were based in China and 413 were based in Hong Kong, other countries and territories. The Group maintains good relationships with all of its employees. It provides the employees with sufficient training in business and professional knowledge including information about the applications of the Group's products and skills in maintaining good client relationships. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be awarded to employees taking into consideration the Group's performance and that of the individual employee.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the responsible government authorities in the PRC for its employees there. For the Group's employees in Hong Kong, all of the arrangements pursuant to the mandatory provident fund requirements prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) have been duly implemented.

FINAL DIVIDEND

At the meeting of the Board of Directors held on 28 February 2017, the Directors proposed a final cash dividend of 23.0 HK cents per Share for 2016 for approval by the Shareholders.

Together with the interim cash dividend of HK$660.9 million for 2016, the total dividends paid and payable in 2016 represent a dividend pay-out ratio of 48.4%. The Directors consider that this dividend level is appropriate after careful consideration of the Group's operating results in 2016.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's transactions are mainly denominated in Renminbi, United States dollars, Euro, Australian dollars, Japanese Yen and Hong Kong dollars with principal production activities based in China. As of 31 December 2016, the Group's bank borrowings are denominated in US dollars and Hong Kong dollars bearing interest rates ranging from 1.87% to 2.16% per annum. As the currencies of the Group's borrowings are generally the same as the Group's transactional currencies, the Directors consider that the Group's exposure to foreign exchange fluctuations was minimal. The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations and may use financial instruments for hedging purposes as and when required.

Pro□le of Directors and Senior Management

EXECUTIVE DIRECTORS

Datuk LEE Yin Yee, B.B.S. (李賢義) aged 64, is our Chairman and founder, responsible for the Group's business strategy. Datuk LEE Yin Yee, B.B.S. has more than 28 years' experience in the automobile glass industry. Prior to establishing the Group, Datuk LEE Yin Yee, B.B.S. was involved in the trading of automobile parts. Datuk LEE Yin Yee, B.B.S. is a national committee member of the Twelfth Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Datuk LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Datuk LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Datuk LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Kan, our executive Director. Datuk LEE Yin Yee, B.B.S. is also the brother-in-law of Datuk TUNG Ching Bor, our vice-chairman and executive Director and brother-in-law of Datuk TUNG Ching Sai, our chief executive officer and executive Director. Datuk LEE Yin Yee, B.B.S. was appointed as our executive Director on 25 June 2004. Datuk LEE Yin Yee, B.B.S. is the chairman and non-executive Director of Xinyi Solar Holdings Limited ("Xinyi Solar") a company listed on the main board of the Stock Exchange. Save as disclosed above, Datuk LEE Yin Yee, B.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Datuk LEE Yin Yee, B.B.S. has not held any directorship in other publicly listed companies in the last three years.

TUNG Ching Bor (董清波), aged 54, is our vice-chairman and chief purchasing officer, responsible for managing our daily operations and overseeing our purchasing functions. Prior to joining us in January 2000, Mr. TUNG Ching Bor had over 14 years' experience in automobile parts purchase. Mr. TUNG Ching Bor is a member of The Tenth Chinese People's Political Consultative Conference of Anhui Province since 1 January 2011 and also a member of Nanping Committee of Fujian Province. Mr. TUNG Ching Bor is the brother-in-law of Datuk LEE Yin Yee, B.B.S., brother of Datuk TUNG Ching Sai, our chief executive officer and executive Director, and uncle of Mr. LEE Shing Kan, our executive Director. Mr. TUNG Ching Bor was appointed as our executive Director on 25 June 2004. Save as disclosed above, Mr. TUNG Ching Bor has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. TUNG Ching Bor has not held any directorship in other publicly listed companies in the last three years.

Datuk TUNG Ching Sai (董清世), aged 51, is our executive Director and chief executive officer. Datuk TUNG Ching Sai has been with us for over 28 years since our inception in November 1988 and is responsible for overseeing our daily operations. Datuk TUNG Ching Sai is a committee member of The Chinese People's Political Consultative Conference of Fujian Province, vice chairman of the China Architectural and Industrial Glass Association, the chairman of the forth and fifth Shenzhen Federation of Young Entrepreneurs, the Third Shenzhen Municipal Ten Outstanding Young Entrepreneur in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 2006". Datuk TUNG Ching Sai graduated from the Sun Yat-Sen University with an executive master degree of business administration in 2007. Datuk TUNG Ching Sai is the brother-in-law of Datuk LEE Yin Yee, B.B.S., brother of Mr. TUNG Ching Bor, and uncle of Mr. LEE Shing Kan, our executive Director. Datuk TUNG Ching Sai was appointed as our executive Director on 25 June 2004. In November 2015, Datuk TUNG Ching Sai was appointed as the chairman and non-executive director of Xinyi Enterprises. In July 2016, Xinyi Enterprise was spun off from Xinyi Glass and became separately listed on the Growth Enterprise Market of the Stock Exchange. Datuk TUNG Ching Sai is the vice chairman and executive Director of Xinyi Solar, a company listed on the main board of the Stock Exchange. Save as disclosed above, Datuk TUNG Ching Sai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Datuk TUNG Ching Sai has not held any directorship in other publicly listed companies in the last three years.

LEE Shing Kan (李聖根), aged 37, is our executive Director and is responsible for overseeing the overseas automobile glass operation and the general manager of Xinyi Automobile Glass (Shenzhen) Company Limited. Mr. LEE Shing Kan joined the Company in January 2005. Mr. LEE Shing Kan holds a bachelor's degree in commerce from The University of Melbourne, Australia and a master's degree in applied finance from Monash University, Australia. Mr. LEE Shing Kan is the member of the Fujian Province Committee of Chinese People's Political Consultative Conference. Mr. LEE Shing Kan is the director (2012/2014) of Tung Wah Group of Hospitals. Mr. LEE Shing Kan is the son of Datuk LEE Yin Yee, B.B.S., nephew of Mr. TUNG Ching Bor and Datuk TUNG Ching Sai. Mr. LEE Shing Kan was appointed as our executive Director on 15 October 2008. Save as disclosed above, Mr. LEE Shing Kan has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LEE Shing Kan has not held any directorship in other publicly listed companies in the last three years.

NON-EXECUTIVE DIRECTORS

LI Ching Wai (李清懷), aged 59, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. LI Ching Wai has worked in the trading of automobile parts industry. Mr. LI Ching Wai was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. LI Ching Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Wai has not held any directorship in other publicly listed companies in the last three years.

SZE Nang Sze (施能獅) aged 59, is our non-executive Director and has been with us since April 2001. Prior to joining us, Mr. SZE Nang Sze has worked in the trading of automobile parts industry. Mr. SZE Nang Sze was appointed as our non-executive Director on 25 June 2004. Save as disclosed above, Mr. SZE Nang Sze has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. SZE Nang Sze has not held any directorship in other publicly listed companies in the last three years.

LI Ching Leung (李清涼), aged 60, is our non-executive Director and has joined us since August 2004. Mr. LI Ching Leung was the assistant general manager of our Wuhu production complex. Prior to joining us, Mr. LI Ching Leung has worked in the trading of automobile parts industry, manufacturing of plastic products and mould industry, and manufacturing of leather products industry. Mr. LI Ching Leung was appointed as our executive Director on 25 August 2004 and was re-designated as non-executive Director on 14 September 2005. Save as disclosed above, Mr. LI Ching Leung has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. LI Ching Leung has not held any directorship in other publicly listed companies in the last three years.

Pro□le of Directors and Senior Management

NG Ngan Ho (吳銀河), aged 52, is our non-executive Director and has joined us since August 2003. Mr. NG Ngan Ho was responsible for overseeing the financial and purchasing matters of our Dongguan production complex. Mr. NG Ngan Ho was appointed as our executive Director on 25 June 2004 and was re-designated as non-executive Director on 1 July 2007. Save as disclosed above, Mr. NG Ngan Ho has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company. Save as disclosed above, Mr. NG Ngan Ho has not held any directorship in other publicly listed companies in the last three years.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LAM Kwong Siu, S.B.S. (林廣兆) aged 83, is the vice chairman of BOC International Holdings Limited, the honorary chairman of Hong Kong Federation of Fujian Associations, the Life Honorary Chairman of Hong Kong Fukien Chamber of Commerce, the vice chairman of Fujian Hong Kong Economic Co-operation, the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Adviser of the Hong Kong Chinese Enterprises Association, the honorary president of the Chinese Bankers Club of Hong Kong and thus has the appropriate professional expertise required under Rule 3.10 (2) of the Listing Rules. Mr. LAM Kwong Siu has also been the director of Bank of China International Limited (formerly named "BOCI Capital Limited") since July 2002, the non-executive director of China Overseas Land & Investment Limited since September 2003, Fujian Holdings Limited since December 2003, Yuzhou Properties Company Limited since October 2009 and Far East Consortium International Limited since September 2011. Mr. LAM Kwong Siu was awarded the HKSAR Silver Bauhinia Star in 2003. Mr. LAM Kwong Siu was appointed as our independent non-executive Director on 30 August 2004. China Overseas Land & Investment Limited, Fujian Holdings Limited, Yuzhou Properties Company Limited and Far East Consortium International Limited are companies whose shares are being listed on the Stock Exchange.

Mr. LAM Kwong Siu, S.B.S. has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. LAM Kwong Siu, S.B.S. has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

WONG Chat Chor Samuel (王則左), aged 67, is currently a Barrister-at-Law in Hong Kong and a Chartered Arbitrator. Mr. WONG Chat Chor Samuel, a member of several arbitration institutions, is a Fellow of the Chartered Institute of Arbitrators, a Fellow of the Hong Kong Institute of Arbitrators, Executive Council member of the Hong Kong Society for Rehabilitation and Crime Prevention, the president of the Hong Kong Institute of Arbitrators 2002 and 2003, a member of the International Chamber of Commerce ("ICC") and the ICC Arbitration Committee of Hong Kong. Mr. WONG Chat Chor Samuel is also on the panels of the China International Economic and Trade Arbitration Commission, the Hong Kong International Arbitration Center and on the panels of the Arbitration Commissions of Wuhan, Dalian, Tsingdao, Guangzhou, Suzhou and Huizhou of China. In addition, Mr. WONG Chat Chor Samuel is also a director of Nan Fung (Singapore) Pte Limited and was the chairman of the BPC Group of Companies, Malaysia. Mr. WONG Chat Chor Samuel is also a standing committee member of the Peoples' Political Consultative Committee of Wenzhou, Zhejiang, the PRC. Mr. WONG Chat Chor Samuel received a master degree in business administration from Harvard University and a master and a bachelor degree in Arts from Tufts University, Massachusetts. Mr. WONG Chat Chor Samuel was appointed as our independent non-executive Director on 30 August 2004.

Mr. WONG Chat Chor Samuel has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. WONG Chat Chor Samuel has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Dr. WONG Ying Wai, G.B.S., JP (王英偉), aged 64, is the President and Chief Operating Officer of Sands China Limited, the shares of which are listed on the Stock Exchange.

Dr. WONG Ying Wai joined the Administrative Officer grade of the Hong Kong Government in 1975 and served in a number of key positions including Deputy Secretary for the Civil Service and Deputy Director General of Industry. Mr. WONG Ying Wai joined the private sector in 1992 and since then, he has held top management positions in a number of Hong Kong listed companies in the property development and construction business sectors including K. Wah International Holdings Limited, Henderson China Holdings Limited, Shui On Group and Hsin Chong Construction Group Ltd.

Dr. WONG Ying Wai started his political career at the national level when he was appointed a member of The Basic Law Consultative Committee (1985-1990) by the Central People's Government. He was subsequently appointed by the National People's Congress as a member of the Preliminary Working Committee for the Hong Kong SAR Preparatory Committee in 1993 and a member of the Hong Kong SAR Preparatory Committee in 1995, both bodies were responsible for the transitional policies and arrangements relating to the establishment of the HKSAR Government in 1997. Dr. WONG Ying Wai was a Deputy to the National People's Congress of the PRC during 1997-2012.

Dr. WONG Ying Wai's public service continues through his participation in a number of councils and committees in Hong Kong. He is currently the Chairman of Hong Kong Arts Development Council; Chairman of Hong Kong International Film Festival Society Limited; Chairman of Standing Commission on Civil Service Salaries and Conditions of Service; Chairman of Hong Kong Baptist University Foundation; Chairman of the Pacific Basin Economic Council; Chairman of Hong Kong Institute for Public Administration; Deputy Chairman of Hong Kong Film Development Council and Member of China Federation of Literary and Art Circles. He was the chairman of the Court and Council of the Hong Kong Baptist University from 2007 to 2012. Dr. WONG Ying Wai was awarded the Gold Bauhinia Star and Silver Bauhinia Star Medal by the Hong Kong SAR Government in 2015 and 2007. He was educated at Harvard University (MPA), Oxford University, University of Hong Kong (BSoc.Sc.) and the Chinese University of Hong Kong. Dr. WONG was conferred the honorary degree for doctor of humanities by the Hong Kong Baptist University in November 2013.

Dr. WONG Ying Wai has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Dr. WONG Ying Wai has not held any directorship in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Pro□le of Directors and Senior Management

Mr. TRAN Chuen Wah, John (陳傳華), aged 45, obtained a bachelor's degree in business administration from Simon Fraser University in June 1993. Mr. TRAN Chuen Wah, John is currently a minister of Evangelical Free Churches of China Tung Fook Church Limited. Mr. TRAN Chuen Wah, John has over 15 years of experience in accounting and investment banking industry, during which Mr. TRAN Chuen Wah, John had worked in Price Waterhouse (now known as PricewaterhouseCoopers) and various financial institutions and investment banks in Hong Kong. During the period between 2003 and 2006, Mr. TRAN Chuen Wah, John was the Managing Director and the Head of Investment Banking of Kingsway Financial Services Group Limited ("**Kingsway Group**"). Mr. TRAN Chuen Wah, John was a consultant to Kingsway Group during the period from 2006 to 2009. Mr. TRAN Chuen Wah, John became a member of each of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants in 1996 and 1997, respectively. Mr. TRAN Chuen Wah, John has been a Chartered Financial Analyst (granted by the Association for Investment Management and Research) since September 1999.

