HANERGY THIN FILM POWER GROUP LIMITED
漢 能 薄 膜 發 電 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 566)

ANNOUNCEMENT OF 2017 RESULTS

The board of directors (the "**Board**") of Hanergy Thin Film Power Group Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017 with comparative figures in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4	**6,147,385**	4,483,130
Cost of sales		**(3,472,144)**	(1,885,358)
Gross profit		**2,675,241**	2,597,772
Other income and gains		**76,470**	77,204
(Loss)/gain on disposal of subsidiaries, net	5	**(5,568)**	62,623
Selling and distribution expenses		**(414,463)**	(404,769)
Administrative expenses		**(990,090)**	(882,280)
Research and development costs	5	**(621,678)**	(567,165)
Other expenses		**(214,449)**	(175,123)
Finance costs		**(59,339)**	(49,867)
PROFIT BEFORE TAX	5	**446,124**	658,395
Income tax expense	6	**(185,092)**	(406,781)
PROFIT FOR THE YEAR		**261,032**	251,614

	Notes	**2017** **HK$'000**	2016 *HK$'000*
OTHER COMPREHENSIVE INCOME/(LOSS) TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS:			
Exchange differences on translation of foreign operations		**414,616**	(408,183)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**414,616**	(408,183)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**675,648**	(156,569)
Profit for the year attributable to:			
Owners of the parent		**261,099**	251,620
Non-controlling interests		**(67)**	(6)
		261,032	251,614
Total comprehensive income/(loss) for the year attributable to:			
Owners of the parent		**675,715**	(156,563)
Non-controlling interests		**(67)**	(6)
		675,648	(156,569)
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT	*7*		
Basic		**0.62**	0.60
Diluted		**0.60**	0.59

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**581,302**	606,111
Intangible assets		**35,467**	12,685
Available-for-sale financial investments		**66,097**	—
Restricted cash		**4,104**	1,878
Other non-current assets		**85,471**	137,713
Total non-current assets		**772,441**	758,387
CURRENT ASSETS			
Inventories		**1,689,670**	1,648,717
Trade receivables	*8*	**7,232,791**	6,813,364
Tax recoverable		**2,766**	2,571
Gross amount due from contract customers	*9*	**2,400,660**	1,547,405
Other receivables	*10*	**1,437,143**	703,550
Bills receivable		**27,363**	11,850
Deposits and prepayments	*11*	**3,369,336**	1,391,403
Restricted cash		**140,236**	36,179
Cash and cash equivalents		**2,496,760**	248,674
		18,796,725	12,403,713
Assets of a disposal group classified as held for sale		—	32,225
Total current assets		**18,796,725**	12,435,938
CURRENT LIABILITIES			
Trade and bills payables	*12*	**1,737,876**	1,295,630
Other payables and accruals		**7,073,562**	2,108,503
Interest-bearing bank and other borrowings		**597,610**	465,880
Tax payable		**1,005,374**	927,593
Deferred income		**20,447**	51,610
		10,434,869	4,849,216
Liabilities directly associated with the assets classified as held for sale		—	13,850
Total current liabilities		**10,434,869**	4,863,066

	Notes	2017 HK$'000	2016 HK$'000
NET CURRENT ASSETS		**8,361,856**	7,572,872
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,134,297**	8,331,259
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**478,048**	401,220
Interest-bearing bank and other borrowings		**528,398**	584,755
Other non-current liabilities		**20,049**	4,262
Total non-current liabilities		**1,026,495**	990,237
Net assets		**8,107,802**	7,341,022
EQUITY			
Equity attributable to the owners of the parent			
Issued capital		**105,364**	104,647
Reserves		**8,001,902**	7,235,772
		8,107,266	7,340,419
Non-controlling interests		**536**	603
Total equity		**8,107,802**	7,341,022

NOTES:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated. Assets of a disposal group held for sale are stated at the lower of their carrying amounts and fair values less costs to sell.

As at 31 December 2017, the Group had a cash balance of HK$2,496,760,000 and its current assets were in excess of current liabilities of HK$8,361,856,000 which, as set out in notes 8 and 9, included trade receivables and gross amount due from contract customers due from a third-party customer with a total amount of HK$2,682,375,000.

The directors of the Company are considering measures to monitor and improve the cash flows of the Group, including but not limited to the collection of trade receivables due from Hanergy Holding Group Limited ("**Hanergy Holding**") and its affiliates (collectively referred to as "**Hanergy Affiliates**") and the third-party customers developed for the manufacturing business, as well as further expansion to the downstream business. The Group received HK$2,283,175,000 and HK$194,394,000 from Hanergy Affiliates for the full repayment of trade receivables and the interest penalty of the overdue trade receivables subsequent to 31 December 2017 and up to 27 March 2018. The Group also received HK$248,230,000 from the aforesaid third-party customer to settle part of the due trade receivables subsequent to 31 December 2017 and up to 27 March 2018. In addition, the Group also received periodical repayments from third-party customers of the manufacturing business for repayment of the due trade receivables as disclosed in note 8. The Group has also put a lot of resources and efforts in the downstream photovoltaic applications and solar poverty alleviation projects. The Group has approximately more than one thousand active distributors, covering most of the markets at city and county level across Mainland China as at 31 December 2017.

In light of the measures of the Group described above, the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations and is able to meet with its liabilities as and when they fall due in the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

3. OPERATING SEGMENT INFORMATION

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined according to the Group's major products and service lines.

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

— manufacture of equipment and turnkey production lines for the manufacture of both amorphous silicon-based and Copper Indium Gallium Selenide ("**CIGS**") based thin film solar photovoltaic modules and the technological development and production of Gallium Arsenide ("**GaAs**") thin film power turnkey production lines ("Manufacturing");

— construction of solar farms, rooftop power stations, household systems, small to medium-sized enterprises ("**SME**") commercial systems etc., and sale of power stations, operation of rooftop power stations, sale of solar photovoltaic panels, photovoltaic application products and electricity, and provision of engineering service ("**Downstream**")

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except for certain of the interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, available-for-sale financial assets and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

For the year ended 31 December 2017

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Revenue			
Sales to external customers	**4,241,755**	**1,905,630**	**6,147,385**
Segment Results	**1,477,711**	**(965,260)**	**512,451**
Including:			
Interest income	**6,177**	**2,130**	**8,307**
Finance costs	**(53,112)**	**(6,227)**	**(59,339)**
Research and development costs	**(569,910)**	**(51,768)**	**(621,678)**
Reconciliation of segment results:			
Segment results			**512,451**
Interest income			**19,732**
Unallocated other income and gains			**55**
Corporate and other unallocated expenses			**(86,114)**
Profit before tax			**446,124**

As at 31 December 2017

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Assets	**16,898,967**	**5,328,399**	**22,227,366**
Reconciliation:			
Elimination of intersegment receivables			**(2,848,995)**
Available-for-sale financial asset			**66,097**
Corporate and other unallocated assets			**124,698**
Total assets			**19,569,166**
Segment Liabilities	**8,433,987**	**5,327,729**	**13,761,716**
Reconciliation:			
Elimination of intersegment payables			**(2,848,995)**
Deferred tax liabilities			**478,048**
Corporate and other unallocated liabilities			**70,595**
Total liabilities			**11,461,364**

For the year ended 31 December 2017

	Manufacturing *HK$'000*	**Downstream** *HK$'000*	**Total** *HK$'000*
Other Segment Information			
Reversal of impairment of trade receivables	**—**	**(1,399)**	**(1,399)**
Impairment of property, plant and equipment	**—**	**45,522**	**45,522**
Impairment of trade receivables	**—**	**934**	**934**
Write-down of inventories to net realisable value	**39,170**	**34,612**	**73,782**
Reversal of inventory provision	**(9,661)**	**(1,213)**	**(10,874)**
Depreciation and amortisation	**22,231**	**45,410**	**67,641**
Reconciliation:			
Corporate and other unallocated depreciation and amortisation			**396**
Total depreciation and amortisation			**68,037**
Capital expenditure*	**128,293**	**26,523**	**154,816**
Reconciliation:			
Corporate and other unallocated capital expenditure			**41**
Total capital expenditure			**154,857**

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

For the year ended 31 December 2016

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Revenue			
Sales to external customers	3,028,182	1,454,948	4,483,130
Segment Results	1,402,869	(584,682)	818,187
Including:			
Interest income	3,448	11,390	14,838
Finance cost	(40,974)	(6,577)	(47,551)
Research and development cost	(566,122)	(1,043)	(567,165)
Reconciliation of segment results:			
Segment results			818,187
Interest income			108
Finance costs			(2,316)
Unallocated other income and gains			4,689
Corporate and other unallocated expenses			(162,273)
Profit before tax			658,395

As at 31 December 2016

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Segment Assets	12,930,268	3,031,997	15,962,265
Reconciliation:			
Elimination of intersegment receivables			(2,789,397)
Corporate and other unallocated assets			21,457
Total assets			13,194,325
Segment Liabilities	3,418,722	4,784,134	8,202,856
Reconciliation:			
Elimination of intersegment payables			(2,789,397)
Deferred tax liabilities			401,220
Corporate and other unallocated liabilities			38,624
Total liabilities			5,853,303

For the year ended 31 December 2016

	Manufacturing *HK$'000*	Downstream *HK$'000*	Total *HK$'000*
Other Segment Information			
Reversal of impairment of trade receivables	—	(28,830)	(28,830)
Reversal of impairment of other receivables	—	(110,188)	(110,188)
Impairment of trade receivables	—	18,211	18,211
Impairment of prepayment	20,231	—	20,231
Write-down of inventories to net realisable value	127,757	15,164	142,921
Reversal of inventory provision	(22,180)	—	(22,180)
Depreciation and amortisation	4,999	37,243	42,242
Reconciliation:			
Corporate and other unallocated depreciation and amortisation			470
Total depreciation and amortisation			42,712
Capital expenditure*	293,605	8,441	302,046
Reconciliation:			
Corporate and other unallocated capital expenditure			794
Total capital expenditure			302,840

* Capital expenditure consists of additions to property, plant and equipment and intangible assets.

Geographical information

(a) Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**6,110,236**	4,412,827
United Kingdom	**1,551**	4,675
United States	**30,355**	33,055
Europe	**4,234**	32,083
Others	**1,009**	490
	6,147,385	4,483,130

The revenue information above is based on the locations to which the goods were delivered or the services were provided.

(b) Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Mainland China	**315,213**	337,077
United States	**365,272**	401,751
Hong Kong	**566**	963
United Kingdom	**10,254**	14,420
Others	**15,039**	4,176
	706,344	758,387

The non-current asset information above is based on the locations of the assets.

Information about major customers

2017

Revenue of HK$2,463,821,000 was derived from sales by the Manufacturing segment to Shandong Zibo Hanergy Thin Film Power Ltd. ("**Shandong Zibo**")

Revenue of HK$1,263,618,000 was derived from sales by the Manufacturing segment to Jingzhou Shunbai Solar Power Company Limited ("**Jingzhou Shunbai**").