Mr. TRAN Chuen Wah, John has no relationship with any Directors, senior management or substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Save as disclosed above, Mr. TRAN Chuen Wah, John has not held any directorship in the last three years in public companies, the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. TAM Wai Hung, David (譚偉雄), aged 67a79 To.27ow /Span <</Lang (en-7Dh 6740in accounting and inseas/Sp.5 by thTEMC / Copan

SENIOR MANAGEMENT

LAU Sik Yuen (劉錫源), aged 50, is the Group company secretary, chief financial officer and qualified accountant. Prior to joining the Group in April 2003, Mr. LAU Sik Yuen had over thirteen years' experience in auditing and financial accounting industry. Mr. LAU Sik Yuen is responsible for the Group's financial, management and cost accounting, taxation, treasury and investor relations strategy and operation. Mr. LAU Sik Yuen had worked for PricewaterhouseCoopers for over five years, and had been the financial controller of a subsidiary of a company listed on the main board of the Stock Exchange for over three years. Mr. LAU Sik Yuen is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.

XU Bi Zhong (許必忠), aged 48, is the executive vice president of the Group and is overseeing the float glass and automobile glass OEM operations and sales. Mr. XU Bi Zhong obtained a diploma of administrative management from Shenzhen University. Prior to joining the Group in May 2004, Mr. XU Bi Zhong worked for a float glass trading company and a float glass plant in PRC for over twelve years.

ZHA Xue Song (查雪松), aged 45, is the vice president of the Group and overseeing the building of the new Malaysia production complex. Mr. ZHA Xue Song had been working for our automobile glass overseas market division for more than fourteen years. Prior to joining the Group in March 1996, Mr. ZHA Xue Song taught at the Hubei Chinese Medical School for two years, after graduation from Hubei University in 1994 with a bachelor degree in arts. Mr. ZHA Xue Song has completed the course of postgraduate certificate in International Laws at Shenzhen University in 2002. Mr. ZHA Xue Song graduated with an executive master degree of business administration in Peking University in 2007.

ZHANG Ming (張明), aged 56, is the vice president of the Group and overseeing the operations of Deyang production complex. Mr. ZHANG Ming has obtained qualification as a senior engineer. Prior to joining the Group in February 1998, Mr. ZHANG Ming worked at a float glass plant in the PRC. Mr. ZHANG Ming graduated from Wuhan Construction Materials Institute in 1982 with a bachelor degree in construction materials and mechanics. Mr. ZHANG obtained a master degree in business administration from Peking University in 2010.

YANG Yi (楊逸), aged 44, is the vice president of construction glass division of the Group and is responsible for overseeing and implementing construction glass operation and sales. Mr. YANG Yi obtained a diploma of applied material from South China University of Technology. Prior to joining the Group in July 2001, Mr. YANG Yi worked for a float glass plant in PRC for eight years.

Corporate Governance Report

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

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

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, four non-executive Directors and five independent non-executive Directors. Further information on the Directors is set forth on pages 12 to 16 of this annual report.

The four executive Directors are Datuk LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Datuk TUNG Ching Sai and Mr. LEE Shing Kan. Datuk LEE Yin Yee, B.B.S., is the father of Mr. LEE Shing Kan, and also the brother-in-law of Mr. TUNG Ching Bor and Datuk TUNG Ching Sai. Mr. TUNG Ching Bor is the elder brother of Datuk TUNG Ching Sai. Hence, Mr. LEE Shing Kan is the son of Datuk LEE Yin Yee, B.B.S., nephew of Mr. TUNG Ching Bor and Datuk TUNG Ching Sai.

The four non-executive Directors are Mr. LI Ching Wai, Mr. SZE Nang Sze, Mr. LI Ching Leung and Mr. NG Ngan Ho.

The five independent non-executive Directors are Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP., Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David.

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

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

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

Members of the Board, who come from a variety of different backgrounds, have a diverse range of business, and professional expertise. Brief biographical particulars of the Directors, together with information relating to the relationship among them, are set forth on pages 12 to 16 in this Annual Report.

The Board considers that its diversity is a vital asset to the business. During the year, the Board adopted a Board Diversity Policy for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

All of the four non-executive Directors were appointed for a term of three years, commencing from 1 January 2017. Two of the independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S. and Mr. WONG Chat Chor Samuel, were appointed for a term of three years commencing from 3 February 2017. The independent non-executive Director, Dr. WONG Ying Wai, G.B.S., JP, was appointed for a term of three years commencing from 1 November 2014. Two of the independent non-executive Directors, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David, were appointed for a term of three years commencing from 31 December 2015. The Company has received written confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

During the financial year ended 31 December 2016, the Board has held five meetings, which were held on 15 March 2016, 16 May 2016, 25 June 2016, 2 August 2016 and 5 December 2016, respectively, and all Directors had attended these meetings. At least four Board meetings are scheduled to be held during the financial year ending 31 December 2017.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2016 and up to the date of this annual report.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Datuk LEE Yin Yee, B.B.S., and Datuk TUNG Ching Sai. The chairman of the Remuneration Committee is Mr. LAM Kwong Siu, S.B.S. The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. Its terms of reference are posted on the websites of the Company and the Stock Exchange. During the year ended 31 December 2016, a meeting of the Remuneration Committee was held on 15 March 2016 and all the committee members attended this meeting.

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

In the band of	Number of individuals
Over HK$3,000,000	4
HK$2,000,001 to HK$3,000,000	3
Below HK$2,000,000	2

AUDIT COMMITTEE

The Audit Committee of the Board comprises five independent non-executive Directors, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David. Mr. LAM Kwong Siu is the chairman of the Audit Committee. The Audit Committee assists the Board to review the financial information and reporting process, evaluate the effectiveness of internal control systems and oversee the auditing processes of the Group. Its terms of reference are posted on the websites of the Company and the Stock Exchange. The Audit Committee has held three meetings during the year ended 31 December 2016 on 15 March 2016, 2 August 2016 and 9 December 2016, respectively, for reviewing the annual and interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of Datuk LEE Yin Yee, B.B.S., Datuk TUNG Ching Sai, Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel and Dr. WONG Ying Wai, G.B.S., JP. The chairman of the Nomination Committee is Datuk LEE Yin Yee, B.B.S. The Nomination Committee selects and recommends appropriate candidates, based on his or her prior experience and qualifications, to the Board for the appointment of Directors. The Nomination Committee was established on 29 October 2007 and its terms of reference are posted on the websites of the Company and the Stock Exchange. The nomination committee held no meeting during the year ended 31 December 2016.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The consolidated financial statements of the Company for the year ended 31 December 2016 have been reviewed by the audit committee and audited by the external auditor, PricewaterhouseCoopers. The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set forth in the Independent Auditor's Report on pages 40 to 45 of this annual report.

AUDITOR'S REMUNERATION

For the year under review, the professional fees charged by the auditors of the group companies in respect of the auditing services is disclosed in the notes to the financial statements. The remuneration paid to the auditor of the Group is solely for audit of consolidated financial statements of the Group during the year, which amounted to approximately HK$3.5 million.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

Corporate Governance Report

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

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

INSIDE INFORMATION POLICY

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. During the period under review, all Directors participated in various trainings organised by the Company, including the "**Disclosure Obligation for Listed Companies and Officers**" and "**Update on the requirements under the Hong Kong Listing Rules, Hong Kong Companies Ordinance, and Hong Kong Securities and Futures Ordinance**". According to the training records maintained by the Company, each Director has confirmed that he has obtained reading and training materials during the year under review and has attended the trainings in relation to various aspects, including but not limited to, director's duties, update on Listing Rules amendments and corporate governance practices.

COMPANY SECRETARY

The company secretary is Mr. LAU Sik Yuen, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. Mr. LAU is also the chief financial officer of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. He has taken not less than 15 hours of relevant professional training in 2016, in compliance with Rule 3.29 of the Listing Rules.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding whereas its subsidiaries are principally engaged in the production and sales of float glass products, automobile glass products, construction glass products and a variety of related products in the PRC. Particulars of the subsidiaries of the Company are set forth in Note 11 to the consolidated financial statements of the Group in this annual report.

The analysis of the Group's performance for the financial year ended 31 December 2016 by operating segments is set forth in Note 5 to the consolidated financial statements in this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the financial year ended 31 December 2016 are set forth in the consolidated income statement on page 48 in this annual report. During the financial year, an interim dividend of 17.0 HK cents per Share, amounting to a total of approximately HK$660.9 million of cash dividend, was paid to shareholders on 6 September 2016.

The Board proposes the payment of a final dividend of 23.0 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 23 June 2017. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before 4 July 2017.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Thursday, 25 May 2017 to Wednesday, 31 May 2017, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre,183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 24 May 2017.

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the financial year are set forth in Note 18 to the consolidated financial statements in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

FINANCIAL SUMMARY

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

INVESTMENT PROPERTIES

Details of this movement in investment properties of the Group during the year are set forth in Note 8 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set forth in Note 7 to the consolidated financial statements.

DONATIONS

Donations by the Group for charitable and other purposes during the financial year amounted to HK$843,075 (2015: HK$120,482).

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set forth in Note 17 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2016, Share premium amounting to HK$1,361 million (2015: HK$2,825.0 million) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2016, the Company had distributable reserves available for distribution to Shareholders amounting to HK$135.5 million (2015: HK$26.2 million) other than mentioned above.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Company's policies concerning remuneration of the executive Directors are:

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

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

(iii) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the share option scheme, as part of their remuneration package; and

(iv) annual director fee of HK$250,000 for the year ended 31 December 2016, and HK$300,000 for the year ending 31 December 2017.

Save for the annual director fee of HK$250,000 for each non-executive Director in 2016, none of the non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group.

Save for the annual director fee of HK$250,000 for each independent non-executive Director in 2016, none of the independent non-executive Directors receives any other emoluments (including bonus payments, whether fixed or discretionary in nature) from the Group. Such emoluments were determined with reference to the duties and responsibilities of Mr. LAM Kwong Siu, S.B.S., Mr. WONG Chat Chor Samuel, Dr. WONG Ying Wai, G.B.S., JP, Mr. TRAN Chuen Wah, John and Mr. TAM Wai Hung, David and their mutual agreement with the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

Unless otherwise determined by the Directors and stated in the offer for the grant of options to a grantee, there is neither any performance target that needs to be achieved by a grantee before an option can be exercised nor any minimum period for which an option must be held before it can be exercised.

The subscription price in respect of each Share issued under the Share Option Scheme shall be a price solely determined by the Directors but shall not be less than the highest of:

(a) the official closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a day (excluding a Saturday and Sunday) on which banks are generally open for business in Hong Kong (the "**Business Day**");

(b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five Business Days immediately preceding the date of the grant; and

(c) the nominal value of a Share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 18 January 2015.

Pursuant to the Old Share Option Scheme and the Share Option Scheme, several tranches of options were granted to employees of the Group, the details of the effective tranches are set forth as follows:

In March 2011, the sixth tranche of 23,718,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,566,000 options have lapsed. The exercise price of these options is HK$6.44 per Share and the option holders may exercise the options between 1 April 2014 and 31 March 2015, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2015.

In May 2012, the seventh tranche of 26,250,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). 6,909,000 options have lapsed. The exercise price of these options is HK$4.34 per Share and the option holders may exercise the options between 1 April 2015 and 31 March 2016, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders were expired on 31 March 2016.

In April 2013, the eighth tranche of 26,500,000 options was granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 6,339,000 options have lapsed. The exercise price of these options is HK$5.55 per Share and the option holders may exercise the options between 1 April 2016 and 31 March 2017, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2017 shall lapse.

In February 2014, the ninth tranche of 26,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 3,571,000 options have lapsed. The exercise price of these options is HK$6.84 per Share and the option holders may exercise the options between 1 April 2017 and 31 March 2018, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2018 shall lapse.

In March 2015, the tenth tranche of 28,000,000 options has been granted to employees of the Group (of which 736,000 options have been granted to connected persons of the Company, being directors of certain subsidiaries of the Company). A total of 2,796,000 options have lapsed. The exercise price of these options is HK$4.55 per Share and the option holders may exercise the options between 1 April 2018 and 31 March 2019, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2019 shall lapse.

In March 2016, the eleventh tranche of 28,500,000 options has been granted to employees of the Group and none of the grantees is a Director, chief executive or substantial shareholder of the Company nor an associate of any of them. A total of 210,500 options have lapsed. The exercise price of these options is HK$4.81 per Share and the option holders may exercise the options between 1 April 2019 to 31 March 2020, provided that the holders are employees of the Group during the exercise period. Options which have not been exercised by the holders on or before 31 March 2020 shall lapse.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of Directors and senior management are set forth on pages 12 to 17 of this annual report.

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

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

INTERESTS IN THE COMPANY

Long position in the Shares

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of the Company's issued share capital
Datuk LEE Yin Yee, B.B.S.	Interest of a controlled corporation *(Note a)*	725,209,552	18.63%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
	Personal interest *(Note b)*	91,444,000	2.35%
Mr. TUNG Ching Bor	Interest of a controlled corporation *(Note c)*	266,766,456	6.85%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
	Personal interest *(Note d)*	31,166,000	0.80%
Datuk TUNG Ching Sai	Interest of a controlled corporation *(Note e)*	246,932,579	6.35%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
	Personal interest	2,908,000	0.07%
	Personal interest *(Note f)*	98,810,000	2.54%
Mr. LI Ching Wai	Interest of a controlled corporation *(Note g)*	116,580,868	3.00%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
Mr. SZE Nang Sze	Interest of a controlled corporation *(Note h)*	105,630,781	2.71%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
	Personal interest	280,000	0.01%
Mr. NG Ngan Ho	Interest of a controlled corporation *(Note i)*	77,853,912	2.00%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
	Personal interest	2,600,000	0.07%
Mr. LI Ching Leung	Interest of a controlled corporation *(Note j)*	77,853,911	2.00%
	Interest of a controlled corporation *(Note m)*	29,574,000	0.76%
	Personal interest	3,450,000	0.09%
	Personal interest *(Note k)*	400,000	0.01%
Mr. TRAN Chuen Wah, John	Personal interest *(Note l)*	180,000	0.005%

Notes:

(a) Datuk LEE Yin Yee's interests in the Shares are held through Realbest Investment Limited ("**Realbest**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Datuk LEE Yin Yee.