2016

Revenue of HK$2,091,900,000 was derived from sales by the Manufacturing segment to Shandong Macrolink New Resources Technology Limited ("**Shandong Macrolink**").

Revenue of HK$903,659,000 was derived from sales by the Manufacturing segment to Hanergy Affiliates.

4. REVENUE

Revenue mainly represents an appropriate proportion of contract revenue of construction contracts and the sale of solar power stations, the sale of rooftop stations, sale of solar photovoltaic panels, photovoltaic application products and electricity.

An analysis of revenue is as follows:

	2017	2016
	HK$'000	*HK$'000*
Contract revenue	**4,845,660**	3,024,927
Sales of solar power stations	**—**	88,203
Sales of solar photovoltaic panels	**62,742**	111,883
Sales of rooftop stations	**1,199,987**	1,234,999
Sales of photovoltaic application	**7,751**	2,908
Sales of electricity	**31,245**	20,210
	6,147,385	4,483,130

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**(11,761)**	(2,444)
Other interest income	**(16,278)**	(12,502)
Loss/(gain) on disposal of subsidiaries, net *(note 13)*	**5,568**	(62,623)
Auditor's remuneration		
Audit service	**16,300**	23,594
Others	**6,470**	7,673
Amortisation of intangible assets	**1,489**	1,885
Depreciation of items of property, plant and equipment	**66,548**	40,827
Employee benefit expenses**:		
Salaries, allowances and benefits in kind	**708,265**	628,465
Employment termination benefits included in administrative expenses	**18**	10,324
Pension schemes	**43,254**	31,567
Equity-settled share option expenses	**19,475**	31,358
Sub-total	**771,012**	701,714
Research and development costs	**621,678**	567,165
Foreign exchange losses, net*	**1,802**	62,645
Impairment of property, plant and equipment	**45,522**	—
Impairment of trade receivables* *(note 8)*	**934**	18,211
Impairment of prepayment*	**—**	20,231
Reversal of impairment of trade receivables* *(note 8)*	**(1,399)**	(28,830)
Reversal of impairment of other receivables* *(note 10)*	**—**	(110,188)
Write-down of inventories to net realisable value*	**73,782**	142,921
Reversal of inventory provision*	**(10,874)**	(22,180)
Loss on disposal of items of property, plant and equipment*	**464**	4,516
Minimum lease payments under operating leases:		
Land and buildings	**252,738**	184,714
Equipment	**3,975**	24,444
Product warranty provision	**38,468**	37,188

* These items are included in "other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income of the Group.

** This item include the directors' and chief executive's remuneration and key management emolument of the Group.

6. INCOME TAX

The Company is incorporated in Bermuda and conducts its primary business through its subsidiaries in the PRC and other countries. The Company, under the current laws of Bermuda, is not subject to tax on income or capital gains. The Hong Kong profits tax rate was 16.5% (2016: 16.5%) during the years reported. The Company's Hong Kong subsidiaries have both Hong Kong-sourced and non-Hong Kong-sourced income. The latter is not subject to Hong Kong profits tax and the related expenses are non-tax-deductible. No provision for Hong Kong profits tax was made as such operations did not generate any assessable profits arising from Hong Kong during the year. Furthermore, there are no withholding tax in Hong Kong on the remittance of dividends.

Effective from 1 January 2008, the PRC's statutory corporate income tax ("**CIT**") rate is 25%. Certain of the Group's subsidiaries in the PRC were designated as "High New Technology Enterprises" and were entitled to a preferential CIT rate of 15%. The Company's other PRC subsidiaries are subject to income tax at 25% on their respective taxable income as calculated in accordance with the CIT Law and its relevant regulations except for Apollo Precision (Kunming) Yuanhong Limited ("Apollo Kunming"). In 2013, Apollo Kunming received written confirmations from the local tax bureau that Apollo Kunming was taxed on a deemed profit method based on the deemed profits at the 25% statutory tax rate. The deemed profit was determined at 10% of the sales of Apollo Kunming. The Company's subsidiary in Sweden is subject to income tax at a rate of 22%. The Company's subsidiary in the United Kingdom is subject to income tax at a rate of 19%. The Company's subsidiaries in the United States are subject to income tax at rates ranging from 26% to 30%. The Company's subsidiaries in Germany are subject to income tax at a rate of 29%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. No provision for income tax was made for the overseas subsidiaries as there were no assessable profits during the current and prior years.

Under the prevailing CIT Law and its relevant regulations, any dividends paid by the Company's PRC subsidiaries from their earnings derived after 1 January 2008 to the Company's Hong Kong subsidiary are subject to a 5% or 10%, depending on the applicability of the Sino-Hong Kong tax treaty, PRC dividend withholding tax. For the Group, the historical applicable rate is 5%. The Group is therefore liable for withholding taxes on retained earnings distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

	2017	2016
	HK$'000	*HK$'000*
Current		
The PRC		
Income tax expense for the year	**107,489**	423,138
Under provision in respect of prior years	**—**	24
	107,489	423,162
Deferred	**77,603**	(16,381)
Total tax charge for the year	**185,092**	406,781

7. EARNINGS PER SHARE ATTRIBUTABLE TO THE ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to the ordinary equity holders of the parent, and the weighted average number of ordinary shares of 41,866,989,000 (2016: 41,751,928,000) in issue during the year.

The Group had share options and subscription rights outstanding which could potentially dilute basic earnings per share in the future. The calculation of the diluted earnings per share amount in 2017 and 2016 is based on the profit for the year attributable to the ordinary equity holders of the parent without any adjustment. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the calculation of basic earnings per share plus (i) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of subscription rights into ordinary shares; and (ii) an adjustment has been made to the weighted average number of ordinary shares as the outstanding options had a dilutive effect on the basic earnings per share amount presented in 2017. In 2016, no adjustment has been made to the weighted average number of ordinary shares regarding the outstanding options as they had an anti-dilutive effect on the basic earnings per share amount presented.

When calculating the diluted earnings per share, an estimated share price of 2017 and 2016 were used which was calculated by market value of 100% equity interest of the Company (the "**Market Value**") divided by total outstanding shares as at each valuation date. The Market Value was estimated by an independent valuer (the "**Valuer**") as the trading of the Company's shares had been suspended since 20 May 2015. The Valuer adopted the market approach, which is basically a comparison method which estimates market value from analysing sales and financial data and ratios of comparable public companies. The Market Value was derived after a discount of lack of marketability.

The calculations of basic and diluted earnings per share are based on:

	2017	2016
	HK$'000	*HK$'000*
Profit attributable to the ordinary equity holders of the parent, used in the basic earnings per share calculation	**261,099**	251,620
Profit for the purposes of diluted earnings per share calculation	**261,099**	251,620

	Number of shares	
	2017	2016
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**41,866,989**	41,751,928
Effect of dilution-weighted average number of ordinary shares:		
Assumed issue at no consideration on deemed exercise of all share options outstanding during the year	**78,587**	—
Deemed exercise of subscription rights	**1,831,592**	920,004
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**43,777,168**	42,671,932

8. TRADE RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables:			
— Due from Hanergy Affiliates	*(i)*	**2,283,175**	3,913,807
— Due from third parties	*(ii)*	**5,009,089**	2,957,487
		7,292,264	6,871,294
Less: Impairment of amounts due from third parties		**(59,473)**	(57,930)
		7,232,791	6,813,364

Notes:

(i) Trade receivables from Hanergy Affiliates

The balances are mainly related to contracts with Hanergy Affiliates, settled in accordance with the terms of the respective contracts which are generally from 3 to 10 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Based on the invoice date, the ageing analysis of the Group's net trade receivables from Hanergy Affiliates is as follows:

	2017 HK$'000	2016 HK$'000
Within 3 months	**735,640**	1,394,950
3 to 6 months	**—**	54,146
6 months to 1 year	**—**	68,857
More than 1 year	**1,547,535**	2,395,854
	2,283,175	3,913,807

The ageing analysis of the trade receivables from Hanergy Affiliates that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**—**	1,394,950
Less than 3 months past due	**735,640**	—
3 to 6 months past due	**—**	54,146
6 months to 1 year past due	**1,394,950**	68,857
More than 1 year past due	**152,585**	2,395,854
	2,283,175	3,913,807

During this year, Hanergy Affiliates paid a total of HK$2,611,152,000 (exclusive of Shandong Zibo) for the previous construction contracts to the Group. The Group issued certain payment request letters and legal letters to Hanergy Affiliates requiring repayment of the rest of the trade receivables and reserved rights to take further legal actions on Hanergy Affiliates.

Trade receivables of HK$152,585,000 as at 31 December 2017 (2016: HK$2,395,854,000) were past due for more than 1 year. Trade receivables of HK$2,130,590,000 as at 31 December 2017 (2016: HK$123,003,000) were past due for less than 1 year. Subsequent to 31 December 2017 and up to 27 March 2018 (when the financial statements were approved for issuance), Hanergy Affiliates repaid all the trade receivables of HK$2,283,175,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

Furthermore, pursuant to the relevant sales contracts, the Group is entitled to claim Hanergy Affiliates interest penalty on the overdue progress payments. Interest penalty is calculated at 0.04% per day of the overdue trade receivables. No interest penalty was recognised due from Hanergy Affiliates for the year ended 31 December 2017 (2016: Nil). The balance of interest penalty due from Hanergy Holding that included in other receivables was HK$194,394,000 as at 31 December 2017 (2016: HK$194,394,000). Up to 27 March 2018 (when the financial statements were approved for issuance), Hanergy Holding repaid all the interest penalty of HK$194,394,000 (translated from RMB by using the respective spot rates at the date of the payments made).

(ii) Trade receivables from third parties

a. Trade receivables from Shandong Macrolink

The balances are mainly related to contracts with Shandong Macrolink, settled in accordance with the terms of the contracts which is generally from 3 to 7 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Shandong Macrolink is as follows:

	2017	2016
	HK$'000	*HK$'000*
6 months to 1 year	**—**	1,599,964
More that 1 year	**1,816,927**	936,781
	1,816,927	2,536,745

The ageing analysis of the trade receivables from Shandong Macrolink that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
3 to 6 months past due	—	980,186
6 months to 1 year past due	—	619,778
More than 1 year past due	**1,816,927**	936,781
	1,816,927	2,536,745

During this year, Shandong Macrolink paid a total of HK$734,685,000 to the Group. Subsequent to 31 December 2017 and up to 27 March 2018 (when the financial statements were approved for issuance), Shandong Macrolink repaid HK$248,230,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

b. Trade receivables from Jingzhou Shunbai

The balances are mainly related to contracts with Jingzhou Shunbai, settled in accordance with the terms of the contracts which is generally 15 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Jingzhou Shunbai is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**138,368**	—
	138,368	—

The ageing analysis of the trade receivables from Jingzhou Shunbai that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**138,368**	—
	138,368	—

During this year, Jingzhou Shunbai paid a total of HK$410,030,000 to the Group. Subsequent to 31 December 2017 and up to 27 March 2018 (when the financial statements were approved for issuance), Jingzhou Shunbai repaid HK$130,770,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

c. ***Trade receivables from Shandong Zibo***

The balances are mainly related to contracts with Shandong Zibo, settled in accordance with the terms of the contracts which is generally 3 to 7 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Shandong Zibo is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**1,321,274**	—
6 months to 1 year	**391,435**	—
	1,712,709	—

The ageing analysis of the trade receivables from Shandong Zibo that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**1,321,274**	—
3 to 6 months past due	**391,435**	—
	1,712,709	—

During this year, Shandong Zibo paid a total of HK$551,458,000 to the Group. Subsequent to 31 December 2017 and up to 27 March 2018 (when the financial statements were approved for issuance), Shandong Zibo repaid HK$583,012,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

d. ***Trade receivables from Huafengyuan (Chengdu) New Energy Technology Co Ltd. ("Huafengyuan Chengdu")***

The balances are mainly related to contracts with Huafengyuan Chengdu, settled in accordance with the terms of the contracts which is generally 5 days. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

Based on the invoice date, the ageing analysis of the Group's net trade receivables from Huafengyuan Chengdu is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**382,012**	—
	382,012	—

The ageing analysis of the trade receivables from Huafengyuan Chengdu that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**382,012**	—
	382,012	—

During this year, Huafengyuan Chengdu paid HK$30,365,000 down payment of a construction contract to the Group. Subsequent to 31 December 2017 and up to 27 March 2018 (when the financial statements were approved for issuance), Huafengyuan Chengdu repaid HK$181,880,000 (translated from RMB by using the respective spot rates at the date of the payment made) to the Group.

e. ***Trade receivables from other third parties***

The credit period is generally one month, extending up to three months for major customers. Based on the invoice date, the ageing analysis of the Group's trade receivables from other third parties is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 3 months	**194,430**	66,549
3 to 6 months	**111,839**	119,537
6 months to 1 year	**343,998**	142,741
More than 1 year	**308,806**	91,915
	959,073	420,742
Less: Impairment	**(59,473)**	(57,930)
	899,600	362,812

The ageing analysis of the trade receivables from other third parties that are not individually nor collectively considered to be impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**172,172**	65,979
Less than 3 months past due	**61,668**	119,525
3 to 6 months past due	**324,150**	148,555
6 months to 1 year past due	**173,750**	3,601
More than 1 year past due	**167,860**	25,152
	899,600	362,812

The movements in provision for impairment of trade receivables are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**57,930**	197,220
Impairment losses recognised *(note 5)*	**934**	18,211
Disposal of a subsidiary	**—**	(125,150)
Reversal of impairment *(note 5)*	**(1,399)**	(28,830)
Exchange realignment	**2,008**	(3,521)
At 31 December	**59,473**	57,930

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HK$59,473,000 (2016: HK$57,930,000) with a carrying amount before provision of HK$59,473,000 (2016: HK$57,930,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The directors of the Company considered that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

9. GROSS AMOUNT DUE FROM CONTRACT CUSTOMERS

The Group's gross amount due from customers for contract work was related to contracts with certain customers in relation to the turnkey production lines, construction of solar power stations for certain small to medium-sized enterprises and poverty alleviation projects. The movement of gross amount due from contract customers is as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**1,547,405**	2,930,836
Contract costs incurred plus recognised profits less recognised losses	**5,366,670**	3,280,988
Progress billings	**(4,708,435)**	(4,196,857)
Exchange realignment	**195,020**	(467,562)
At 31 December	**2,400,660**	1,547,405

As at 31 December 2017, the Group's gross amount due from construction contract customers for contract work that were shown in Manufacturing segment were listed as follows:

	2017	2016
	HK$'000	*HK$'000*
Hanergy Affiliates	—	729,826
Shandong Macrolink	**865,448**	796,204
Jingzhou Shunbai	**810,941**	—
Shandong Zibo	**724,271**	16,102
At 31 December	**2,400,660**	1,542,132

10. OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Other receivables:			
— Due from Hanergy Holding	*(i)*	**194,879**	194,820
— Due from Hanergy Affiliates		**4,210**	2,621
— Due from third parties	*(ii)*	**1,262,590**	529,032
		1,461,679	726,473
Less: Impairment		**(24,536)**	(22,923)
		1,437,143	703,550

The movements in provision for impairment of other receivables are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	**22,923**	237,099
Reversal during the year *(note 5)*	—	(110,188)
Disposal of a subsidiary	—	(94,416)
Exchange realignment	**1,613**	(9,572)
	24,536	22,923

Note:

(i) The balances of other receivables due from Hanergy Holding mainly represented the interest penalty on the overdue progress payments of the contract work. As disclosed in note 8, pursuant to the relevant sales contracts, the Group is entitled to claim Hanergy Affiliates interest penalty on the overdue progress payments. Interest penalty of HK$194,394,000 at a rate of 0.04% per day of the overdue trade receivables was included in other receivables due from the Hanergy Holding as at 31 December 2017 (2016: HK$194,394,000). Up to 27 March 2018 (the date of approval of these financial statements), Hanergy Holding repaid all the interest penalty of HK$194,394,000 (translated from RMB by using the respective spot rates at the date of the payments made) to the Group.

(ii) The balance of other receivables due from third parties mainly represented unutilised value added tax ("VAT") input of HK$162,122,000, consideration receivables due from a third party with respect of disposal of Changde Hanergy of HK$611,363,000, and the balance related to investment from an asset management company of HK$321,791,000. Subsequent to 31 December 2017 and up to 27 March 2018 (when the financial statements were approved for issuance), the third party repaid RMB360,000,000 (equivalent to approximately HK$446,972,000) to the Group in relation to the disposal of Changde Hanergy.

Included in the above provision for impairment of other receivables is a provision for individually impaired receivables of HK$24,536,000 (2016: HK$22,923,000) with a carrying amount before provision of HK$24,536,000 (2016: HK$22,923,000).

The individually impaired other receivables relate to debtors that were in financial difficulties or were in default in principal payments and none of the receivables is expected to be recovered.

Except for those other receivables that are already impaired and the interest penalty due from Hanergy Holding, the financial assets included in the above balance relate to receivables for which there was no recent history of default with no fixed terms of repayment.

The directors of the Company considered that the fair values of other receivables are not materially different from their carrying amounts because these amounts have short maturity periods at their inception.

11. DEPOSITS AND PREPAYMENTS

	Notes	**2017** **HK$'000**	2016 HK$'000
Deposits		**69,405**	47,768
Prepayments paid to:			
— Hanergy Affiliates	*(i)*	**112,665**	405,991
— Third parties		**3,232,179**	981,683
		3,344,844	1,387,674
Less: impairment		**(44,913)**	(44,039)
		3,369,336	1,391,403

Included in the above assets, HK$441,379,000 (2016: HK$1,100,740,000) of the prepayments has an ageing over 1 year, whereas all the remaining deposits and prepayments have an ageing less than 1 year.

Except for those prepayments already impaired, certain assets included in the above balance are related to prepayments for certain uncompleted purchase contracts which the Group is currently kept communicating with the suppliers for settlement of these contracts.

Note:

(i) The balances mainly represented the prepayments for the purchase of photovoltaic ("**PV**") modules under the master agreement signed with Hanergy Holding on 11 April 2012. The master agreement is effective for three years from 1 January 2012 to 31 December 2014. During 2013, the Company's subsidiaries entered into several PV module purchase subcontracts ("**Subcontracts**") with Hanergy Affiliates, nominees of Hanergy Holding, to purchase PV modules with a total capacity of 677.9 MW for construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2013. As of 31 December 2013, a total of 58.5 MW PV modules have been delivered by Hanergy Affiliates.

The delay of delivery of the PV modules was mainly due to the production arrangement by Hanergy Affiliates, which has caused the delay in the construction of the photovoltaic power generation projects by the Group. Accordingly, the Group reached mutual agreement with Hanergy Affiliates to return the prepayments of HK$1,262,629,000 before 31 December 2014 in relation to a total capacity of 459.4 MW PV modules and terminate these Subcontracts simultaneously.

During 2014, the Company's subsidiaries also entered into several new Subcontracts with Hanergy Affiliates to purchase PV modules with a total capacity of 558 MW for the construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2014.

A total of 28.8 MW PV modules have been delivered by Hanergy Affiliates in year 2014. As of 31 December 2014, a total capacity of 689.2 MW PV modules have not been delivered by Hanergy Affiliates.

The Company and Hanergy Holding entered into a PV module supply agreement on 30 April 2015 for the purchase of PV modules for the year ended 31 December 2015.

On 20 January 2015, the Company entered into a supplemental agreement to the 150 MW PV modules supply contract signed on 23 December 2013 with Hanergy Holding on the settlement of the prepayments made in 2013 by offsetting this with the payables of delivered PV modules under the 150MW PV modules supply contract, and the original total capacity of 150 MW was reduced to 80.9 MW.

During 2015, the Company's subsidiaries entered into several new Subcontracts with Hanergy Affiliates under the PV module supply agreement to purchase PV modules with a total capacity of 57.7 MW for the construction of the downstream photovoltaic power generation projects. According to the terms of the Subcontracts, approximately 50% of the total contract amounts have been paid by the Company's subsidiaries on the placement of the orders in 2015.

A total of 315 MW PV modules have been delivered by Hanergy Affiliates in the year 2015. As of 31 December 2015, a total capacity of 362.8 MW PV modules have not been delivered by Hanergy Affiliates.

During 2016, the Company signed certain new purchase orders with Hanergy Affiliates for a total capacity of 1.2 MW PV modules. A total capacity of 136.0 MW PV modules have been delivered by Hanergy Affiliates in 2016. As at 31 December 2016, a total capacity of 228.0 MW PV modules have not been delivered by Hanergy Affiliates.

On 31 December 2017, the Group reached two mutual agreements with Hanergy Affiliates. One was to return the prepayments of HK$6,939,000 in relation to a total capacity of 10MW and terminate the Subcontract simultaneously. The other was to net off the prepayments of HK$225,925,000 with trade payables in relation to the purchase of the PV modules from Hanergy Affiliates before 31 December 2017 and the undelivered PV modules under the subcontract would still be delivered in the future.

During 2017, the Company did not sign any new purchase contracts with Hanergy Affiliates. A total capacity of 64.6 MW PV modules have been delivered by Hanergy Affiliates in 2017. As of 31 December 2017, a total capacity of 153.4 MW PV modules has not been delivered by Hanergy Affiliates.