(b) Datuk LEE Yin Yee's interests in the Shares are held through a joint account with his spouse, Madam TUNG Hai Chi.

(c) Mr. TUNG Ching Bor's interests in the Shares are held through High Park Technology Limited ("**High Park**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. TUNG Ching Bor.

(d) Mr. TUNG Ching Bor's interests in the Shares are held through a joint account with his spouse, Madam KUNG Sau Wai.

(e) Datuk TUNG Ching Sai's interests in the Shares are held through Copark Investment Limited ("**Copark**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Datuk TUNG Ching Sai.

(f) Datuk TUNG Ching Sai's interests in the Shares are held through his spouse, Madam SZE Tang Hung.

(g) Mr. LI Ching Wai's interests in the Shares are held through Goldbo International Limited ("**Goldbo**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. LI Ching Wai.

(h) Mr. SZE Nang Sze's interests in the Shares are held through Goldpine Limited ("**Goldpine**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. SZE Nang Sze.

(i) Mr. NG Ngan Ho's interests in the Shares are held through Linkall Investment Limited ("**Linkall**"), a company incorporated in the BVI with limited liability on 2 July 2004 and wholly-owned by Mr. NG Ngan Ho.

(j) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings ("**Herosmart**"), a company incorporated in the BVI with limited liability on 1 July 2004 and wholly-owned by Mr. LI Ching Leung.

(k) Mr. LI Ching Leung's interests in the Shares are held through his spouse, Madam DY Maria Lumin.

(l) Mr. TRAN Chuen Wah, John's interest in the Shares are held through his spouse, Madam LAM Ying.

(m) The interest in the Shares are held through Full Guang Holdings Limited ("**Full Guang**"), a company incorporated in the BVI with limited liability on 19 December 2005. Full Guang is owned by Datuk LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.20%, Datuk TUNG Ching Sai as to 16.20%, Mr. LEE Sing Din as to 11.85%, Mr. LI Ching Wai, B.B.S. as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

INTERESTS IN ASSOCIATED CORPORATIONS

Name of associated corporation	Name of Director	Class and number of shares held in the associated corporation	Approximate shareholding percentage
Realbest *(Note n)*	Datuk LEE Yin Yee, B.B.S.	2 ordinary shares	100%
High Park *(Note o)*	Mr. TUNG Ching Bor	2 ordinary shares	100%
Copark *(Note p)*	Datuk TUNG Ching Sai	2 ordinary shares	100%
Goldbo *(Note q)*	Mr. LI Ching Wai	2 ordinary shares	100%
Linkall *(Note r)*	Mr. NG Ngan Ho	2 ordinary shares	100%
Goldpine *(Note s)*	Mr. SZE Nang Sze	2 ordinary shares	100%
Herosmart *(Note t)*	Mr. LI Ching Leung	2 ordinary shares	100%

Notes:

(n) Realbest is wholly-owned by Datuk LEE Yin Yee, B.B.S..

(o) High Park is wholly-owned by Mr. TUNG Ching Bor.

(p) Copark is wholly-owned by Datuk TUNG Ching Sai.

(q) Goldbo is wholly-owned by Mr. LI Ching Wai.

(r) Linkall is wholly-owned by Mr. NG Ngan Ho.

(s) Goldpine is wholly-owned by Mr. SZE Nang Sze.

(t) Herosmart is wholly-owned by Mr. LI Ching Leung.

Save as disclosed above, as at 31 December 2016, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the Shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

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

THE COMPANY

Long position in the Shares

Name of Substantial Shareholders	Number of Shares held	Nature of interest	Approximate percentage of the Company's issued share capital
Realbest	725,209,552	Registered and beneficial owner	18.63%
High Park	266,766,456	Registered and beneficial owner	6.85%
Copark	246,932,579	Registered and beneficial owner	6.35%
Telerich Investment Limited *(Note)*	251,595,089	Registered and beneficial owner	6.46%

Note: These Shares are registered in the name of Telerich Investment Limited, the entire issued share capital of which is beneficially owned by Mr. LEE Sing Din, brother-in-law of Datuk LEE Yin Yee, B.B.S.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL OF SUBSIDIARIES OF THE COMPANY

As at 31 December 2016, the persons who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Class and number of shares held in the subsidiary of the Company	Approximate shareholding percentage
Xinyi Auto Glass (North America) Corporation	Provision Holdings Limited *(Note a)*	30,000 class A common shares	30.0%
Xinyi Glass (Germany) Limited	Mr. Wolfgang Walter WILLNAT *(Note c)*	2,500 common shares	25.0%
	Polaron International Inc.	1,250 common shares	12.5%
Xinyi Glass Japan Company Limited	Provision Holdings Limited *(Note a)*	40 common shares	10.0%
	Mr. CHO Shotie *(Note b)*	140 common shares	35.0%

Notes:

(a) Provision Holdings Limited is 100% owned by Mr. Geraldo Henri TAM. Mr. Geraldo Henri TAM is a director of Xinyi Auto Glass (North America) Corporation and Xinyi Glass Japan Company Limited.

(b) Mr. CHO Shotie is a director of Xinyi Glass Japan Company Limited.

(c) Mr. Wolfgang Walter WILLNAT is director of Xinyi Glass (Germany) Limited.

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

Report of the Directors

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate and neither the Directors or the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of sales and purchases for continuing operation for the year attributable to the Group's major customers and suppliers are as follows:

Sales

– the largest customer	4.3%
– five largest customers in aggregate	9.7%

Purchases

– the largest supplier	7.2%
– five largest suppliers in aggregate	25.0%

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

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

The Company repurchased its own Shares on the Stock Exchange in January 2016. The repurchased Shares were subsequently cancelled in the same month. Accordingly, the issued share capital of the Company was reduced by the nominal value of these repurchased Shares and the premium paid on these Shares upon repurchase was charged against the share premium account. An amount equivalent to the par value of the Shares repurchased and cancelled was transferred from the Company's retained earnings to the capital redemption reserve. The table below sets forth further information of such repurchase:

Month of repurchase	Number of Shares of HK$0.10 each	Highest price per Share HK$	Lowest price per Share HK$	Aggregate consideration paid HK$'000
January 2016	60,038,000	4.65	3.99	264,538

Save as disclosed above, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 31 May 2017, at 21/F, Rykadan Capital Tower, 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 11:00 a.m. The notice convening the Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyiglass.com, and will be dispatched to the shareholders in due course.

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

Hong Kong, 28 February 2017

Independent Auditor's Report

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF XINYI GLASS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 138, which comprise:

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

OUR OPINION

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

BASIS FOR OPINION

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

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

INDEPENDENCE

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

KEY AUDIT MATTERS

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

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

- Impairment of a production plant of the Group in Dongguan
- Impairment of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of a production plant of the Group in Dongguan Refer to Notes 2.7, 4 and 7 to the consolidated financial statements. A production plant of the Group in Dongguan incurred an operating loss for the year ended 31 December 2015. Although its financial performance has turnaround this year, determining the sustainability of its financial performance in the foreseeable future involves significant estimates. Management reviews for assets impairment whenever events or changes in circumstances indicate that carrying amount of an asset may not be recoverable. As at 31 December 2016, the carrying amount of the production plant in Dongguan amounting to approximately HK$1.7 billion.	We obtained, understood and evaluated management's impairment assessment. We read the management's assessment which is to identify impairment indicators and agreed with management's assessment result that there is an impairment indicator. For the value-in-use calculations, we tested the mathematical accuracy of the calculations derived from the forecast model and assessed the discount rate adopted in the calculations, by referencing to industry reports and using our in-house valuation experts. Also, we compared the forecast growth rates, forecast sale and cost inflation rates to economic data and industry reports for assessing the reasonableness of respective assumptions adopted in the calculations. We checked the key judgements and assumptions through understanding management's trading plans, strategic initiatives, and meetings with senior management, taking into consideration of our industry knowledge.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
Management considered that there is an impairment indicator for the production plant in Dongguan given its volatile performance in recent years. However, based on the impairment assessment performed by management, which is determined using value-in-use calculations that are based on future discounted cash flows on a cash generating unit basis, the recoverable amount of the production plant in Dongguan exceeds its carrying amount. Management concluded that the production plant in Dongguan was not impaired as at 31 December 2016 based on the results of their assessment. We focused on this area due to the significance of the carrying amount of the production plant in Dongguan and the volatility of its financial performance, and the determination of recoverable amount using value-in-use calculations involves significant management judgements and assumptions in variables such as forecast sale, cost inflation rates and discount rate, for which the variables may impact the results of the impairment assessment.	We evaluated the appropriateness of the management's sensitivity analysis over key assumptions in the value-in-use calculations in order to assess the potential impact of a range of possible outcomes. Based on the audit procedures, we found the key judgements and assumptions used by management in the impairment assessments to be supportable in light of the evidences above.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade receivables Refer to Notes 2.13, 4 and 15 to the consolidated financial statements.	
As at 31 December 2016, the carrying amount of trade receivables of the Group amounting to approximately HK$1,083 million, out of which trade receivables of approximately HK$212 million were past due. The Group made provision for impairment of trade receivables of approximately HK$47 million based on an estimate of the recoverability of these receivables.	We obtained, understood and evaluated management's impairment assessment. We read the management's assessment which is to identify impairment indicators and agreed with management's assessment result that certain receivables are impaired.
Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The provision for impairment of trade receivables requires management judgements and estimations. Where the provision for doubtful debt is materially different from the actual debt that is not collectible, such difference will adversely impact the carrying amount of receivables and the provision for impairment losses in the period in which such estimate has been changed. We focused on this area because of the significant judgements involved in determining the collectability of the Group's trade receivables and the amount of impairment provision.	On a sample basis, we evaluated management's assessment by checking the key information adopted in the impairment assessment to supportable evidence such as aging analysis, individual customer's creditability assessment, historical payment track records, correspondence on any disputes or claims with the customers and subsequent settlement records to assess whether management judgements involved in determining the collectability of receivables are reasonable and the amount of impairment provision is made based on the estimate of recoverability. Based on the above audit procedures, we found the judgements made by management in respect of the impairment assessment on trade receivables to be supportable by available evidence.

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 HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 February 2017

Consolidated Balance Sheet

As at 31 December 2016
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 31 December 2016	2015
ASSETS			
Non-current assets			
Leasehold land and land use rights	6	**1,121,020**	1,206,069
Property, plant and equipment	7	**11,830,637**	11,971,015
Investment properties	8	**546,709**	437,133
Prepayments for property, plant and equipment and land use rights	15	**608,191**	172,445
Intangible assets	9	**71,703**	74,960
Available-for-sale financial assets	12	**557**	588
Investments in associates	13	**3,257,782**	2,534,651
Loan to associate	13	**49,199**	29,294
		17,485,798	16,426,155
Current assets			
Inventories	14	**1,320,513**	1,222,659
Loans to associates	13	**33,059**	7,577

	Note	As at 31 December 2016	2015
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	20	**4,509,073**	3,514,253
Deferred income tax liabilities	21	**218,125**	159,407
Other payables	19	**48,000**	63,104
		4,775,198	3,736,764
Current liabilities			
Trade and other payables	19	**2,296,932**	2,112,465
Current income tax liabilities		**537,936**	332,702
Bank and other borrowings	20	**3,165,365**	2,514,015
		6,000,233	4,959,182
Total liabilities		**10,775,431**	8,695,946
Total equity and liabilities		**24,022,321**	21,421,653

The financial statements on pages 46 to 138 were approved by the Board of Directors on 28 February 2017 and were signed on its behalf.

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

TUNG Ching Bor
Vice-chairman

The notes on pages 54 to 138 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the Year Ended 31 December 2016
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2016	2015
Revenue	5	**12,848,400**	11,460,263
Cost of sales	22	**(8,189,150)**	(8,327,570)
Gross profit		**4,659,250**	3,132,693
Other income	24	**341,925**	215,167
Other gains – net	25	**158,902**	379,284
Selling and marketing costs	22	**(620,022)**	(679,528)
Administrative and other operating expenses	22	**(1,202,372)**	(935,012)
Operating profit		**3,337,683**	2,112,604
Finance income	26	**50,826**	39,980
Finance costs	26	**(127,663)**	(90,210)
Share of profits of associates	13	**562,605**	317,251
Profit before income tax		**3,823,451**	2,379,625
Income tax expense	27	**(607,288)**	(266,026)
Profit for the year		**3,216,163**	2,113,599
Profit attributable to:			
– equity holders of the Company		**3,213,428**	2,113,143
– non-controlling interests		**2,735**	456
Profit for the year		**3,216,163**	2,113,599
Earnings per share for profit attributable to the equity holders of the Company during the year			
(expressed in Hong Kong cents per share)			
– Basic	28	**82.78**	53.88
– Diluted	28	**81.19**	53.11

The notes on pages 54 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2016
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	2016	2015
Profit for the year	**3,216,163**	2,113,599
Other comprehensive income, net of tax:		
Items that may be reclassified subsequently to profit or loss:		
Changes in value of available-for-sale financial assets	**(46,385)**	(17,445)
Impairment of available-for-sale financial assets transferred to consolidated income statement	**44,976**	—
Disposal of available-for-sale financial assets	**—**	(3,346)
Currency translation differences	**(1,071,903)**	(1,006,266)
Share of other comprehensive income of investments accounted for using the equity method	**(200,989)**	(118,069)
Total comprehensive income for the year	**1,941,862**	968,473
Total comprehensive income attributable to:		
Equity holders of the Company	**1,939,344**	968,358
Non-controlling interests	**2,518**	115
Total comprehensive income for the year	**1,941,862**	968,473

The notes on pages 54 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2016
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Attributable to the equity holders of the Company						
		Share capital	Share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016		392,183	2,824,975	1,060,759	8,440,549	12,718,466	7,241	12,725,707
Comprehensive income								
Profit for the year		—	—	—	3,213,428	3,213,428	2,735	3,216,163
Other comprehensive income								
Changes in value of available-for-sale financial assets	12	—	—	(46,385)	—	(46,385)	—	(46,385)
Impairment of available-for-sale financial assets transferred to consolidated income statement	22	—	—	44,976	—	44,976	—	44,976
Currency translation differences		—	—	(1,071,686)	—	(1,071,686)	(217)	(1,071,903)
Share of other comprehensive income of investments accounted for using the equity method	13	—	—	(200,989)	—	(200,989)	—	(200,989)
Total comprehensive income		—	—	(1,274,084)	3,213,428	1,939,344	2,518	1,941,862
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	17(a)	2,998	181,072	(41,753)	—	142,317	—	142,317
– value of employee services	23	—	—	32,231	—	32,231	—	32,231
– adjustment relating to forfeiture of share options		—	—	(54)	54	—	—	—
Repurchase and cancellation of shares	17(b)	(6,004)	(258,534)	6,004	(6,004)	(264,538)	—	(264,538)
Sale of interest in a subsidiary	11	—	—	—	—	—	56,200	56,200
Transfer to reserve	18(a)	—	—	185,924	(185,924)	—	—	—
Dividends relating to 2015		—	(659,753)	—	—	(659,753)	—	(659,753)
Dividends relating to 2016	29	—	(660,859)	—	—	(660,859)	—	(660,859)
Distribution in specie	29	—	(66,277)	—	—	(66,277)	—	(66,277)
Total transactions with owners		(3,006)	(1,464,351)	182,352	(191,874)	(1,476,879)	56,200	(1,420,679)
Balance at 31 December 2016		389,177	1,360,624	(30,973)	11,462,103	13,180,931	65,959	13,246,890

	Note	Attributable to the equity holders of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Other reserves	Retained earnings	Total		
Balance at 1 January 2015		392,161	3,431,959	2,116,333	6,392,830	12,333,283	2,046	12,335,329
Comprehensive income								
Profit for the year		—	—	—	2,113,143	2,113,143	456	2,113,599
Other comprehensive income								
Changes in value of available-for-sale financial assets	12	—	—	(17,445)	—	(17,445)	—	(17,445)
Disposal of available-for-sale financial assets		—	—	(3,346)	—	(3,346)	—	(3,346)
Currency translation differences		—	—	(1,005,925)	—	(1,005,925)	(341)	(1,006,266)
Share of other comprehensive income of investments accounted for using the equity method		—	—	(118,069)	—	(118,069)	—	(118,069)
Total comprehensive income		—	—	(1,144,785)	2,113,143	968,358	115	968,473
Transactions with owners								
Employees share option scheme:								
– proceeds from shares issued	17(a)	22	886	(313)	—	595	—	595
– value of employee services	23	—	—	24,100	—	24,100	—	24,100
– adjustment relating to forfeiture of share options		—	—	(30,952)	30,952	—	—	—
Recycling of property revaluation reserve upon disposal of a subsidiary		—	—	(624)	624	—	—	—
Acquisition of a subsidiary		—	—	—	—	—	5,080	5,080
Transfer to reserve	18(a)	—	—	97,000	(97,000)	—	—	—
Dividends relating to 2014		—	(235,296)	—	—	(235,296)	—	(235,296)
Dividends relating to 2015	29	—	(372,574)	—	—	(372,574)	—	(372,574)
Total transactions with owners		22	(606,984)	89,211	(65,424)	(583,175)	5,080	(578,095)
Balance at 31 December 2015		392,183	2,824,975	1,060,759	8,440,549	12,718,466	7,241	12,725,707

The notes on pages 54 to 138 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2016
(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	2016	2015
Cash flows from operating activities			
Cash generated from operations	30 (a)	**4,032,495**	2,973,920
Interest paid		**(125,705)**	(114,653)
Income tax paid		**(341,829)**	(222,662)
Net cash generated from operating activities		**3,564,961**	2,636,605
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,321,846)**	(1,834,150)
Additions to investment property	8	**(97,406)**	(53,356)
Proceeds from disposal of available-for-sale financial assets		**—**	17,627
Purchase of available-for-sale financial assets	12	**—**	(716)
Proceeds from disposal of an associate		**—**	5,527
Prepayment for land use rights		**(434,613)**	(79,957)
Proceeds from disposal of property, plant and equipment	30 (b)	**18,462**	670
Proceeds from disposal of a subsidiary	30 (c)	**—**	268,178
Net cash outflow upon the Spin-off	33	**(82,339)**	—
Addition to investment in an associate	13	**(617,859)**	—
Loan advanced to an associate		**(56,767)**	(2,124)
Loan repayment from an associate		**9,676**	4,204
Dividends received from associates	13	**255,690**	129,413
Increase in pledged bank deposits		**(3,556)**	(627)
Acquisition of a subsidiary		**—**	3,697
Interest received		**50,826**	21,550
Net cash used in investing activities		**(2,279,732)**	(1,520,064)

	Note	2016	2015
Cash flows from financing activities			
Proceeds from bank borrowings		**5,116,980**	2,527,933
Repayment of bank borrowings		**(3,505,604)**	(2,545,456)
Shares repurchased and cancelled		**(264,538)**	—
Net proceeds from issuance of ordinary shares		**142,317**	595
Dividends paid to shareholders of the Company		**(1,320,612)**	(607,870)
Sale of interest in a subsidiary	11	**56,200**	—
Net cash generated from/(used in) financing activities		**224,743**	(624,798)
Net increase in cash and bank balances		**1,509,972**	491,743
Cash and bank balances at 1 January		**1,298,255**	831,169
Effect of foreign exchange rate changes		**(45,155)**	(24,657)
Cash and bank balances at 31 December	16	**2,763,072**	1,298,255

The notes on pages 54 to 138 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

Xinyi Glass Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") was principally engaged in the production and sale of float glass, automobile glass, construction glass products, which were carried out internationally, through the production complexes located in Mainland China (the "PRC") in 2016.

On 11 July 2016, the Company completed a spin-off and separate listing (the "Spin-off") of Xinyi Automobile Glass Hong Kong Enterprises Limited ("Xinyi HK") by way of introduction on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, through distribution in specie (the "Distribution") of 100% of the issued share capital of Xinyi HK to the Company's shareholders. Upon completion of the Distribution, the Hong Kong Public Offering and the spin-off, Xinyi Glass would not hold any shares in Xinyi HK and completely lost its control over Xinyi HK.

Following the completion of the Spin-off, the Group will continue to be engaged in the production and sale of float glass, automobile glass, and construction and related glass products. Xinyi HK will focus on the provision of vehicle glass repairs and replacement services in Hong Kong and other businesses.

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 February 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and investment properties, which are carried at fair values.

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

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

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2012 – 2014 Cycle	1 January 2016
HKAS 1 (Amendments)	Disclosure Initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants	1 January 2016
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception	1 January 2016
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

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

Notes:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES

2.2.1 Consolidation

A subsidiary is an entity (including a structured 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 interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured 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 HKFRS.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, 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 the consolidated income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised gains and losses resulting from inter-company transactions are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

2.2.1 Consolidation (Continued)

(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 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.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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 dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 ASSOCIATES

Associates are all entities 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. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 ASSOCIATES (Continued)

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

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

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.

Gains and losses on dilution of equity interest in in associates are recognised in the consolidated income statement.

2.4 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that 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 the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 FOREIGN CURRENCY TRANSLATION (Continued)

(b) Transactions and balances

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

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 INTANGIBLE ASSETS (Continued)

(c) Capitalised exploration, evaluation and mining right expenditure

Costs directly associated with an exploration well and exploration (researching and analysing existing exploration data; exploratory drilling, trenching and sampling, examining and testing extraction and treatment methods; obtaining legal exploration or mining rights) are capitalised until the determination of reserves is evaluated. If it is determined that commercial discovery has not been achieved, these costs are charged to expense.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and the costs are amortised using the units of production method according to the proved reserves. No depreciation and/or amortisation is charged during the exploration and evaluation phrase.

Capitalised exploration, evaluation and mining right expenditure are tested for impairment, when reclassified to development tangible or intangible assets (if appropriate), or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration, evaluation and mining right expenditure's carrying amount exceeds their recoverable amount. The recoverable amount is the higher of their fair value less costs to sell and their value in use.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 'loans to associates', 'trade and other receivables', 'pledged bank deposits' and 'cash and bank balances' in the consolidated balance sheet (Notes 2.15 and 2.16).

(b) Available-for-sale financial assets

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 IMPAIRMENT OF FINANCIAL ASSETS (Continued)

(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 debt securities, the Group uses the criteria referred to in (a) above. If any such evidence exists for available-for-sale financial assets, 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. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments classified as available for sale, 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 income statement on equity instruments are not reversed through the consolidated income statement.

2.14 INVENTORIES

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

2.15 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold 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 provision for impairment.

2.16 CASH AND BANK BALANCES

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 SHARE CAPITAL

Ordinary shares are classified as equity.

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.18 BORROWINGS

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

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

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

2.19 BORROWINGS COSTS

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 CONVERTIBLE BONDS

Convertible bonds issued by the Group can be settled by exchanging a fixed amount of cash for a fixed number of the Company's shares. They are compound instruments that contain both liability and equity components.

On initial recognition, the fair value of the liability component is determined by discounting expected future cash flows using the prevailing market interest rate of similar non-convertible debts. The difference between the fair value of the convertible bonds as a whole (gross proceeds received) and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into shares of the Company, is recognised in equity (convertible bonds reserve). Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component is not remeasured, and will remain in convertible bonds equity reserve until the conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share capital and reserves). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to retained earnings. No gain or loss is recognised in profit or loss upon conversion at maturity or expiration of the option.

When the convertible bonds are extinguished before maturity through an early redemption or repurchase in which the original conversion privileges are unchanged, the consideration and transaction costs paid for the redemption or repurchase is allocated to the liability and equity components of the instrument at the date of the transaction. The method used in allocating the consideration paid and transaction costs to the separate components is consistent with that used in the original allocation to the separate components of the proceeds received when the convertible instrument was issued. The difference between the carrying amount of the liability component and the liability component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in profit or loss, whereas the difference between the carrying amount of the equity component and the equity component from the allocation of consideration and transaction costs paid for the redemption or repurchase is recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 CURRENT AND DEFERRED INCOME TAX

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries 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.

(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 income 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 is provided on temporary differences arising on 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.

(c) Offsetting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 PROVISIONS

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

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

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

2.23 EMPLOYEE BENEFITS

(a) Pension obligations

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

The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

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

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

(c) Profit-sharing and bonus plans

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 SHARE-BASED PAYMENTS

(a) Equity-settled share-based payment transactions

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

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

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

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

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

(b) Share-based payment transactions among group entities

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

2.25 TRADE PAYABLES

Trade payables are obligations to pay for goods 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)

2.26 FINANCIAL GUARANTEE

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

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

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

2.27 GOVERNMENT GRANTS

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 REVENUE RECOGNITION

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

(a) Sales of goods

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

(b) Interest income

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

(c) Rental income

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

(d) Other income

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

2.29 OPERATING LEASES (AS THE LESSEE FOR OPERATING LEASES)

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

2.30 DIVIDEND DISTRIBUTION

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and Hong Kong with most of the transactions denominated and settled in Chinese Renminbi ("RMB") and HKD. Foreign exchange risk arises from future commercial transactions, acquired assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews and arranges hedges against foreign exchange exposures when considered necessary. Details of the Group's trade and other receivables, pledged bank deposits, cash and bank balances, trade and other payables, and bank and other borrowings are disclosed in Notes 15, 16, 19 and 20 to the consolidated financial statements.

As at 31 December 2016, if RMB had strengthened/weakened by 5% (2015: 5%) against the HKD with all other variables held constant, profit after income tax for the year would have been approximately HK$5,210,000 (2015: HK$22,400) higher/lower mainly as a result of foreign exchange gains/losses on translation of RMB-denominated cash and bank balances.

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and bank balances, pledged bank deposits and bank and other borrowings. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and bank balances, pledged bank deposits and bank and other borrowings have been disclosed in Notes 16 and 20 to the consolidated financial statements.

As at 31 December 2016, if HKD interest rates on cash and bank balances, pledged bank deposits and bank borrowings had been 25 (2015: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$7,486,000 (2015: HK$4,796,000) lower/higher, mainly as a result of higher/lower net interest expense on cash and bank balances, pledged bank deposits and bank borrowings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) Market risk (Continued)

(ii) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2016, if RMB interest rates on cash and bank balances and pledged bank deposits had been 25 (2015: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$4,362,000 (2015: HK$1,490,000) higher/lower, mainly as a result of higher/lower interest income on bank deposits.

As at 31 December 2016, if USD interest rates on cash and bank balances and pledged bank deposits had been 25 (2015: 25) basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$216,000 (2015: HK$352,000) higher/lower, mainly as a result of higher net interest income on cash and bank balances and pledged bank deposits.

(b) Credit risk

The Group's credit risk arises from cash and bank balances, pledged bank deposits, trade and other receivables and loans to associates. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets which are stated as follows:

	2016	2015
Cash and bank balances *(Note 16)*	**2,763,072**	1,298,255
Pledged bank deposits *(Note 16)*	**4,975**	1,419
Trade and other receivables excluding prepayments	**1,933,737**	1,919,321
Loans to associates *(Note 13)*	**82,258**	36,871
Maximum exposure to credit risk	**4,784,042**	3,255,866

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

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) Credit risk (Continued)

In respect of trade and other receivables and loans to associates, the Group has policies in place to ensure that the loans or sales of products are made to counterparties or customers with appropriate credit history and the Group performs credit evaluations of these counterparties and its customers.