On 26 March 2018, the Company reached a mutual agreement with Hanergy Holding. Pursuant to the agreement, the parties mutually agreed that if Hanergy Affiliates could not deliver the PV modules to the Group before 31 December 2018, then the remaining unsettled other receivables due from Hanergy Affiliates of HK$4,695,000 (note 10) and the unsettled prepayments made to Hanergy Affiliates by then will be settled against trade payables and other payables due to Hanergy Affiliates by the Group. Meanwhile, Hanergy Affiliates are not entitled to call for repayment of the aforementioned trade payables and other payables to the extent of the other receivables due from Hanergy Affiliates and prepayments made to Hanergy Affiliates that are outstanding before 31 December 2018.

12. TRADE AND BILLS PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade and bills payables due to:		
— Related parties	**268,708**	409,469
— Third parties	**1,469,168**	886,161
	1,737,876	1,295,630

Based on the invoice date, the ageing analysis of the Group's trade and bills payables is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 — 30 days	**583,185**	372,940
31 — 60 days	**102,969**	53,963
61 — 90 days	**51,916**	73,741
Over 90 days	**999,806**	794,986
	1,737,876	1,295,630

The trade payables are non-interest-bearing and the credit terms are normally 60 days.

13. DISPOSAL OF SUBSIDIARIES

2017

i) Disposal of Jiangmen Qingyuan New Energy Power Investment Limited

On 15 October 2016, the Company, entered into a sale and purchase agreement with a third party (the "Buyer") to sell all the entire equity interests of Jiangmen Qingyuan New Energy Power Investment Limited ("**Jiangmen Qingyuan**") with a total consideration of RMB28,210,000 (equivalent to approximately HK$31,718,000). Jiangmen Qingyuan was classified as a disposal group held for sale as at 31 December 2016. The transaction was completed in March 2017. The information of Jiangmen Qingyuan was included in the "Downstream" segment for the years ended 31 December 2017 and 2016.

The following table summarises the carrying value of net assets of Jiangmen Qingyuan as at the date of disposal:

	HK$'000
Net assets disposal of:	
Property, plant and equipment	28,148
Trade receivable	246
Other receivables	3,869
Prepayment	90
Other payables and accruals	(54)
	32,299
Loss on disposal of a subsidiary	(581)
	31,718
Cash received in 2016	20,238
Receivable as at 31 December 2017	11,480
Total consideration	31,718

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	—
Cash and bank balances disposed of	—
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	—

The Buyer paid RMB18,000,000 (equivalent to approximately HK$20,238,000) in October and November 2016 as advance payments for the above disposal. Up to 27 March 2018 (when the financial statements were approved for issuance), the Buyer did not settle any of the remaining consideration of RMB10,210,000 (equivalent to approximately HK$11,480,000).

ii) Disposal of Changde Hanergy Thin Film Solar Technology Co. Ltd.

On 17 October 2017, the Company, entered into a sale and purchase agreement with a third party (the "Buyer") to sell 91% equity interest of Changde Hanergy with a total consideration of RMB519,044,000 (equivalent to approximately HK$613,238,000). The transaction was completed on 19 October 2017.

The following table summarises the carrying value of net assets of Changde Hanergy as at the date of disposal:

	HK$'000
Net assets disposal of:	
Cash and cash equivalents	415
Property, plant and equipment	3,730
Other receivables	9,963
Prepayment	685,315
Other current assets	1,044
Other payables and accruals	(21,099)
	679,368
Fair value of the equity interests retained (9%)	(61,143)
Loss on disposal of a subsidiary	(4,987)
	613,238
Cash received in 2017	9,426
Receivable as at 31 December 2017	611,363
Exchange fluctuation reserve	(7,551)
Total consideration	613,238

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	9,426
Cash and bank balances disposed of	(415)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	9,011

The Buyer paid RMB8,000,000 (equivalent to approximately HK$9,426,000) in October 2017 as an advance payment for the transaction. Up to 27 March 2018 (when the financial statements were approved for issuance), the Buyer repaid RMB360,000,000 (equivalent to approximately HK$446,972,000).

2016

On 25 October 2016, Hanergy Thin Film Solar Investment (Beijing) Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Beijing Heng Run Xiang Da Investment Limited, to sell all the equity interests of Qinghai Hanergy Thin Film Solar Investment Limited ("Qinghai Hanergy") with a selling price of RMB200,000.

The following table summarises the carrying value of net assets of Qinghai Hanergy as at the date of disposal:

	HK$'000
Net assets disposal of:	
Cash and cash equivalents	5,899
Property, plant and equipment	387
Other receivables	11,189
Other payables and accruals	(79,869)
	(62,394)
Gain on disposal of a subsidiary	62,623
Satisfied by cash	229

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	HK$'000
Cash consideration	229
Cash and bank balances disposed of	(5,899)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(5,670)

14. ACQUISITION

Asset acquisition from third parties

On 31 October 2017, Hanergy Thin Film Power Application Group Co.,Ltd. ("Hanergy Power Application Group"), a wholly-owned subsidiary of the Company entered into an agreement with two individuals (the "Sellers"), who are unrelated parties to the Group. Pursuant to the agreement, Hanergy Power Application Group purchased the Sellers' entire equity interests in Sichuan Guanghui Tongda Engineering Construction Co., Ltd. ("Sichuan Guanghui Tongda"), a company incorporated in PRC. The acquisition has been completed on 18 December 2017.

On 12 July 2017, Sichuan Guanghui Tongda has obtained the general contractor licence for construction projects, authorised by PRC's Ministry of Housing and Urban-Rural Construction, with a term of 5 years.

As of the acquisition date, Sichuan Guanghui Tongda had no business operations and assets except the general contractor licence for construction projects. As such, pursuant to mutual negotiation, Hanergy Power Application Group paid RMB14,700,000 (equivalent to approximately HK$17,586,000) in respect of the acquisition which the related asset is recognised as intangible assets. The Company determined that the acquisition of Sichuan Guanghui Tongda did not constitute a business combination for accounting purposes.

15. EVENTS AFTER THE REPORTING PERIOD

(i) Amount due from Hanergy Holding to the Group

With respect to the overdue trade receivables and interest penalty owed by Hanergy Holding and its subsidiaries to the Group, as disclosed in the Company's announcement dated 27 July 2016, the Group has been negotiating with Hanergy Holding and its affiliates (the "**Hanergy Holding Group**" or Hanergy Affiliates) for the repayment arrangements. As at 31 December 2017, the total amount of trade receivables (due and not yet due) owed by Hanergy Affiliates to the Group, other receivables and interest penalty due from Hanergy Affiliates amounted to approximately HK$2,482,264,000.

As at the date of this announcement, Mr. Li Hejun and Hanergy Holding Group have made the following arrangement for the Secured Indebtedness:

- Subsequent to 31 December 2017 to 27 March 2018, Hanergy Holding Group made the repayment of RMB2,000,126,000 (equivalent to approximately HK$2,477,569,000, based on the respective spot rates at the dates of the payments made) to the Group.

- After deducting the repayment RMB2,000,126,000 (equivalent to approximately HK$2,477,569,000) from Hanergy Holding Group to the Group, the amount of Secured Indebtedness (as specifically defined in Management Discussion and Analysis) was reduced from approximately HK$2,238,761,000 to HK$0.

(ii) Amount due from Shandong Macrolink

As at 31 December 2017, trade receivables from Shandong Macrolink amounted to HK$1,816,927,000, which were all past due. Subsequent to 31 December 2017 to 27 March 2018, Shandong Macrolink repaid RMB200,000,000 (equivalent to approximately HK$248,230,000, based on the respective spot rates at the dates of the payments made).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The Company's independent auditor has expressed a qualified opinion in its auditor's report on the Group's consolidated financial statements for the year ended 31 December 2017, an extract of which is as follows:

Qualified opinion

We have audited the consolidated financial statements of Hanergy Thin Film Power Group Limited (the "**Company**") and its subsidiaries (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 qualified opinion

As at 31 December 2017, included in the Group's trade receivables and the gross amount due from contract customers were amounts due from a third-party customer amounting to HK$1,816,927,000 (2016: HK$2,536,745,000) and HK$865,448,000 (2016: HK$796,204,000) respectively. Subsequent to 31 December 2017, the Group received HK$248,230,000 from the aforesaid third-party customer. We were unable to obtain sufficient appropriate audit evidence about the recoverability of the Group's remaining trade receivables and gross amount due from contract customers for contract works due from the aforesaid third-party customer of HK$2,434,145,000. Consequently, we were unable to determine whether any provisions are required for these amounts. Any provision for recoverability of these balances would reduce the net assets of the Group as at 31 December 2017 and decrease the Group's net profit for the year ended 31 December 2017.

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

DIVIDEND

The Board does not recommend to declare a final dividend for the year ended 31 December 2017 (2016: Nil).

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the AGM to be held on Friday, 15 June 2018, the register of members of the Company will be closed from Tuesday, 12 June 2018 to Friday, 15 June 2018 (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 11 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model

Hanergy Thin Film Power Group Limited is a high-tech new energy enterprise listed on the Hong Kong Stock Exchange. Its principal activities include (i) the research and development, design, sales and delivery of thin film solar energy modules production equipment and turnkey production lines; (ii) provision of distributed photovoltaic and mobile energy solutions; and (iii) provision of technical services including support, construction and maintenance to our upstream production lines customers and downstream distributed photovoltaic and mobile energy solutions customers.

Since 2009, the Group has been focusing on the thin film solar sector, and has been actively involved in the investment and research of the most advanced thin film solar energy technology for many years. We believe that the future development trend of PV industry lies in the thin film and flexible technology, and we have determined that we must always be the leader in the industry if we are to be successful in the thin film power generation industry. Based on this strategic judgement, the Group, through continual acquisitions of advanced overseas thin film technologies, including Solibro in Germany, MiaSolé in the U.S., Global Solar Energy in the U.S., and Alta Devices in the U.S., currently has acquired copper indium gallium selenium ("**CIGS**") and gallium arsenide ("GaAs") technologies which are the most advanced in the world, and has also mastered the advanced equipment production lines' R&D, design and delivery capabilities. The Group deploys teams of scientists at various locations around the globe, including the United States, Germany, Sweden as well as Beijing and Sichuan in China, etc., for continuous improvement in the thin film solar energy technology, enabling the Group to provide customers with the most advanced solutions in turnkey production lines of thin film solar.

For the upstream high-end equipment manufacturing and sales business, the Group achieved good results by receiving equipment and services sales orders of significant amounts from a number of mobile energy industrial park projects in 2017. The mobile energy industrial park is an initiative arrangement of thin film solar and other high technologies and strategic emerging industries made by the local government in the process of local economy transformation. In the development of the industrial park, it is mainly funded by the local government, third party investors and 漢能移動能源控股有限公司, to form an industrial park project company. Leveraged on the financial capital, social capitals are attracted to form an equity investment fund. This will help realise the introduction of capital into the projects for the creation of the modern “high-tech + energy” industry chain, which embodies the research and development of thin film cell technologies, high-end equipment manufacturing, modules production and the development of application products. With the most advanced thin-film solar technology and high-end equipment delivery capabilities in the world owned by the Group, sales and industrialization can be achieved in various mobile energy industrial parks in China.

漢能移動能源控股有限公司 acts as one of the shareholders of the industrial park project company, mainly because of the government’s trust in 漢能移動能源控股有限公司, requiring 漢能移動能源控股有限公司 to participate in the project company’s equity and operation. 漢能移動能源控股有限公司 holds and will hold no more than 20% equity interests in the industrial park project company.

As for downstream PV applications, the Group has made significant achievements with the business model in which distributors were acquired as channels for the development of household distributed PV business, which has become the most important sales channel in downstream business. Through various means including sales to key customers and cooperation with partners in sales channels, the Group actively develops the businesses including industrial and commercial distributed PV, building-integrated photovoltaic (BIPV), targeted PV poverty alleviation and application of mobile energy, and achieved the rapid growth of sales revenue in 2017. The Group put enormous resources and efforts into the research and development of downstream products. During the year, it introduced a disruptive, new-generation distributed solar application product, “Hantile”, which represents a new generation of roof tiles combining the advanced flexible thin film solar cell with roof tile, coupled with efficient power generation capability and high level of safety. It is a perfect fit for the aesthetic requirements of modern architectural design and has broad market prospects.

As for the Group’s strategies on future development, we will continue to maintain our leading position as the world’s advanced thin film solar power generation and high-tech new energy company and adopt “One Base and Two Fronts” as our long term strategic deployment. That is, we leverage on the continuous innovation of thin film solar technology as our foundation, on the one hand, we deliver “turnkey solutions” for high-end equipment and production lines as one of the fronts, and on the other hand, we provide distributed PV and mobile energy solutions as the other front. The upstream equipment production line business will be maintained as our core, and the downstream distributed solar business will be our strategic direction, with an aim to vigorously foster mobile energy business as the Group’s main direction.

FINANCIAL REVIEW

For the financial year ended 31 December 2017, the Group recorded a revenue of HK$6,147,385,000, representing an increase of approximately 37% as compared with HK$4,483,130,000 in 2016, of which HK$5,084,918,000 was derived from non-connected transactions. Gross profit reached HK$2,675,241,000, representing a slight increase over the previous year.

During the financial year 2017, the Group's upstream business contributed a revenue of HK$4,241,755,000, accounting for approximately 69% of the Group's revenue for the period. During the period, Shandong Zibo project and Jingzhou project contributed more than HK$3.7 billion in total, while the new projects of Datong Industrial Park, Mianyang Industrial Park and sales of HIT production lines in Shuangliu contributed HK$68,160,000, HK$51,990,000 and HK$347,118,000 respectively to the Group. The total revenue for downstream business during the period was approximately HK$1,906 million, accounting for 31% of the Group's revenue, mainly attributable to Channel Sales Business Unit and Key Account Business Unit.

Trade receivables of RMB650 million (equivalent to approximately HK$734,685,000) due from Shandong Macrolink was repaid to the Group in 2017. As at 31 December 2017, trade receivables from Shandong Macrolink amounted to HK$1,816,927,000. All the trade receivables were overdue. The Group received HK$248,230,000 from Shandong Macrolink to settle the due trade receivables subsequent to 31 December 2017 and up to 27 March 2018.

On 20 March 2017, Mr. Li Hejun (the "**Guarantor**") entered into a deed of guarantee (the "**Deed of Guarantee**") with the Company, pursuant to which the Guarantor agreed to provide guarantee in favour of the Company in respect of the trade receivables (due and not yet due) owed by Hanergy Holding and/or its subsidiaries and affiliates to the Group, the gross amount due from the contract with Hanergy Affiliates, other receivables and interest penalty due from Hanergy Affiliates (the "**Secured Indebtedness**") with total amount HK$4,857,176,000. According to the interim report of 2017, Hanergy Holding and its affiliates repaid RMB1,500,000,000 (equivalent to approximately HK$1,692,449,000) to the Group on 10 March 2017, resulting in the decrease of the remaining Secured Indebtedness from HK$4,857,176,000 to HK$3,164,727,000.

Pursuant to the court order issued by the High Court of Hong Kong on 4 September 2017, the Guarantor shall procure Hanergy Holding and its affiliates to settle the Remaining Secured Indebtedness of HK$3,164,727,000 within 24 months from 4 September 2017 (the "**Date of Court Order**"). The repayment schedule agreed between the Group and Hanergy Holding is as follows:

- On or before 4 September 2018: repay 20% or more of the amount

- On or before 4 March 2019: repay 30% or more of the amount

- On or before 4 September 2019: repay all the remaining amount

In second half of 2017, Hanergy Holding and its subsidiaries repaid the Secured Indebtedness on the following dates:

Date	Amount repaid (RMB)	HK$ equivalent
28 July 2017	300,000,000	347,709,000
27 September 2017	450,000,000	531,118,000
23 October 2017	40,000,000	47,139,000
	790,000,000	925,966,000

As at 31 December 2017, Hanergy Holding and its subsidiaries made repayments of RMB2,290,000,000 (equivalent to approximately HK$2,618,415,000) to the Group, reducing the amount of Secured Indebtedness to HK$2,238,761,000.

As at 31 December 2017, the details of the total amount due to the Group from Hanergy Holding and its affiliates were as follows:

	HK$
Trade receivable and Gross amount due from contract customers	2,283,175,000
Interest on overdue trade receivables	194,394,000
Other receivables	4,695,000
Prepayments for the purchase of modules	112,665,000
Total	2,594,929,000

Remarks: HK$2,238,761,000 of the above was part of the Secured Indebtedness as set out in the court order and HK$356,168,000 was related to other debts.

For the period from January 2018 to March 2018, the Group had received repayments from Hanergy Holding and its subsidiaries and affiliates successively for the settlement of the Secured Indebtedness as follows:

Date	Amount repaid (RMB)	HK$ equivalent
12 January 2018	100,000,000	120,486,000
30 January 2018	10,000,000	12,348,000
2 February 2018	150,000,000	186,537,000
13 February 2018	44,000,000	54,404,000
14 February 2018	76,000,000	93,718,000
1 March 2018	15,000,000	18,532,000
5 March 2018	200,000,000	246,938,000
9 March 2018	110,000,000	135,932,000
22 March 2018	1,295,126,000	1,608,674,000
	2,000,126,000	2,477,569,000

After calculating the repayment amounts, Hanergy Holding and its subsidiaries have completely repaid (i) the remaining Secured Indebtedness of HK$2,238,761,000; and (ii) interest on overdue trade receivables of HK$194,394,000:

	HK$
Remaining Secured Indebtedness	0
Interest on overdue trade receivables	0

The remaining amount due to the Group from Hanergy Holding and its affiliates was:

	HK$
Other receivables	4,695,000
Prepayments for the purchase of modules	112,665,000
Total:	117,360,000

The Group has reached an agreement with Hanergy Holding in relation to this debt, pursuant to which the parties agreed that if the delivery of the prepaid PV modules to the Group could not be completed at the agreed time (before 31 December 2018), trade payables and other payables due to Hanergy Holding and its affiliates from the Group will be repaid after the settlement of the above debt and the delivery of the modules. Prior to that, Hanergy Holding and its affiliates are not entitled to the right to demand for equal amount repayment of the aforementioned indebtedness from the Group.

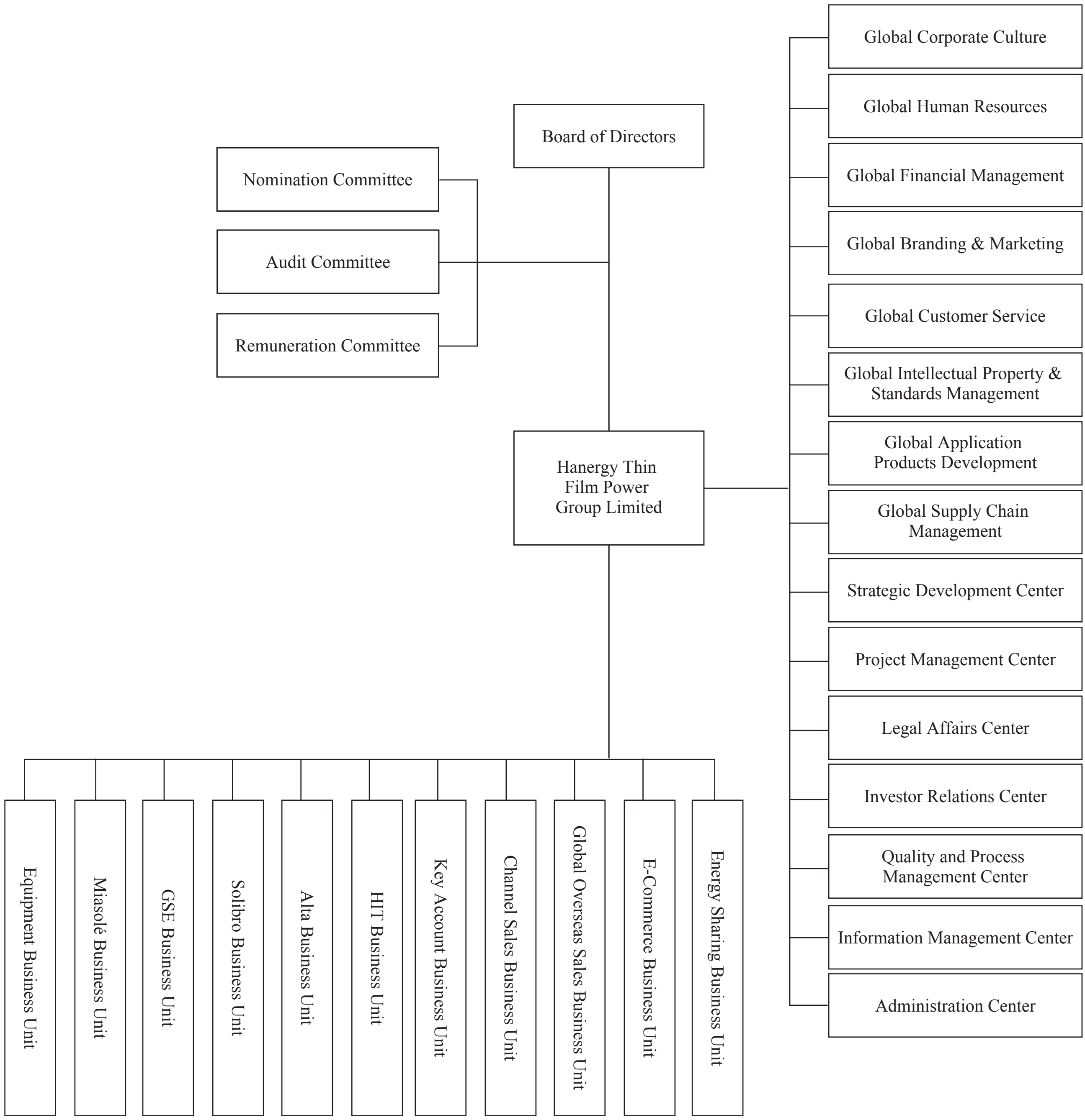
Since Hanergy Holding and its affiliates have settled all outstanding debts to the Group, the qualified opinion of Hanergy Holding and its affiliates was removed in the Independent Auditor’s Report.