The credit period of the majority of the Group's trade receivables is within 90 days and largely comprises amounts receivable from business customers.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

(c) Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2016				
Bank borrowings and interest payables	2,559,650	2,845,533	1,759,875	7,165,058
Convertible bonds and interest payables	756,090	—	—	756,090
Trade payables and other payables excluding non-financial liabilities	1,762,589	48,000	—	1,810,589
Total	5,078,329	2,893,533	1,759,875	9,731,737

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
At 31 December 2015				
Bank borrowings and interest payables	2,588,438	2,036,847	807,726	5,433,011
Convertible bonds and interest payables	34,795	721,295	—	756,090
Trade payables and other payables excluding non-financial liabilities	1,708,111	63,104	—	1,771,215
Total	4,331,344	2,821,246	807,726	7,960,316

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 CAPITAL RISK MANAGEMENT

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

In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations and may raise funding through capital market or bank borrowings as necessary.

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

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

	2016	2015
Total bank and other borrowings *(Note 20)*	**7,674,438**	6,028,268
Less: cash and bank balances and pledged bank deposits *(Note 16)*	**(2,768,047)**	(1,299,674)
Net debt	**4,906,391**	4,728,594
Total equity	**13,246,890**	12,725,707
Gearing ratio	**37.0%**	37.2%

3.3 FAIR VALUE ESTIMATION

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2016 and 2015.

	Level 1	Level 2	Level 3	Total
At 31 December 2016				
Assets				
Available-for-sale financial assets				
– Equity securities	**37,951**	**—**	**557**	**38,508**

	Level 1	Level 2	Level 3	Total
At 31 December 2015				
Assets				
Available-for-sale financial assets				
– Equity securities	84,336	—	588	84,924

There were no transfers between levels 1 and 3 during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price for available-for-sale financial assets used by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 FAIR VALUE ESTIMATION (Continued)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the years ended 31 December 2015 and 2016.

Available-for-sale financial assets	
At 1 January 2015	625
Exchange differences	(37)
At 31 December 2015	588
Exchange differences	(31)
At 31 December 2016	557

There is no change in unrealised gains or losses for the year included in profit or loss.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(A) PROPERTY, PLANT AND EQUIPMENT

(i) Useful lives

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(A) PROPERTY, PLANT AND EQUIPMENT (Continued)

(ii) Impairment assessment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information, past experience and the sustainability of the financial performance in the foreseeable future.

(B) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

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

(C) CURRENT AND DEFERRED INCOME TAX

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax liabilities of the Group mainly arise from the unremitted earnings of the PRC subsidiaries and deferred income tax assets of the Group mainly arise from tax losses carry-forwards. The realisability of the deferred income tax liabilities and assets mainly depend on its subsidiaries' dividend pay-out ratio and whether sufficient future profits or taxable temporary differences will be available in the future, whichever is applicable. In cases where the actual dividend pay-out ratio is more than expected or future profits generated are less than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

(D) GOVERNMENT GRANTS

Government grants should be recognised until there is reasonable assurance that the Group will comply with the all attached conditions for the grants to be received. Significant judgement is required by the management to determine whether the attached conditions to the grants will be met or complied by the Group. When the situation is difference from the original estimate, such change will impact the government grant recognised in the period in which such estimate has been changed.

5 SEGMENT INFORMATION

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

The executive directors consider the business from an operational perspective. Generally, the executive directors consider the performance of business of each operating segment within the Group separately. Thus, each business within the Group is an individual operating segment.

Among these operating segments, they are aggregated into three segments based on the products sold: (1) float glass; (2) automobile glass; and (3) construction glass.

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

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

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2016 is as follows:

5 SEGMENT INFORMATION (Continued)

	Assets and liabilities				
	Float glass	Automobile glass	Construction glass	Unallocated	Total
Total assets	10,290,073	4,479,919	2,555,209	6,697,120	24,022,321
Total assets included:					
Investments in associates *(Note 13)*	—	—	—	3,257,782	3,257,782
Loans to associates *(Note 13)*	—	—	—	82,258	82,258
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	932,255	156,895	56,794	1,366,154	2,512,098
Total liabilities	1,935,590	823,828	289,879	7,726,134	10,775,431

The segment information provided to the executive directors for the reportable segments as at and for the year ended 31 December 2015 is as follows:

	Float glass	Automobile glass	Construction glass	Unallocated	Total
Segment revenue	6,334,773	3,786,597	2,651,470	—	12,772,840
Inter-segment revenue	(1,312,577)	—	—	—	(1,312,577)
Revenue from external customers	5,022,196	3,786,597	2,651,470	—	11,460,263
Cost of sales	(4,466,432)	(2,107,390)	(1,753,748)	—	(8,327,570)
Gross profit	555,764	1,679,207	897,722	—	3,132,693
Depreciation charge of property, plant and equipment *(Note 22)*	523,276	103,241	136,003	963	763,483
Amortisation charge					
– leasehold land and land use rights *(Note 22)*	20,616	4,792	2,802	—	28,210
– intangible assets *(Note 22)*	1,173	2,212	—	—	3,385
Reversal of provision for impairment of trade receivables, net *(Note 22)*	—	(906)	(358)	—	(1,264)
Share of profits of associates *(Note 13)*	—	—	—	317,251	317,251

5 SEGMENT INFORMATION (Continued)

	Assets and liabilities				
	Float glass	Automobile glass	Construction glass	Unallocated	Total
Total assets	10,292,822	3,321,024	2,870,068	4,937,739	21,421,653
Total assets included:					
Investments in associates *(Note 13)*	—	—	—	2,534,651	2,534,651
Loans to associates *(Note 13)*	—	—	—	36,871	36,871
Additions to non-current assets (other than available-for-sale financial assets and deferred income tax assets)	1,258,485	169,416	92,637	208,319	1,728,857
Total liabilities	1,139,218	1,109,456	307,804	6,139,468	8,695,946

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

	2016	2015
Segment gross profit	**4,659,250**	3,132,693
Unallocated:		
Other income	**341,925**	215,167
Other gains – net	**158,902**	379,284
Selling and marketing costs	**(620,022)**	(679,528)
Administrative and other operating expenses	**(1,202,372)**	(935,012)
Finance income	**50,826**	39,980
Finance costs	**(127,663)**	(90,210)
Share of profits of associates	**562,605**	317,251
Profit before income tax	**3,823,451**	2,379,625

5 SEGMENT INFORMATION (Continued)

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

	Assets		Liabilities	
	2016	2015	**2016**	2015
Segment assets/(liabilities)	**17,325,201**	16,483,914	**(3,049,297)**	(2,556,478)
Unallocated:				
Leasehold land and land use rights	**132,636**	129,271	**—**	—
Property, plant and equipment	**1,148,580**	1,107,537	**—**	—
Investment properties	**495,549**	383,059	**—**	—
Prepayments for property, plant and equipment and land use rights	**492,681**	7,764	**—**	—
Available-for-sale financial assets	**38,508**	84,924	**—**	—
Investments in associates	**3,257,782**	2,534,651	**—**	—
Balances with associates	**82,258**	36,871	**—**	—
Prepayments, deposits and other receivables	**311,758**	229,667	**—**	—
Cash and bank balances	**737,368**	423,995	**—**	—
Other payables	**—**	—	**(375,664)**	(154,007)
Current income tax liabilities	**—**	—	**(160,685)**	(92,818)
Deferred income tax liabilities	**—**	—	**(212,630)**	(159,407)
Bank and other borrowings	**—**	—	**(6,977,155)**	(5,733,236)
Total assets/(liabilities)	**24,022,321**	21,421,653	**(10,775,431)**	(8,695,946)

5 SEGMENT INFORMATION (Continued)

The amounts provided to the executive directors with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Breakdown of the revenue from the sales of products is as follows:

	2016	2015
Sales of float glass	**6,509,803**	5,022,196
Sales of automobile glass	**3,748,394**	3,786,597
Sales of construction glass	**2,590,203**	2,651,470
Total	**12,848,400**	11,460,263

The Group's revenue is mainly derived from customers located in Greater China (including Hong Kong and the PRC), North America and Europe whilst the Group's business activities are conducted predominately in Greater China. An analysis of the Group's sales by geographical area of its customers is as follows:

	2016	2015
Greater China	**9,419,811**	8,058,476
North America	**1,296,000**	1,343,660
Europe	**355,423**	364,784
Other countries	**1,777,166**	1,693,343
	12,848,400	11,460,263

An analysis of the Group's non-current assets other than available-for-sale financial assets (there are no deferred income tax assets) by geographical area in which the assets are located is as follows:

	2016	2015
Greater China	**13,167,080**	16,298,521
North America	**6,494**	6,392
Other countries	**4,311,667**	120,654
	17,485,241	16,425,567

None of a single customer accounted for 10% or more of the Group's revenue for the year ended 31 December 2016 (2015: None).

6 LEASEHOLD LAND AND LAND USE RIGHTS

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7 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Construction in progress	Buildings	Plant and machinery	Office equipment	Total
Year ended 31 December 2016					
Opening net book amount	817,740	2,760,260	8,374,148	18,867	11,971,015
Currency translation differences	(37,228)	(144,941)	(451,687)	(1,198)	(635,054)
Additions	1,021,513	153,431	163,989	7,481	1,346,414
Transfers	(755,246)	254,417	500,277	552	—
Disposals	—	—	(28,943)	(47)	(28,990)
Depreciation charge	—	(125,048)	(685,028)	(9,075)	(819,151)
Derecognised upon the Spin-off *(Note 33)*	—	(1,110)	(2,430)	(57)	(3,597)
Closing net book amount	1,046,779	2,897,009	7,870,326	16,523	11,830,637
At 31 December 2016					
Cost	1,046,779	3,531,555	11,532,974	63,399	16,174,707
Accumulated depreciation	—	(634,546)	(3,662,648)	(46,876)	(4,344,070)
Net book amount	1,046,779	2,897,009	7,870,326	16,523	11,830,637

Depreciation expense of approximately HK$759,603,000 (2015: HK$732,525,000) has been charged in cost of sales and HK$37,435,000 (2015: HK$30,958,000) in administrative and other operating expenses and HK$141,797,000 (2015: HK$119,684,000) has been capitalised in inventories.

During the year, the Group capitalised borrowing costs amounted to HK$32,837,000 (2015: HK$57,610,000) on qualifying assets (Note 26). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.21% (2015: 2.28%) per annum.

8 INVESTMENT PROPERTIES

	2016	2015
At 1 January	**437,133**	549,991
Currency translation differences	**(23,803)**	(19,837)
Additions	**97,406**	53,356
Disposal of a subsidiary	**—**	(255,032)
Fair value gains *(Note 25)*	**35,973**	105,640
Transferred from property, plant and equipment *(Note 7)*	**—**	3,015
At 31 December	**546,709**	437,133

As at 31 December 2016, the Group has three investment properties located in the PRC and an investment property in Hong Kong (2015: three investment properties located in the PRC). The Group obtained independent valuations from Grant Sherman Appraisal Limited for two investment properties located in the PRC and an investment property in Hong Kong (2015: two investment properties located in the PRC).

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2016 and 2015 by independent professionally qualified valuer who holds a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the chief financial officer and group senior management for discussions in relation to the valuation processes and the reasonableness of the valuation results.

At each financial year end the Group's finance department:

- Verifies all major inputs to the independent valuation report;
- Assess property valuations movements when compared to the prior year valuation report;
- Holds discussions with the independent valuer.

8 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

The following table analyses the investment properties carried at their fair values, by valuation method, and an investment property carried at cost.

	2016	2015
Fair value hierarchy (Level 3):		
– Commercial building under construction – Xiamen, the PRC	433,549	383,059
– Commercial building – Shenzhen, the PRC	48,308	51,059
– Office unit – Hong Kong	62,000	—
	543,857	434,118
At cost:		
– Commercial building – Shenzhen, the PRC *(Note)*	2,852	3,015
	546,709	437,133

Note: The fair value of this investment property cannot be reliably measured as the Group is in the process of obtaining the property ownership certificates in respect of property interests held. In the opinion of directors, the absence of the property ownership certificate to this property interests does not impair the carrying amount to the Group as the Group has paid the full purchase consideration of this property interests and the probability of being evicted on the ground of an absence of property ownership certificates is remote.

There were no transfers between levels 1, 2 and 3 during the year.

8 INVESTMENT PROPERTIES (Continued)

Valuation processes of the Group (Continued)

Fair value measurements using significant unobservable inputs (Level 3)

	Commercial building under construction - Xiamen, the PRC	Commercial building - Shenzhen, the PRC	Office unit - Hong Kong	Total
At 1 January 2016	383,059	51,059	—	434,118
Currency translation differences	(20,889)	(2,751)	—	(23,640)
Additions	41,206	—	56,200	97,406
Fair value gains *(Note 25)*	30,173	—	5,800	35,973
At 31 December 2016	433,549	48,308	62,000	543,857
Total gains for the year included in profit or loss for assets held at the end of year	30,173	—	5,800	35,973
Change in unrealised gains for the year included in profit or loss for assets held at the end of year	30,173	—	5,800	35,973

	Commercial building under construction - Xiamen, the PRC	Commercial building - Shenzhen, the PRC	Office unit - Hong Kong	Total
At 1 January 2015	240,959	54,000	255,032	549,991
Currency translation differences	(16,655)	(3,182)	—	(19,837)
Additions	53,356	—	—	53,356
Disposal	—	—	(255,032)	(255,032)
Fair value gains *(Note 25)*	105,399	241	—	105,640
At 31 December 2015	383,059	51,059	—	434,118
Total gains for the year included in profit or loss for assets held at the end of year	105,399	241	—	105,640
Change in unrealised gains for the year included in profit or loss for assets held at the end of year	105,399	241	—	105,640

8 INVESTMENT PROPERTIES (Continued)

Information About Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

Description	Fair value at 31 December 2016	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Commercial building under construction – Xiamen, the PRC	433,549	Based on current prices in an active market for similar properties in the same location and condition and subject to similar lease and discounted cash flows with estimated costs to complete	Market value	HK$20,000 - HK$22,500 per square meter (HK$21,250 per square meter)	The higher the market value, the higher the fair value
			Discount rate	5% - 6% (5.5 %) per annum	The higher the discount rate, the lower the fair value
			Estimated costs to complete	HK$520 million - HK$560 million (HK$540 million)	The higher the estimated costs, the lower the fair value
Commercial building - Shenzhen, the PRC	48,308	Discounted cash flows	Rental value	HK$2,900,000 - HK$3,900,000 per annum (HK$3,400,000 per annum)	The higher the rental value, the higher the fair value
			Discount rate	5% - 6% (5.5%) per annum	The higher the discount rate, the lower the fair value
Office unit – Hong Kong	62,000	Based on current price in an active market for similar properties in the same location and condition and subject to similar lease	Recent market price	HK$16,000 - HK$18,000 per square feet (HK$17,000 per square feet)	The higher the market value, the higher the fair value
			Level adjustment	-2% - 5% (3.5%)	The higher the level, the higher to fair value
			View adjustment	0% - 10% (5%)	The better the view, the higher the fair value

There were no changes to the valuation techniques during the year.

9 INTANGIBLE ASSETS

	Goodwill	Trademark	Customer relationship	Patent	Capitalised exploration, evaluation and mining right expenditure	Total
At 1 January 2015						
Cost	55,877	20,306	5,404	8,664	5,939	96,190
Accumulated amortisation and impairment	—	(7,773)	(2,069)	(3,929)	(3,762)	(17,533)
Net book amount	55,877	12,533	3,335	4,735	2,177	78,657
Year ended 31 December 2015						
Opening net book amount	55,877	12,533	3,335	4,735	2,177	78,657
Currency translation differences	—	—	—	(239)	(73)	(312)
Amortisation charge *(Note 22)*	—	(1,085)	(289)	(838)	(1,173)	(3,385)
Closing net book amount	55,877	11,448	3,046	3,658	931	74,960
At 31 December 2015						
Cost	55,877	20,306	5,404	8,154	5,590	95,331
Accumulated amortisation and impairment	—	(8,858)	(2,358)	(4,496)	(4,659)	(20,371)
Net book amount	55,877	11,448	3,046	3,658	931	74,960
Year ended 31 December 2016						
Opening net book amount	55,877	11,448	3,046	3,658	931	74,960
Currency translation differences	—	—	—	(160)	(7)	(167)
Amortisation charge *(Note 22)*	—	(1,085)	(289)	(792)	(924)	(3,090)
Closing net book amount	55,877	10,363	2,757	2,706	—	71,703
At 31 December 2016						
Cost	55,877	20,306	5,404	7,716	5,289	94,592
Accumulated amortisation and impairment	—	(9,943)	(2,647)	(5,010)	(5,289)	(22,889)
Net book amount	55,877	10,363	2,757	2,706	—	71,703

Amortisation charge of HK$3,090,000 (2015: HK$3,385,000) has been included in administrative and other operating expenses in the consolidated income statement (Note 22).

9 INTANGIBLE ASSETS (Continued)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to operating segment. For the purposes of impairment testing, goodwill has been allocated to the automobile glass operating segment.

The recoverable amount of the automobile glass CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period with estimated compound annual growth rate of 4.0% (2015: 5.5%). Management determined forecast profitability based on past performance and its expectation of future changes in costs and sales prices. Future cash flows are discounted at 7.01% (2015: 6.29%) per annum. The discount rate used is pre-tax and reflects specific risks relating to this cash generating unit.

Management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount.

10 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
31 December 2016			
Assets as per balance sheet			
Available-for-sale financial assets *(Note 12)*	—	38,508	38,508
Loan to associate *(Note 13)*	82,258	—	82,258
Trade and other receivables excluding prepayments	1,933,737	—	1,933,737
Cash and bank balances *(Note 16)*	2,763,072	—	2,763,072
Pledged bank deposits *(Note 16)*	4,975	—	4,975
Total	4,784,042	38,508	4,822,550

	Other financial liabilities at amortised cost HK$'000	Total HK$'000
31 December 2016		
Liabilities as per balance sheet		
Bank and other borrowings *(Note 20)*	7,674,438	7,674,438

10 FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

	Loans and receivables HK$'000	Available-for-sale HK$'000	Total HK$'000
31 December 2015			
Assets as per balance sheet			
Available-for-sale financial assets *(Note 12)*	—	84,924	84,924
Loans to associates *(Note 13)*	36,871	—	36,871
Trade and other receivables excluding prepayments	1,919,321	—	1,919,321
Cash and bank balances *(Note 16)*	1,298,255	—	1,298,255
Pledged bank deposits *(Note 16)*	1,419	—	1,419
Total	3,255,866	84,924	3,340,790

	Other financial liabilities at amortised cost HK$'000	Total HK$'000
31 December 2015		
Liabilities as per balance sheet		
Bank and other borrowings *(Note 20)*	6,028,268	6,028,268
Trade and other payables excluding non-financial liabilities	1,771,215	1,771,215
Total	7,799,483	7,799,483

11 SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

Name	Place of incorporation/ establishment and kind of legal ntity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of Ordinary shares Directly held By the Company (%)	Proportion of Ordinary shares Held by the Group (%)	Proportion of Ordinary shares Held by Non-controlling Interest (%)
Kangchen Plastic (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of plastic products in the PRC	Registered and paid up capital of RMB3,280,000	100%	—	100%	—
Shenzhen Benson Automobile Glass Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of RMB140,403,049	100%	—	100%	—
Dongguan Benson Automobile Glass Company Limited (Formerly known as "Xinyi Automobile Glass Company (Dongguan) Limited")	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$22,000,000	100%	—	100%	—
Xinyi Automobile Glass (Shenzhen) Company Limited	The PRC, limited liability company	Manufacturing of a utomobile glass in the PRC	Registered and paid up capital of RMB353,807,000	100%	—	100%	—
Xinyi Automobile Parts (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$23,980,000	100%	—	100%	—
Xinyi Automobile Parts (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered and paid up capital of US$29,800,000	100%	—	100%	—
Xinyi Glass (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of float glass and construction glass in the PRC	Registered and paid up capital of US$126,000,000	100%	—	100%	—
Xinyi Ultra-thin Glass (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$80,000,000	100%	—	100%	—

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation/ establishment and kind of legal ntity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of Ordinary shares Directly held By the Company (%)	Proportion of Ordinary shares Held by the Group (%)	Proportion of Ordinary shares Held by Non-controlling Interest (%)
Xinyi Glass Japan Company Limited	Japan, limited liability company	Trading of automobile glass in Japan	Authorised and paid up capital of 400 common shares of JP¥50,000 each	55%	—	55%	45%
Xinyi Auto Glass (North America) Corporation	Canada, limited liability company	Trading of automobile glass in Canada	Authorised and paid up capital of 100,000 common shares of CAD0.1 each	70%	—	70%	30%
Xinyi Group (Glass) Company Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	1,000 ordinary shares	100%	—	100%	—
Xinyi International Investments Limited	Hong Kong, limited liability company	Investment holding and trading in Hong Kong	10,000 ordinary shares	100%	—	100%	—
Xinyi Automobile Glass (BVI) Company Limited	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 55,000 ordinary shares of US$1 each	100%	100%	100%	—
Xinyi Energy Smart (Wuhu) Company Limited	The PRC, limited liability company	Manufacturing of float glass and construction glass in the PRC	Registered and paid up capital of US$58,500,000	100%	—	100%	—
Xinyi Glass (Jiangmen) Company Limited	The PRC, limited liability company	Manufacturing of float glass in the PRC	Registered and paid up capital of US$180,800,000	100%	—	100%	—
Xinyi Glass Engineering (Dongguan) Company Limited	The PRC, limited liability company	Manufacturing of construction glass in the PRC	Registered and paid up capital of US$60,000,000	100%	—	100%	—

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation/ establishment and kind of legal ntity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of Ordinary shares Directly held By the Company (%)	Proportion of Ordinary shares Held by the Group (%)	Proportion of Ordinary shares Held by Non-controlling Interest (%)
Xinyi Glass (Yingkou) Company Limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and construction glass in the PRC	Registered capital of US$99,000,000 with total paid up capital of US$98,999,652	100%	—	100%	—
Xinyi Automobile Parts (Tianjin) Company Limited	The PRC, limited liability company	Manufacturing of automobile glass in the PRC	Registered capital of US$57,150,000 with total paid up capital of US$13,429,995	100%	—	100%	—
Xinyi Glass (Xiamen) Co. Ltd	The PRC, limited liability company	Conducting research and trading of glass in the PRC	Registered and paid up capital of HK$120,000,000	100%	100%	100%	—
Xinyi Electronic Glass (Wuhu) Company limited	The PRC, limited liability company	Manufacturing of electronic glass in the PRC	Registered and paid up capital of US$60,630,000	100%	—	100%	—
Xinyi Energy Smart (Sichuan) Company limited	The PRC, limited liability company	Manufacturing of float glass, automobile glass and construction glass in the PRC	Registered and paid up capital of US$99,000,000	100%	—	100%	—
Xinyi Energy Smart (Malaysia) SDN.BHD	Malaysia, limited liability company	Manufacturing of float glass in Malaysia	Registered and paid up capital of RM$20,000,000	100%	—	100%	—
Xinhe Logistics (Wuhu) Company Limited	The PRC, limited liability company	To provide logistic and related services	Registered and paid up capital of RMB1,250,000	100%	—	100%	—
Xinyi Wind Power (Jinzhai) Company Limited	The PRC, limited liability company	To operate wind farm for electricity generation	Registered and paid up capital of RMB10,000,000	100%	—	100%	—
Wuhu Jinshanshi Numerical Control Technology Co. Ltd	The PRC, limited liability company	To manufacturing automatic machines for solar glass factory and other glass related industry	Registered and paid up capital of RMB30,000,000	85.66%	—	85.66%	14.34%

11 SUBSIDIARIES (Continued)

The following is a list of the principal subsidiaries at 31 December 2016: (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/registered share capital	Interest held	Proportion of Ordinary shares Directly held By the Company (%)	Proportion of Ordinary shares Held by the Group (%)	Proportion of Ordinary shares Held by Non-controlling Interest (%)
Xinyi Glass (Bozhou) Company Limited	The PRC, limited liability company	To manufacturing and sales of glass product	Registered capital of RMB 10,000,000 and total paid up capital of RMB5,721,000	100%	—	100%	—
Ultimate Luck Global Limited *(Note)*	The British Virgin Islands, limited liability company	Investment holding in Hong Kong	Authorised and paid up capital of 50,000 ordinary shares of US$1each	60%	—	60%	40%

Note:

During the year, the Group and Xinyi Solar established Ultimate Luck Global Limited ("Ultimate Luck") and hold 60% and 40% equity interests of Ultimate Luck, respectively. The Group and Xinyi Solar made capital contributions of HK$84,300,000 and HK$56,200,000 into Ultimate Luck, respectively in order to acquire Cheer Wise Investment Limited which holds a property and car parking spaces in Hong Kong from an independent third party for a consideration of HK$140,500,000. The carrying amount of the non-controlling interests in Ultimate Luck on the date of transaction was HK$56,200,000.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
At 1 January	84,924	119,625
Additions	—	716
Currency translation differences	(31)	(38)
Disposals	—	(17,934)
Fair value loss transferred to reserve *(Note 18)*	(46,385)	(17,445)
At 31 December	38,508	84,924
Less: Non – Current portion	(557)	(588)
Current Portion	37,951	84,336

During the year ended 31 December 2015, the Group disposed of 21,100,000 shares of ZMFY for the cash consideration of HK$17,627,000 and purchased 1,580,000 shares of ZMFY at cost of HK$716,000. There is no addition nor disposal during 2016. As its fair value was lower than its original cost during the year, the management is of the view that the decline in value is significant and as a result the corresponding cumulative fair value loss between the original cost and the fair value has been reclassified from equity to profit or loss as impairment loss. Please refer to Note 18(c) to the consolidated financial statements. The Group's shareholding in ZMFY as at 31 December 2016 is approximately 18% (2015: approximately 18%). Management has a plan to dispose of all the shares of ZMFY within 12 months from 31 December 2016.

Available-for-sale financial assets included unlisted equity securities and equity securities listed in Hong Kong amounted to HK$557,000 and HK$37,951,000, respectively. The fair value of unlisted equity securities and equity securities are level 3 and level 1, respectively. The fair value of listed securities is based on the current bid price. These unlisted equity securities and listed equity securities are denominated in RMB and HKD, respectively.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES

	2016	2015
Investments in associates		
At 1 January	**2,534,651**	2,242,739
Currency translation differences	**(654)**	(900)
Addition to investment in an associate *(Note (a))*	**617,859**	—
Gains on dilution of shares in an associate *((Note 25 and Note (b))*	—	228,000
Disposal of interest in an associate *(Note (c))*	—	(4,957)
Share of profits of associates	**562,605**	317,251
Dividends received	**(255,690)**	(129,413)
Share of other comprehensive income	**(200,989)**	(118,069)
At 31 December	**3,257,782**	2,534,651

	2016	2015
Loans to associates *(Note (d))*		
– Current portion	**33,059**	7,577
– Non-current portion	**49,199**	29,294
	82,258	36,871

Notes:

(a) The Group purchased 201,538,000 Xinyi Solar's shares at cost of $617,859,000 from the Hong Kong stock market during the year. The shareholding in Xinyi Solar has increased from approximately 26.5% to approximately 29.5%.

(b) The Group recognised a gain on dilution of shares of HK$228,000,000 as a result of share allotments in March 2015 and October 2015 by Xinyi Solar by way of placing in which the Group did not participate.

(c) The Group disposed of the interest in an associate for a cash consideration of RMB4,500,000 in 2015.