After conducting an assessment on the credibility and financial capacity of Hanergy Holding and Hanergy Affiliates, the independent directors of the Company agreed that the after tax income generated from the connected transactions to be recognised in the financial statements of the Company for the twelve months ended 31 December 2017.

BUSINESS REVIEW

A. Organisation Structure:

The Group carried out an organisational restructuring during the year to streamline and strengthen the internal governance and business units are set up based on the development of the upstream and downstream businesses. The upstream business units are differentiated by production line technologies while the downstream business units are differentiated by applications and sales channels. In the first half of the year, the Group integrated "Commercial Power Generation Business Unit", "BIPV Business Unit" and "Agricultural Applications Business Unit" into "Key Account Business Unit", and renamed "Household Power Generation Business Unit" as "Channel Sales Business Unit". The organisation structure of the Group as at 31 December 2017 is as follows:



B. Upstream Business:

The upstream business of the Group mainly includes the research and development, design, sales and delivery of thin film solar energy modules production equipment and whole production lines, as well as the provision of supporting technical services. The Group continues to focus on promoting the localization of advanced thin film solar equipment.

The Group places great emphasis on research and development in technologies and has set up professional R&D teams in the United States and Europe for the enhancement of various technologies. During the year, the conversion efficiency of the Group's thin-film solar modules reached a new high. In particular, the conversion efficiency of the effective area of Solibro's glass-based modules and MiaSolé's flexible modules of the Group reached 18.72% and 17.44%, respectively, and the efficiency of mass production of GaAs single knot modules reached 25.1%, which created new world records. In addition, the lab efficiency of the Group's HIT cell was as high as 23.05% and has obtained the Fraunhofer Certification from Germany.

The highlights of the Group's upstream business during the period include:

1. Industrial Parks Projects

In 2017, the Group entered into large amount of sales orders for equipment and services with a number of industrial parks. During the period, the delivery of contract equipment and services were carried out and part of the payments have been received, which would improve the cash flow position of the Group. The Group is in negotiation with more industrial parks and it is expected that there will be more of similar industrial park projects in the future. This will contribute to the results in 2018 and onwards.

In the development of the industrial park, it is mainly funded by the local government, third party investors and Hanergy Holding's affiliate, to form an industrial park project company, in which each of parties will hold certain equity shares:

- Local government: it delegates state-owned enterprises with local government background as shareholders of the project company, and coordinates to identify third party organisations to invest in the project, showing its high degree of attention to and strong support of the industrial park projects;

- Independent third party investors: they become shareholders of the project companies and introduce investment funds to the project, in order to generate desired return;

- 漢能移動能源控股有限公司: it contributes capital through the affiliates of 漢能移動能源控股有限公司 and acts as one of the shareholders of the project company with shareholding of no more than 20%. The participation in the project company by 漢能移動能源控股有限公司 is mainly because of the government's trust in 漢能移動能源控股有限公司, requiring 漢能移動能源控股有限公司 to participate in the project company's equity and operation.

The local state-owned enterprises and independent third party investors will have the right to make investment decisions and appoint directors in the project company.

As the ultimate purchaser of equipment and technology, the industrial park project company benefits the Group with increased income from sales of upstream production lines equipment and technology. Since 漢能移動能源控股有限公司 owns no more than 20% of the equity interest in the industrial park company, the industrial park project company will not be an associate of a connected party, which is defined by holding 30% or more of the equity interest in the company.

Pursuant to the investment cooperation agreement, after thin film production line is put into operation, every year, the local government will encourage new constructions in the city it governs as well as those in the province to give priority in using the products of the industrial park project company, such as distributed photovoltaic power generation and agricultural facilities, urban lights, public buses, electric vehicles, highways, government-funded poverty alleviation/demonstration/public benefit projects, etc. As a result, the products of the industrial park project company could be consumed locally, generating considerable sales revenue to ensure that the industrial park project company will be able to operate and repay its debts with sustainable development.

As at 31 December 2017, three industrial park project companies in Mianyang Sichuan, Datong Shanxi and Zibo Shandong respectively, have purchased thin film production lines from the Group, with total sales contract amount of approximately RMB11.3 billion. The Group is in negotiation with more industrial parks and expects to sign contracts with more of similar industrial park project companies so as to achieve increase in sales of the Group's thin film solar energy modules production lines.

(1) Industrial Park Project in Mianyang Sichuan

On 18 May 2017, Mianyang Government and 漢能移動能源控股有限公司 entered into an agreement in relation to a mobile energy industrial park project, to invest in the construction and installation of CIGS and GaAs thin film solar cell production lines in Fucheng District, Mianyang City, Sichuan Province, and to promote the local development of the thin film solar mobile energy industrial park. The project comprises four phases, the first phase of which involves the investment of RMB6.6 billion in the manufacturing of 600MW CIGS thin film solar cell modules and 20MW flexible GaAs thin film solar cell modules.

The industrial park project has earned the special attention and full support from the governments of Sichuan Province and Mianyang City, which not only give assurance to the project land with "seven connections and site leveling", but also provide tax incentives, financial subsidies and seek for special fund or financial support from governments at all levels in establishing special project leading teams to effectively resolve the problems encountered during the implementation of the project.

For the establishment of Mianyang Mobile Energy Industrial Park, Mianyang Government designated Mianyang Fucheng Investment Group Co., Ltd. (綿陽富誠投資集團有限公司) ("Mianyang Fucheng"), a local state-owned enterprise, Huafengyuan Investment (Beijing) Co., Ltd. (華豐源投資(北京)有限公司) ("Huafengyuan Beijing"), an independent third party, and 漢能移動能源控股有限公司, to jointly invest and form Mianyang Jinneng Mobile Energy Co., Ltd. (綿陽金能移動能源有限公司) ("MJME") as the industrial park project company. Mianyang Fucheng and Huafengyuan Beijing have the right to make investment decisions and appoint directors in the project company.

Mianyang Fucheng is a state wholly-owned company under the administration of and is ultimately owned by the People's Government of Fucheng District in Mianyang City. With total assets of approximately RMB4.3 billion, its principal activities include investment and financing of significant projects, investment in the construction of infrastructure projects, guarantee business, property development, state-owned assets management, land consolidation as well as construction and maintenance of municipal garden works.

Huafengyuan Beijing is a domestic limited company with registered capital of RMB2.5 billion. It mainly engages in project investment, investment management, asset management, business management consulting, economic and trade consulting, market research, business planning, technology development, technical consulting, technology services, technology promotion as well as technology import and export.

After the project company is established, an industrial structured fund — Mianyang New Energy Industry Fund (LP) (綿陽市新能源產業基金(有限合夥)) (tentative) will be launched, which is jointly promoted and launched by the company designated by Mianyang Government and Hanergy Holding, to raise a total amount of RMB6.0 billion.

MJME will purchase a 600MW CIGS solar cell module production line with GSE technology from the Group. In June 2017, MJME entered into a procurement contract for the purchase of 600MW CIGS thin film solar production line with Jiangsu Yancheng Gelaibao Equipment Technology Co., Ltd. (江蘇鹽城格萊寶裝備科技有限公司) ("**Yancheng Gelaibao**"), and Beijing Hanergy Solar Investment Co. Ltd. ("**Beijing Hanergy Solar Investment**"), subsidiaries of the Group. Beijing Hanergy Solar Investment will provide the project with technical services. The total amount for all the contracts is RMB4,165,000,000.

Based on the completion percentage, this project recognised the contract revenue of HK$51,990,000 in 2017. As at 31 December 2017, the Group has received a prepayment of approximately RMB1.2 billion from MJME, representing more than 40% of the total contract amount, demonstrating that the industrial park has good payment capability.

(2) Industrial Park Project in Datong

In July 2017, Datong Government of Shanxi Province, Datong Coal Mine Group Co., Ltd. and 漢能移動能源控股有限公司, a company of Hanergy Holding, entered into a strategic cooperation agreement in relation to Datong Mobile Energy Industrial Park, to jointly invest in the construction of Datong Mobile Energy Industrial Park, and under the active support and overall coordination of Datong Government, to vigorously promote the establishment of the local solar mobile energy industry, expedite the energy transformation in Datong, and lead the regional economy in healthy and sustainable development.

The overall project plan comprises three phases: the construction of 250MW glass-based and 50MW flexible CIGS thin film cell production lines in phase I, the construction of a 300MW flexible CIGS thin film cell production line in phase II, and the construction of a 20MW high-performance GaAs thin film cell production line in the last phase. Phase I of the project is currently in construction, with a total investment amount of RMB2.272 billion.

For the construction of the Datong Mobile Energy Industrial Park, a project company known as Datong Dachang Mobile Energy Co., Ltd. (大同大昶移動能源有限公司) ("**DDME**") was formed jointly by Datong Economic Development Investment Co., Ltd. (大同經濟發展投資有限公司) on behalf of Datong Government, Tongxi New Energy Co., Ltd. (同曦新能源有限公司) ("**TXNE**") of Datong Coal Mine Group and 漢能移動能源控股有限公司, to invest in the construction and installation of thin film solar cell production lines with a total amount of RMB7 billion. DDME and TXNE have the right to make investment decisions and appoint directors in the project company. 漢能移動能源控股有限公司 mainly provides technical support.

Datong Economic Development Investment Co., Ltd. is a state wholly-owned company under the administration of SASAC of Datong Municipal People's Government with a registered capital of RMB490 million. Its principal activities include asset custody, capital operation, corporate change planning and consultancy agency, as well as the management, sales and leasing of urban assets financed by the government (including state-owned properties financed by the government).

Tongxi New Energy Co., Ltd. of Datong Coal Mine Group is a local state-owned energy enterprise, the parent of which, Datong Coal Mine Group Co., Ltd. (DTCO), is the third largest state-owned coal mine company in China with headquarters in Datong, Shanxi Province, a major coal center in the country, with registered capital of RMB17 billion and at the moment total assets of more than RMB200 billion. DTCO mainly focuses on coal and electricity businesses, and engages in diversified industries including finance, coal chemical, metallurgy, machinery manufacturing, logistics and trade, construction and building materials, property and cultural tourism, etc. It currently has a staff of 200,000 employees. In 2016, DTCO was ranked the 71st in "Top 500 Companies in China" and the 322nd in "Global 500".

The Datong Industrial Park project has earned the special attention and full support from the governments of Shanxi Province and Datong City, which not only give assurance to the project land with "seven connections and site leveling", provide relevant planning information and formulate preferential policies on utilities such as water, electricity and heating, but also seek for the construction target of up to 200-300MW per year for the photovoltaic power generation projects of DTCO. The governments also encourage the enterprises in Datong and across the province to support new photovoltaic building and agricultural facilities, distributed photovoltaic power generation, urban lighting, public transportation, electric vehicles and government-funded poverty alleviation, and demonstration or public benefit projects, etc. to provide the opportunities for the local and preferred consumption of production capacity.