(d) The loans to associates amounted to HK$25,491,000 (2015: HK$36,871,000) are unsecured, interest-free and are repayable by installments up to 2020. During the year, the Group lent loans amounting to HK$56,767,000 to an associate (2015: nil), and such loans are secured, interest bearing at 9.7% per annum. and repayable by installments up to 2019.

(e) The carrying amounts of balances with associates approximate their fair values.

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

The following is a list of the principal associates as at 31 December 2016:

Name	Particulars of registered share capital	Principal activities and place of operation	Interest held
Xinyi Solar *(Note)*	Authorised capital of HK$8,000,000,000 with total paid up of 6,748,800,000 ordinary shares of HK$0.1 each	Production and sales of solar glass products in the PRC, and development and operation of solar farms and the engineering procurement and construction services	29.5%
Beihai Yiyang Mineral Company Limited	Registered and paid up capital of RMB25,454,500	Exploration, mining and trading of silica in the PRC	45%
Dongyuan County Xinhuali Quartz Sand Company Limited	Registered and paid up capital of RMB10,500,000	Exploration, mining and trading of silica in the PRC	20%
Tianjin Wuqing District Xinke Natural Gas Investment Company Limited	Registered and paid up capital of RMB10,000,000	Provision of natural gas in the PRC	25%

Note:

In March and October 2015, Xinyi Solar allotted and issued 500,000,000 and 168,800,000 shares respectively by way of placing to certain private investors. The total number of Xinyi Solar's issued shares increased to 6,748,800,000. The Company did not participate in these private placings, which leads to the Company and its subsidiary's shareholding in Xinyi Solar decreased to approximately 26.5%.

In 2016, the Company purchased 201,538,000 Xinyi Solar's shares at a weighted average price of HK$3.07 per share. Subsequent to this purchase, the Company and its subsidiary hold 1,992,747,301 Xinyi Solar's shares, representing 29.5% of the 6,748,800,000 Xinyi Solar's shares as at 31 December 2016. (2015: 26.5%)

As at 31 December 2016, the fair value of the Group's interest in Xinyi Solar, which is listed on the Main Board of the Hong Kong Stock Exchange, was HK$5,021,723,000 (2015:HK$5,678,133,000) and the carrying amount of the Group's interest was HK$3,217,215,000 (2015: HK$2,498,059,000).

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

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Summarised financial information for a material associate

Set out below is the summarised financial information for Xinyi Solar which is accounted for using the equity method:

Summarised balance sheet

	2016	2015
Current		
Cash and cash equivalents	**843,332**	2,868,703
Other current assets (excluding cash)	**3,760,825**	2,024,335
Total current assets	**4,604,157**	4,893,038
Current liabilities	**(4,591,151)**	(2,709,873)
Non-current		
Assets	**12,182,226**	7,841,595
Liabilities	**(4,767,444)**	(3,133,392)
Net assets	**7,427,788**	6,891,368

Summarised statement of comprehensive income

	2016	2015
Revenue	**6,007,081**	4,750,410
Depreciation and amortisation	**(400,375)**	(225,576)
Interest income	**9,338**	4,602
Interest expense	**(103,867)**	(21,095)
Profit from operations	**2,390,464**	1,393,986
Income tax expense	**(240,777)**	(188,389)
Post-tax profit from operations	**2,149,687**	1,205,597
Other comprehensive income	**(778,516)**	(441,493)
Total comprehensive income	**1,371,171**	764,104
Dividend received from Xinyi Solar	**249,093**	118,215

13 INTERESTS IN AND BALANCES WITH ASSOCIATES (Continued)

Summarised financial information for a material associate (Continued)

Reconciliation of summarised financial information of Xinyi Solar presented to the carrying amount of interest in an associate:

	2016	2015
Opening net assets	**6,891,368**	3,305,888
Total comprehensive income for the year	**1,371,171**	764,104
Transactions with owners	**(834,751)**	2,821,376
Closing net assets	**7,427,788**	6,891,368
Less: non-controlling interests	**(1,212,163)**	(1,146,365)
Closing net assets attributable to owners of Xinyi Solar	**6,215,625**	5,745,003
The Group's ownership interest	**29.5%**	26.5%
	1,835,474	1,524,724
Goodwill	**1,410,147**	963,830
Intangible assets and other assets and liabilities	**99,646**	124,592
Other adjustments *(Note)*	**(128,052)**	(115,087)
Carrying amount	**3,217,215**	2,498,059

Note:

Other adjustments primarily included capital reserve arising from disposal of interest in a subsidiary without loss of control under Xinyi Solar in the prior year.

14 INVENTORIES

	2016	2015
Raw materials	**549,998**	488,493
Work in progress	**95,285**	92,015
Finished goods	**675,230**	642,151
	1,320,513	1,222,659

The cost of inventories recognised as expense and included in cost of sales amounted to approximately HK$5,918,478,000 (2015: HK$6,063,371,000) (Note 22).

15 TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables *(Note (a))*	**1,082,906**	1,153,149
Less: provision for impairment of trade receivables *(Note (b))*	**(46,554)**	(17,205)
	1,036,352	1,135,944
Bills receivables *(Note (d))*	**492,644**	475,353
Trade and bills receivables – net	**1,528,996**	1,611,297
Prepayments, deposits and other receivables	**1,456,148**	942,400
	2,985,144	2,553,697
Less non-current portion		
Prepayments for property, plant and equipment and land use rights	**(608,191)**	(172,445)
Current portion	**2,376,953**	2,381,252

Notes:

(a) The credit period granted by the Group to its customers is generally from 30 to 90 days. At 31 December 2016 and 2015, the ageing analysis of the Group's trade receivables based on invoice date was as follows:

	2016	2015
0 - 90 days	**829,210**	871,299
91 - 180 days	**150,979**	183,290
181 - 365 days	**40,685**	70,259
1 - 2 years	**45,871**	12,832
Over 2 years	**16,161**	15,469
	1,082,906	1,153,149

15 TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) (Continued)

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

	2016	2015
RMB	**678,224**	625,312
HKD	**4,957**	6,564
USD	**366,218**	488,171
Other currencies	**33,507**	33,102
	1,082,906	1,153,149

(b) Movements in the Group's provision for impairment of trade receivables are as follows:

	2016	2015
At 1 January	**17,205**	20,199
Currency translation differences	**(430)**	(1,139)
Provision for/(reversal of provision for) impairment of trade receivables, net *(Note 22)*	**33,947**	(1,264)
Receivables written off during the year	**(4,168)**	(591)
At 31 December	**46,554**	17,205

The provision for impaired receivables has been included in "administrative and other operating expenses" in the consolidated income statement (Note 22). The amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(c) As at 31 December 2016, trade receivables of approximately HK$147,092,000 (2015: HK$290,530,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables based on due date was as follows:

	2016	2015
0 - 90 days	**90,512**	160,072
91-180 days	**28,690**	83,872
181-365 days	**20,602**	34,532
1-2 years	**1,963**	7,745
Over 2 years	**5,325**	4,309
	147,092	290,530

16 CASH AND BANK BALANCES (Continued)

17 SHARE CAPITAL AND PREMIUM

	Note	Number of shares	Ordinary shares of HK$0.1 each	Share premium	Total
Authorised:					
At 1 January 2015, 31 December 2015 and 2016		20,000,000,000	2,000,000	—	2,000,000
Issued and fully paid:					
At 1 January 2015		3,921,607,699	392,161	3,431,959	3,824,120
Issue of shares under an employees share option scheme	(a)	224,000	22	886	908
Dividend relating to 2014		—	—	(235,296)	(235,296)
Dividend relating to 2015		—	—	(372,574)	(372,574)
At 31 December 2015 and 1 January 2016		**3,921,831,699**	**392,183**	**2,824,975**	**3,217,158**
Issue of shares under an employees share option scheme	(a)	**29,971,500**	**2,998**	**181,072**	**184,070**
Repurchases and cancellation of shares	(b)	**(60,038,000)**	**(6,004)**	**(258,534)**	**(264,538)**
Dividend relating to 2015		—	—	**(659,753)**	**(659,753)**
Dividend relating to 2016		—	—	**(660,859)**	**(660,859)**
Distribution in specie	33	—	—	**(66,277)**	**(66,277)**
At 31 December 2016		**3,891,765,199**	**389,177**	**1,360,624**	**1,749,801**

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS

In 2005, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

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

In May 2012, 26,250,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$4.34 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in May 2012, 19,078,000 (2015: 224,000) options were exercised during the year ended 31 December 2016 and a total of 183,000 (2015: 2,214,096) options were lapsed and 39,000 options, were expired during the year ended 31 December 2016.

In April 2013, 26,500,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$5.55 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in April 2013, 10,894,000 (2015: Nil) option was exercised during the year ended 31 December 2016 and a total of 2,786,000 options (2015: 1,432,000) were lapsed during the year ended 31 December 2016.

In February 2014, 26,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$6.84 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in February 2014, no option was exercised from the date of the grant to 31 December 2016 and a total of 2,003,000 (2015: 1,237,000) options were lapsed during the year ended 31 December 2016.

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

In March 2015, 28,000,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$4.55 per share. Options are conditional on the employee completing three years and one month's service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in March 2015, no option was exercised from the date of the grant to 31 December 2016 and a total of 2,229,000 (2015: 567,000) options were lapsed during the year ended 31 December 2016.

In March 2016, 28,500,000 share options were granted to the Company's employees and connected persons of the Company and its subsidiaries at the then quoted market share price of HK$4.81 per share. Options are conditional on the employee completing three years' service (the vesting period). The options are exercisable starting three years and one month from the grant date. In relation to the batch granted in March 2016, no option was exercised from the date of the grant to 31 December 2016 and a total of 210,500 options were lapsed during the year ended 31 December 2016.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average Exercise price in HKD per share	Options (thousands)	Average exercise price in HKD per share	Options (thousands)
At 1 January	**5.35**	**94,112**	5.80	89,008
Granted	**4.81**	**28,500**	4.55	28,000
Exercised	**4.78**	**(29,972)**	4.34	(224)
Lapsed	**5.55**	**(7,412)**	5.26	(5,520)
Expired	**4.34**	**(39)**	6.44	(17,152)
At 31 December	**5.35**	**85,189**	5.35	94,112

Out of the 85,189,000 (2015: 94,112,000) outstanding options, 9,267,000 (2015: 19,300,000) options were exercisable as at 31 December 2016. Options exercised in 2016 resulted in 29,972,000 shares (2015: 224,000 shares) being issued at a weighted average price at the time of exercise of HK$4.78 each (2015: HK$4.34 each).

17 SHARE CAPITAL AND PREMIUM (Continued)

(A) SHARE OPTIONS (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Expiry date	Exercise price in HKD per share	Options (thousands) 2016	2015
31 March 2016	4.34	—	19,300
31 March 2017	5.55	9,267	22,947
31 March 2018	6.84	22,428	24,432
31 March 2019	4.55	25,204	27,433
31 March 2020	4.81	28,290	—
		85,189	94,112

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$0.92 (2015: HK$1.22) per option. The significant inputs into the model were weighted average share price of HK$4.81 (2015: HK$4.55) at the grant date, the exercise price shown above, volatility of 36.99% (2015: 44.57%), dividend yield of 4.63% (2015: 3.08%), an expected option life of 3.5 years (2015: 3.6 years), and an annual risk-free interest rate of 1.00% (2015: 0.93%) per annum. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

Based on the above, the fair value of the above options granted during the year determined using the Black-Scholes valuation model was approximately HK$26,150,000 (2015: HK$34,238,000). The attributable amounts charged to the consolidated income statement for the year ended 31 December 2016 was HK$32,231,000 (2015: HK$24,100,000).

(B) SHARE REPURCHASES AND CANCELLATION

During the year ended 31 December 2016, 60,038,000 shares repurchased by the Company were cancelled in 2016. Accordingly, the issued share capital of the Company was reduced by the nominal value of these shares and the premiums paid on these shares upon the repurchase were charged against share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained earnings to the capital redemption reserve.

Month of Repurchase	Number of Shares of HK$0.10 each	Highest price per Share HK$	Lowest price per Share HK$	Aggregate consideration paid HK$'000
January 2016	60,038,000	4.65	3.99	264,538

18 RESERVES

	2016											
	Other reserves											
	Statutory reserve fund (Note (a))	Enterprise expansion fund (Note (a))	Foreign currency translations reserve	Capital reserve (Note (b))	Share Option Reserve	Property Revaluation Reserve	Capital Redemption Reserve	Convertible bonds reserve	Available-for-sales Reserve	Sub-total	Retained earnings	Total
At 1 January 2016	925,080	46,867	(55,210)	11,840	68,865	37,227	11,340	13,341	1,409	1,060,759	8,440,549	9,501,308
Profit for the year	–	–	–	–	–	–	–	–	–	–	3,213,428	3,213,428
Change in value of available-for-sale financial assets *(Note 12)*	–	–	–	–	–	–	–	–	(46,385)	(46,385)	–	(46,385)
Impairment of available-for-sale financial asset transferred to consolidated income statement *(Note 22 and Note(c))*	–	–	–	–	–	–	–	–	44,976	44,976	–	44,976
Currency translation differences	–	–	(1,071,686)	–	–	–	–	–	–	(1,071,686)	–	(1,071,686)
Share of other comprehensive income of investments												

18 RESERVES (Continued)

	2015											
	Other reserves											
	Statutory reserve fund (Note (a))	Enterprise expansion fund (Note (a))	Foreign currency translations reserve	Capital reserve (Note (b))	Share option reserve	Property revaluation reserve	Capital redemption reserve	Convertible bonds reserve	Available-for-sales reserve	Sub-total	Retained earnings	Total
At 1 January 2015	870,331	49,796	1,023,604	11,840	76,030	37,851	11,340	13,341	22,200	2,116,333	6,392,830	8,509,163
Profit for the year	–	–	–	–	–	–	–	–	–	–	2,113,143	2,113,143
Change in value of available-for-sale financial assets *(Note 12)*	–	–	–	–	–	–	–	–	(17,445)	(17,445)	–	(17,445)
Disposal of available-for-sale financial assets	–	–	–	–	–	–	–	–	(3,346)	(3,346)	–	(3,346)
Currency translation differences	(42,251)	(2,929)	(960,745)	–	–	–	–	–	–	(1,005,925)	–	(1,005, 925)
Share of other comprehensive income of investments accounted for using the equity method *(Note 13)*	–	–	(118,069)	–	–	–	–	–	–	(118,069)	–	(118,069)
Employee share option schemes:												
– proceeds from shares issued	–	–	–	–	(313)	–	–	–	–	(313)	–	(313)
– value of employee services *(Note 23)*	–	–	–	–	24,100	–	–	–	–	24,100	–	24,100
– release of forfeiture of share options	–	–	–	–	(30,952)	–	–	–	–	(30,952)	30,952	–
Disposal of a subsidiary	–	–	–	–	–	(624)	–	–	–	(624)	624	–
Transfer to reserves	97,000	–	–	–	–	–	–	–	–	97,000	(97,000)	–
At 31 December 2015	925,080	46,867	(55,210)	11,840	68,865	37,227	11,340	13,341	1,409	1,060,759	8,440,549	9,501,308

Notes:

(a) The statutory reserve fund and enterprise expansion fund were provided for in accordance with laws in the PRC and regulations by certain subsidiaries which are the wholly owned foreign enterprises incorporated in the PRC. These funds are appropriated from net profit as recorded in the PRC statutory accounts of respective subsidiaries. The statutory reserve fund can only be used, upon approval by the relevant authority, to make good of previous years' losses or to increase the capital of these group companies. The enterprise expansion fund can only be used to increase capital of the group companies or to expand their production operations upon approval by the relevant authority.