In the first phase of the project, it purchased from the Group 300MW MiaSolé technology's CIGS solar cell module production line, 250MW of which is glass-based modules production line and 50MW is flexible modules production line. In October 2017, DDME and Apollo Precision (Beijing) Ltd. (北京精誠鉑陽光電設備有限公司) ("**Apollo Beijing**"), a subsidiary of the Group, entered into a purchase contract for 300MW CIGS thin film solar production line with a contract amount of RMB1,819,400,000. During the year, the Group has delivered part of the equipment and the first 50MW packaging production line of flexible thin film solar cells was put into production on 26 December 2017. Based on the completion percentage, 3.88% of the project has been completed. As at 31 December 2017, based on the percentage of completion, this project recognised the contract revenue of approximately HK$68,160,000. As at 31 December 2017, the Group has received the prepayment for the equipment of approximately RMB891,506,000 from DDME, demonstrating that the industrial park has good payment capability.

Datong Industrial Park project, both as a national advanced technology photovoltaic demonstration base and a photovoltaic poverty alleviation base, when completed, will boost local employment and increase income from profit taxes, and also will become an important demonstration model which can lead Shanxi, the traditional energy centre in energy conservation and emission reduction as well as in structural transformation and upgrading of industries. The industrial park project not only has solid support of funds and resources, but also receives strong support from the government. This will help in laying a solid foundation for sustainable development in the future.

(3) Industrial Park Project in Zibo Shandong

In December 2014, Zibo People's Government of Shandong Province and Hanergy Holding Group entered into the Hanergy Photovoltaic Industrial Park Investment Cooperation Framework Agreement, to complete the following three projects by way of various cooperation methods including product sales, project construction, direct investment, equity investment, industry fund and public-private partnership (PPP): (1) 3GW CIGS thin film solar cell and flexible application products production line; (2) construction of Hanergy photovoltaic application industry base and (3) construction of Hanergy photovoltaic industry headquarters, clearly demonstrating the use of the Group's technology in the construction of Hanergy Photovoltaic Industrial Park (i.e. Hanergy photovoltaic manufacturing industrial group, Hanergy photovoltaic application industrial base and Hanergy photovoltaic industry headquarters).

In January 2016, Apollo Precision (Fujian) Limited (福建鉑陽精工設備有限公司) ("**Fujian Apollo**"), a subsidiary of the Group, and Shandong Zibo Hanergy Thin Film Solar Company Limited (山東淄博漢能薄膜太陽能有限公司) ("**Shandong Zibo Company**"), an affiliate of Hanergy Holding Group, entered into a procurement contract of automated integration production lines for 300MW MiaSolé technology's CIGS thin film solar panels. Shandong Zibo Company made an advance payment of RMB380 million (approximately HK$452 million) to Fujian Apollo in January 2016, and the revenue after tax of HK$395 million (HK$437,748,267 including the tax) was recognised in 2016 according to the completion percentage. Since the amount of advance payment exceeded the recognised income, the balance of the receivables for the year was not increased as a result of this connected transaction.

In addition, on 27 April 2017, pursuant to the 3GW Sales Contract in 2010, Shandong Zibo Company entered into a sales contract of automated integration production line for 300 MW CIGS thin film solar modules applying Solibro technology with Beijing Hanergy Solar Investment Co., Ltd. ("**Beijing Hanergy Solar Investment**"), a wholly-owned subsidiary of the Group, at a total value of US$390 million. It will be delivered in two phases with 150 MW in each.

In October 2017, 漢能太陽能光伏科技 transferred 57.52% equity interest in Shandong Zibo Company to State-owned Assets Management Company Limited of Zibo High-tech Industry Development Zone (淄博高新技術產業開發區國有資產經營管理公司) ("**Zibo High-tech Company**") and Huafengyuan Investment (Beijing) Limited Company (華豐源投資(北京)有限公司) ("**Huafengyuan Beijing**"). Zibo

High-tech Company owns 33.33% of the equity interest and is mainly responsible for the operation and management of the company, while Huafengyuan owns more than 50% of the equity interest and leads the operation of the industrial park project company. Upon the completion of the equity transfer, Shandong Zibo Company will not be an associate of a connected party and the sales contract will no longer constitute a connected transaction.

Zibo Hi-tech Company is a state-owned asset management company. As at 31 December 2016, it's total asset was RMB12.5 billion. The industry in which it operates is infrastructure construction. It engages in management and operation of state-owned assets as authorised by the government, foreign investment and management, land consolidation and development, city infrastructure, social undertakings and public livelihood projects, as well as construction and management of science and technology industrial parks.

Huafengyuan Beijing is a limited company in China with registered capital of RMB2.5 billion. It mainly engages in project investment, investment management, asset management, business management consulting, economic and trade consulting, market research, business planning, technology development, technical consulting, technology services, technology promotion and technology import and export. Upon the acquisition of equity interest in Shandong Zibo Company, Huafengyuan Beijing has injected capital of RMB1.1 billion into the company.

Upon the equity transfer, Huafengyuan became responsible for the increased trade receivables and total contract receivables of Hanergy Holding arising from Shandong Zibo Company. As at 31 December 2017, the project included the after tax income (calculated based on the completion percentage) of HK$2,374,862,000 recognised for the MiaSolé and Solibro production lines contract. During the year, the Group delivered part of the equipment, and completed the transfer of the equipment for two production lines of 450MW. Approximately 73% and 72% of the project for the MiaSolé production lines contract and Solibro production lines contract, respectively, were completed according to the percentage of completion. According to the Company's accounting policies, this project of two production lines contributed HK$2,464 million to the Group for the year 2017; and HK$1,062 million, the amount contributed to the Group's revenue from 1 January 2017 to 30 October 2017 was recorded as income from a connected transaction; and the amount of HK$1,402 million contributed to revenue from 31 October 2017 to 31 December 2017 was recorded as sales revenue from a third party. As at 31 December 2017, the receivables and total contract receivables from this project amounted to HK$1,713 million, which would be borne by Shandong Zibo Company, a subsidiary of Huafengyuan Beijing. Out of this, HK$391 million was overdue trade receivables

2. SHJ Production Line in Shuangliu

In October 2017, Beijing Hanergy Solar Investment Co., Ltd. ("**BHSI**"), a wholly-owned subsidiary of the Group, and Huafengyuan (Chengdu) New Energy Technology Co., Ltd. ("**Huafengyuan Chengdu**") entered into a sales contract of automated integration production lines of 600MW High Efficiency Silicon heterojunction (SHJ) solar cells and a technology contract for the 120MW production line to be delivered as the first batch during the year. The contract amount for the production line was RMB1,398,960,000 and the contract amount for the technology contract was RMB175,969,811.32.

In 2017, the Group delivered the first batch of 120MW production line. Pursuant to the technology contract, BHSI will provide technical services such as planning, move-in, commissioning, acceptance and training for the manufacturing facilities of Huafengyuan Chengdu and integrate the equipment into a production line. Huafengyuan Chengdu paid an advance payment of RMB25.5 million (approximately HK$30.4 million) to BHSI in December 2017. As at 31 December 2017, after tax income recognised for the equipment sales and technology contracts (calculated based on the completion percentage) for this project amounted to HK$347,118,000.

Huafengyuan Chengdu, with a registered capital of RMB300 million, is principally engaged in the research and development, production and sales of solar cells and solar cell modules, as well as in the development and contracting of PV power stations, contract energy management, technical consulting services, technology transfer and foreign trade of goods and technology import and export. The parent company of Huafengyuan Chengdu is Huafengyuan Investment (Beijing) Co., Ltd. which has a registered capital of RMB2.5 billion.

3. Jingzhou Project

As indicated in the 2017 Interim Results, in May 2017, the Group entered into a contract for the production of agricultural greenhouse thin film solar modules with a total production capacity of 300MW with Jingzhou Shunbai Solar Power Company Limited for a total contract sum of US$213 million.

The Group has started to deliver part of the equipment since June 2017, and the delivered equipment is in the process of move-in for installation. Approximately 82% of the project has been completed according to the completion percentage. As at 31 December 2017, based on the completion percentage, a revenue of HK$1.26 billion was recognised during the period.

Jingzhou Shunbai Solar Power Company Limited is a subsidiary wholly owned by Guangdong Shunbai Real Estate Development Co. Ltd. (廣東順佰房地產開發有限公司). Its principal activities are property investment and development, wholesale and retail of construction equipment and materials, as well as the development and construction of municipal infrastructure. It has a registered capital of RMB1.5 billion, and holds a large quantity of fixed assets in properties.

4. ALTA Business Unit – Signed Strategic Partnership Agreement with Audi of Germany

In August 2017, the Group entered into a strategic cooperation agreement with the German car maker Audi, pursuant to which both parties agreed to cooperate in the "Audi-Hanergy Thin-film Solar Cells R&D Project", by adopting the gallium arsenide thin-film solar cell technology of Alta Devices, a wholly-owned U.S. subsidiary of the Group, which features the highest conversion efficiency, the lightest unit weight and the thinnest in the world as well as its flexibility.

C. Downstream Business:

The downstream business of the Group mainly includes the development, design, integration and sales of distributed solar power generation systems and mobile energy application products as well as the provision of related services, including mainly: (i) the sales of household rooftop power generation systems, industrial/commercial rooftop power generation systems, BIPV systems and photovoltaic agricultural application systems; (ii) the sales of mobile energy application products; (iii) the provision of EPC services, power station operation and maintenance services and other technical services.

1. Key Account Business Unit:

During the year, the Group restructured its downstream business division into "Key account Business Unit" in order to create a more efficient sales structure. The scope of its businesses mainly includes industrial/commercial distributed PV, BIPV, targeted photovoltaic poverty alleviation projects and mobile energy applications. As at 31 December 2017, the Key Account Business Unit recorded a revenue of approximately HK$752 million.

- *Typical projects completed in 2017:*

  (1) SPIC Building's BIPV Project at Financial Street, Beijing

  In early 2017, the Group installed its thin film building integrated photovoltaic (BIPV) power generation system at the office building of State Power Investment Corporation ("**SPIC's Building**") located at Financial Street in Beijing to supply the building with green energy. The total installed capacity of the photovoltaic module curtain wall of SPIC's Building amounted to

170.66KW with an anticipated average annual power generation capacity of 126,900kWh. The thin film solar building modules used for this project can generate electricity through effective use of sunlight on the building surfaces. Also, with a light transmission coefficient of only 1/5 of the original glass, this is a huge advantage that can reduce 60% of sunlight radiation and lower the room temperature in the building by 5-8 degrees Celsius, resulting in energy savings and enhanced efficiency.