During the year ended 31 December 2016, the boards of directors of the subsidiaries resolved to appropriate approximately HK$185,924,000 (2015: HK$97,000,000) from retained earnings to statutory reserve fund. No enterprise expansion fund was appropriated during the years ended 31 December 2016 and 2015.

(b) The capital reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to a reorganisation occurred in 2004 and the nominal value of the share capital of the Company issued in exchange thereof.

(c) The impairment loss of available-for-sale financial asset of HK$44,976,000 was reclassified to profit or loss as a result of a significant decline in fair value against the original cost during the year (Note 12).

21 DEFERRED INCOME TAX (Continued)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately HK$8,289,000 (2015: HK$51,923,000) in respect of losses amounting to approximately HK$33,161,000 (2015:HK$211,614,000) that can be carried forward against future taxable income, approximately Nil (2015: HK$58,903,000), Nil (2015: HK$5,487,000), HK$22,000 (2015: HK$118,711,000) and Nil (2015: HK$11,652,000) and HK$5,092,000 (2015: Nil) of such losses will expire in 2017, 2018, 2019, 2020 and 2021 respectively. The remaining balance of approximately HK$28,047,000 (2015: HK$16,861,000) does not have expiry date.

Deferred income tax liabilities of approximately HK$335,122,340 (2015: HK$197,982,000) have not been recognised for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries and associates in the PRC. Such temporary differences are not expected to be reversed in the foreseeable future. At 31 December 2016, total unremitted earnings for which deferred withholding tax liability has not been recognised amounted to approximately HK$6,702,447,000 (2015: HK$3,959,634,000).

22 EXPENSES BY NATURE

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

	2016	2015
Amortisation charge of leasehold land and land use rights *(Note 6)*	**26,708**	28,210
Depreciation charge of property, plant and equipment *(Note 7)*	**797,038**	763,483
Amortisation charge of intangible assets *(Note 9)*	**3,090**	3,385
Employee benefit expenses *(Note 23)*	**1,088,376**	1,074,008
Cost of inventories *(Note 14)*	**5,918,478**	6,063,371
Transportation costs	**304,753**	349,247
Advertising costs	**53,408**	45,339
Operating lease payments in respect of land and buildings	**7,119**	7,923
Impairment of the available-for-sale financial assets (*Note 18(c)*)	**44,976**	—
Provision for/(reversal of provision for) impairment of trade receivables, net *(Note 15)*	**33,947**	(1,264)
Auditor's remuneration		
– Audit services	**3,500**	3,300
– Non-statutory audit services	**1,405**	2,637
Other expenses	**1,728,746**	1,602,471
Total cost of sales, selling and marketing costs and administrative and other operating expenses	**10,011,544**	9,942,110

23 EMPLOYEE BENEFIT EXPENSES

	2016	2015
Wages and salaries	978,210	976,520
Share options granted to employees *(Note 18)*	32,231	24,100
Pension costs - defined contribution plans *(Note (a))*	77,935	73,388
	1,088,376	1,074,008

Note (a): Pension costs

The Group participates in a Mandatory Provident Fund scheme (the "MPF scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF scheme, the employer and its employees in Hong Kong are each required to contribute 5% of their gross earnings with a ceiling of HK$1,500 per month to the MPF scheme. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The Group's subsidiaries in the PRC also participate in defined contribution retirement schemes covering its full time PRC employees.

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

(A) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include four (2015: three) directors whose emoluments are reflected in the analysis shown in Note 35. The emoluments payable to the remaining one individual (2015: two individuals) during the year are as follows:

	2016	2015
Basic salaries and allowances	828	3,950
Discretionary and performance bonus	3,450	16,858
Employer's contributions to pension scheme	18	28
Share options granted *(Note (a))*	230	250
	4,526	21,086

Note (a):

Share options granted represent fair value of share options issued under Share Option Scheme recognised in the consolidated income statement during the year disregarding whether the options have been vested/exercised.

During the year, no emoluments were paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2015: Nil).

24 OTHER INCOME

	2016	2015
Rental income	7,964	11,320
Government grants *(Note (a))*	251,053	186,000
Insurance compensation income	35,760	4,940
Income from sale of electricity *(Note (b))*	31,562	11,025
Income from sale of automatic machines *(Note (c))*	9,303	—
Others	6,283	1,882
	341,925	215,167

Notes:

(a) Government grants mainly represent grants obtained from the PRC government in relation to value-added tax, income tax, land use tax and other operating costs of certain PRC subsidiaries.

(b) It represents the income from sale of electricity generated from its solar power generating machines.

(c) It represents the income from sale of automatic machines for solar glass factory and other related industry.

25 OTHER GAINS - NET

	2016	2015
Losses on disposal of property, plant and equipment	(10,528)	(18,449)
Gain on disposal of a subsidiary	—	12,346
Gain on disposal of an associate	—	570
Gain on dilution of shares in an associate *(Note 13)*	—	228,000
Fair value gains on investment properties *(Note 8)*	35,973	105,640
Gain on disposal of available-for-sale financial assets	—	3,039
Other foreign exchange gains, net	133,457	48,138
	158,902	379,284

26 FINANCE INCOME AND COSTS

	2016	2015
Finance income:		
Interest income on bank deposits	**50,826**	21,550
Other interest income	**—**	18,430
	50,826	39,980
Finance costs:		
Interest expense on bank borrowings	**125,705**	114,653
Interest expense on convertible bonds *(Note 20 (b))*	**34,795**	33,167
Less: interest expense capitalised on qualifying assets *(Note 7)*	**(32,837)**	(57,610)
	127,663	90,210

27 INCOME TAX EXPENSE

	2016	2015
Current income tax		
– Hong Kong profits tax *(Note (a))*	**36,046**	46,815
– PRC corporate income tax *(Note (b))*	**512,975**	226,172
– Overseas income tax *(Note (c))*	**(3)**	186
– Over provision in prior years	**(929)**	(7,070)
Deferred income tax *(Note 21)*		
– Origination/(reversal) of temporary differences	**59,199**	(77)
	607,288	266,026

27 INCOME TAX EXPENSE (Continued)

Notes:

(a) Hong Kong profits tax

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

(b) PRC corporate income tax ("CIT")

CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations.

The applicable CIT rates for major subsidiaries located in Shenzhen, Wuhu, Dongguan, Tianjin, Jiangmen and Yingkou are 25% (2015: 25%). Eleven (2015: ten) major subsidiaries in Shenzhen, Wuhu, Dongguan, Tianjin, Jiangmen and Yingkou enjoy high-tech enterprise income tax benefit and the tax rate is 15%.

(c) Overseas income tax

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2016	2015
Profit before income tax	**3,823,451**	2,379,625
Calculated at weighted average tax rate of 23.9% (2015: 22.1%)	**913,429**	525,289
Difference in tax rates on income of certain PRC and Hong Kong subsidiaries	**(199,803)**	(162,802)
Over provision in prior years	**(929)**	(7,070)
Utilisation of previously unrecognised tax losses	**(45,022)**	(1,298)
Tax losses for which no deferred income tax asset was recognised	**4,802**	9,214
Associates' results reported	**(92,830)**	(52,346)
Income not subject to tax	**(1,574)**	(67,760)
Expenses not deductible for tax purposes	**29,215**	22,799
Income tax expense	**607,288**	266,026

28 EARNINGS PER SHARE

BASIC:

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue (after taking into account the effect of the issuance of new shares and share repurchased and cancellation stated in Note 17 (a) and (b) during 2016 and 2015.

	2016	2015
Profit attributable to equity holders of the Company (HK$'000)	**3,213,428**	2,113,143
Weighted average number of ordinary shares in issue (thousands)	**3,881,944**	3,921,753
Basic earnings per share (HK cents per share)	**82.78**	53.88

DILUTED:

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options and convertible bonds. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

	2016	2015
Earnings		
Profit attributable to equity holders of the Company (HK$'000)	**3,213,428**	2,113,143
Interest expense on convertible bonds (net of tax) (HK$'000)	**29,053**	27,695
Share of profit of an associate as a result of diluted earnings at associate level	**(318)**	(197)

29 DIVIDENDS

	2016	2015
Interim dividend paid of HK$0.17 (2015: HK$0.095) per share *(Note a)*	660,859	372,574
Special dividend, by way of distribution of shares of Xinyi HK *(Note b)*	66,277	—
Proposed final dividend of HK$0.23 (2015: final dividend of HK$0.17) per share *(Note c)*	895,354	659,753
	1,622,490	1,032,327

Notes:

(a) An interim dividend of HK$0.17 per share (2015: HK$0.095 per share) was paid to shareholders whose names appeared on the Register of Members of the Company on 19 August 2016.

(b) On 17 May 2016, the board of directors of the Company declared a conditional special interim dividend by way of distribution of 100% of Xinyi HK shares held by a subsidiary of the Company to the Company's shareholders in proportion to their shareholdings in the Company. On 11 July 2016, a total of 485,112,212 Xinyi HK shares, representing 100% of the total number of shares in issue were distributed to the owners of the Company. The corresponding share in net assets value of Xinyi HK upon the Spin-off was approximately HK$66,277,000.

(c) A final dividend in respect of the financial year ended 31 December 2016 of HK$0.23 per share (2015: HK$0.17 per share), amounting to a total dividend of HK$859,354,000 (2015: HK$659,753,000), is to be proposed at the forthcoming Annual General Meeting. The amount of 2016 proposed final dividend is based on 3,892,843,199 shares in issue as at 31 January 2017 (2015: 3,861,812,699 shares in issue as at 29 February 2016). These financial statements do not reflect this dividend payable.

30 CASH GENERATED FROM OPERATIONS

	Note	2016	2015
(a) Profit before income tax		**3,823,451**	2,379,625
Adjustments for:			
– Amortisation charge of leasehold land and land use rights	22	**26,708**	28,210
– Fair value gains on investment properties	25	**(35,973)**	(105,640)
– Depreciation of property, plant and equipment	22	**797,038**	763,483
– Gains on dilution of share in an associate	13	**—**	(228,000)
– Gains on disposal of an associate	25	**—**	(570)
– Losses on disposal of property, plant and equipment and leasehold land and land use rights	25	**10,528**	18,449
– Amortisation charge of intangible assets	22	**3,090**	3,385
– Gains on disposal of a subsidiary	25	**—**	(12,346)
– Gain on disposal of available-for-sale financial assets	25	**—**	(3,039)
– Impairment loss on available-for-sale financial assets	22	**44,976**	—
– Share of profits of associates	13	**(562,605)**	(317,251)
– Interest income	26	**(50,826)**	(39,980)
– Interest expenses	26	**127,663**	90,210
– Share options granted to employees	23	**32,231**	24,100
– Provision for/(reversal of provision for) impairment of trade receivables, net	15	**33,947**	(1,264)
Changes in working capital:			
– Inventories		**(83,825)**	241,402
– Trade and other receivables		**(69,986)**	120,203
– Trade payables and other payables		**(63,922)**	12,943
Cash generated from operations		**4,032,495**	2,973,920

30 CASH GENERATED FROM OPERATIONS (Continued)

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

	2016	2015
Net book amount of property, plant and equipment *(Note 7)*	28,990	19,119
Losses on disposal of property, plant and equipment *(Note 25)*	(10,528)	(18,449)
Proceeds from disposal of property, plant and equipment for the year	18,462	670

(c) In the consolidated statement of cash flows, proceeds from disposal of a subsidiary comprise:

	2016	2015
Net book amount of a subsidiary disposed of	—	255,832
Gain on disposal of a subsidiary *(Note 25)*	—	12,346
Proceeds from disposal of a subsidiary	—	268,178

31 COMMITMENTS

CAPITAL COMMITMENTS

Capital expenditure at the end of reporting date but not yet incurred is as follows:

	2016	2015
Property, plant and equipment and land use right		
Contracted but not provided for	2,150,864	467,381

31 COMMITMENTS (Continued)

OPERATING LEASE COMMITMENTS

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
Not later than 1 year	58	8,958
Later than 1 year and not later than 5 years	—	5,678
	58	14,636

Investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable under non-cancellable operating lease of investment properties not recognised in the consolidated financial statements are as follows:

	2016	2015
Not later than 1 year	7,409	426
Later than 1 year and not later than 5 years	5,919	—
	13,328	426