(2) Photovoltaic Poverty Alleviation Projects

During the year, the Group continued its efforts in the development of photovoltaic poverty alleviation projects and brought certain revenue to the Group. In 2017, it has signed contracts for or completed more than 30 projects throughout the country, with an installed capacity of over 150 MW, covering 18 provinces (including: Henan, Shanxi, Shaanxi, Gansu, Heilongjiang, Shandong, etc.), generating a revenue of RMB363 million for the Group.

Poverty Alleviation Power Station in Tangyuan, Jiamusi

Poverty alleviation power station is a key project in Tangyuan County, Jiamusi City, which is located in the province of Heilongjiang. In early 2017, the county government conducted an open bidding on three projects. The Group was one of the successful bidders and successfully signed the contract of a photovoltaic poverty alleviation power station project of 5.4MW for 18 villages in 3 townships including Heli Township. The project, mainly using the Solibro modules, brought in revenue of over RMB32 million to the Group.

Photovoltaic Poverty Alleviation Project in Zuoquan County, Shanxi Province

Zuoquan County is one of the key counties listed in the "13th Five-Year Plan" first-batch photovoltaic poverty alleviation projects jointly designated by the National Energy Administration and State Council Leading Group Office of Poverty Alleviation and Development. The Group launched the poverty alleviation project in Zuoquan County, Shanxi Province at the end of 2016. The installed capacity of the project was 1MW, mainly using modules from Apollo Precision of the Group. The project brought in a revenue of more than RMB3.5 million to the Group.

(3) Photovoltaic Agricultural Project in Xundian, Yunnan

The photovoltaic agricultural project in Xundian, Yunnan is a photovoltaic poverty alleviation cooperative project supported by the Group and Asia Standard International Group Ltd., with a total installed capacity of 1.97MW. It is estimated that the annual power generation capacity will be 2.24 million kWh. The total contract sum of the project is RMB21.8 million (equivalent to approximately HK$24,666,000). According to the contract and the accounting policies of the Company, a revenue of HK$9.33 million was recognised for this project during the year 2017 and payment of HK$9.84 million was received.

- *Representative Projects Signed in 2017*

(1) Distributed Power Station in Boli County, Qitaihe City, Heilongjiang:

In 2016, the Group signed a contract in relation to a 90MW poverty alleviation project with Boli County of Qitaihe City in the province of Heilongjiang. In 2017, part of the arrangement, a distributed power station project, was re-tendered and commenced, using modules from Apollo Precision with installed capacity reaching 18.15MW and investment amount exceeding RMB163 million. The construction started in 2017 and power generation is expected to begin in 2018.

(2) Building Integrated Photovoltaics(BIPV) Project at BGI Centre:

In December 2017, the Group entered into a contract of total contract amount of RMB13.82 million with Beijing Genomics Institute ("**BGI**") in Shenzhen, in relation to the installation of photovoltaic daylighting roof of 5,300sqm for BGI's new headquarters with capacity of 1,045KW, by providing and installing Hanergy's Oerlikon BIPV and Miasolé flexible modules. This is a comparatively large single-body photovoltaic daylighting roof project in China, the monolithic architecture of which was selected as Green Building Three Stars, thus an energy-saving landmark building. BGI Shenzhen is a leading enterprise in which the international genetic technology had been applied in multiple fields such as genomic sequencing, medical treatment and agriculture.

2. *Overseas Business Unit*

(1) *12MW Ground-mounted Power Station in Roodehaan, the Netherlands*

This project has adopted DEP business model in which the Group first obtains the right to develop and then will receive government subsidy after the development. Afterwards it will seek potential investors and assist them in completing bank financing. When investors for the project are identified, equity shares will be sold by signing sales agreement for the modules, after which the modules will be delivered and technical support provided.

In December 2017, we completed the early-stage development of this project and signed the agreement for the transfer of equity shares and the supply of 12MW modules with a total contract amount of RMB57,084,700. DEP business model has been approved by the Dutch government and we received the subsidy from the Dutch government for the SDE + photovoltaic power generation project. It is expected that the Group will continue and expand the DEP business model.

(2) *Rooftop Power Station Project at Plantion, a Plant and Flower Aution House in the Netherlands*

A 2.3MW thin film power generation system was installed successfully on the rooftop of Plantion, a plant and flower auction house in Ede in the central Netherlands, which was successfully connected to the grid and commenced power generation during the period. The Group's Solibro modules with a daily power generation capacity of 10,000kWh in summer are used in this project, which is now one of the largest rooftop photovoltaic power station projects in the Netherlands. The grid connection of this solar rooftop project was a successful attempt for the Group in full-range solar energy applications business in the Netherlands. This project was fully recognised by the Chinese embassy in the Netherlands and was listed as model of cooperation between enterprises in China and the Netherlands in the promotion of the use of clean energy.

3. *Channel Sales Business Unit*

In response to the increasing demand for the building of household distributed thin film power generation projects, the group continued to unify the coverage of channel distributors and dealers in most of the counties and cities across the nation. It also focused on the small and medium-sized distributed power generation market by providing different thin film power generation solutions to ordinary families, small-sized factories, commercial buildings, agricultural households and villas, so that the public can have easy access to green living. During the year, this business unit recorded a revenue of approximately HK$898 million through the sales of small and medium-sized household systems and photovoltaic panels.

As at 31 December 2017, the Company has introduced four types of household distributed thin film power generation systems, including 1) the standard product series designed for ordinary home users; 2) the small scale industrial/commercial product series which make use of idle rooftops of industrial/commercial buildings for small power stations; 3) the solar shed series applicable to sunshades and gazebos; and 4) the Hantile Series power generation modules which take the shape of the arched roof tiles used in traditional Chinese architecture for general roofing. During the period, the number of orders for these household distributed systems exceeded 57,000. The Group has approximately 1,400 dealers, and 1,033 of them are active dealers. The Group reviews dealer activity regularly and may terminate those dealership if they are found to be inactive. Furthermore, the Group strictly manages its dealers and distributors to ensure that they provide quality services to the end customers.

4. ***Introduction of Innovative Products and their Applications***

Through continuous technological breakthroughs and innovative research and development, the Group introduced a number of unique and innovative products and applications during the period to meet the needs of the market. The following are some examples for the Group's innovative products and applications:

(1) Hantile

In July, the Group unveiled its innovative new product, "Hantile", which combines flexible thin-film solar cell with roof tiles to form a new type of building material which is capable of efficient power generation with a conversion rate of 17.5% and high level of building safety. Since its launch, Hantile has received market praises and customer inquiries. Hantile is positioned as a middle to high-end product which can be used in the construction of commodity villas, urban and rural public buildings, self-built residences in rural areas, beautiful villages or featured towns, targeted at various types of customers including real estate developers, local governments, high net worth groups and others. During the year, Hantile successfully passed the SGS-TÜV (SGS and TÜV Saarland) certification, signifying that Hantile has met the requirements of the international solar energy product certification and possessed the qualifications for application in the European solar energy market.

Through the active promotion and efforts of the Group's European team, Hantile signed a contract for the first 36KW demonstration project with a Swedish customer in December 2017 (a total of 5 new commodity villas) for which payment was made by the customer. The project was scheduled for installation in February 2018. Hantile will also enter the European market officially in the first quarter of 2018.

(2) Developing Green China – Integrated Solutions for Eco-City

On 15 December 2017, the Group hosted a press conference entitled "Green China — Eco-city Solutions" at its Beijing headquarters, signed strategic cooperation agreements with 12 cooperation partners including Beiqi New Energy, the No. 605 Research Institute of China State Shipbuilding Industry Corporation, Haier, Inspur, Zhongyuan International, Etuoke Qianqi and Shuidonggou Tourism Development Co., Ltd.

Under the national strategy of new energy development, Hanergy's Eco-city integrated solution aims to reduce energy consumption in cities. Through comprehensive planning of urban energy resources, it begins with macro-planning, business consulting, program design, construction and implementation, and operation and maintenance services to provide a comprehensive package of energy solutions. With the goal of creating a city with near-zero carbon emission and focusing on the deployment of new energy sources, Hanergy's Green Government Affairs Solution integrates urban intelligence management with tools such as Internet of Things and Big Data. It adopts a more comprehensive perception and data collection, more efficient transmission and data sharing, more intelligent analysis and data mining systems, to help the government in building a green, harmonious and livable city.

At the press conference, the Group signed strategic cooperation agreements with a number of companies to prepare for the promotion of automotive sunroof solutions, new energy vehicle refueling stations, shared electric vehicles, decentralised energy construction in parks and factories, agricultural photovoltaic poverty alleviation, construction of small towns, water tourism development, smart home and other fields, to carry out all-round cooperation and expand the thin film solar energy technology in more applications.

D. Connected Transactions with Hanergy Holding Group

As stated in the 2017 interim report, Apollo Precision (Fujian) Limited entered into a procurement contract of automated integrated production lines for CIGS thin film solar panels with Shandong Zibo Hanergy PV Company Limited. However, the majority of the equity interests in Shandong Zibo Hanergy PV Company Limited was transferred to independent third-party in October 2017 as mentioned above, and accordingly it is no longer an affiliated company of Hanergy Holding, provided that the revenue of HK$1,062,466,945.36 in its entirety before the transfer of equity interests in Shandong Zibo Company, i.e. the period from 1 January to 30 October 2017, would be regarded as connected transactions in accordance with the Company's accounting policies. Save for the above, there was no additional connected transactions during the year.

E. Delivery of Production Lines to Hanergy Holding Group

The Group entered into two master sales contracts with Hanergy Holding for the sale of equipment and turnkey production lines for the manufacture of thin film solar photovoltaic modules to Hanergy Holding in 2010 and 2011, respectively. The table below shows an analysis of the related purchase capacity committed and contract revenue recognised in the Group's financial statements:

		2010 Sales Contracts	**2011 Sales Contracts**
1.	Total purchase capacity as stipulated in the sales contracts	3,000MW	7,000MW
2.	Purchase capacity of module equipment and production lines committed by Hanergy Holding as at 31/12/2017	1,300MW	7,000MW
		HK$'mil	*HK$'mil*
3.	Total contract sum	25,800	61,270
4.	To the extent purchase capacity committed by Hanergy Holding:		
	(i) Contract sum attributed to the purchase capacity committed	25,800	61,270
	(ii) Total cumulative advance payment made by Hanergy Holding as at 31/12/2017	1,998	1,560
	(iii) Contract revenue (net of VAT and relevant taxation) recognised in:		
	Year ended 31/12/2010	2,310	0
	Year ended 31/12/2011	1,446	1,009
	Year ended 31/12/2012	0	2,756
	Year ended 31/12/2013	0	3,243
	Year ended 31/12/2014	3,102	2,853
	Year ended 31/12/2015	134	(88)
	Year ended 31/12/2016	39	865
	Year ended 31/12/2017	628	434

FUTURE OUTLOOK

A. Global Solar PV Market

In 2017, the global photovoltaic market had a strong growth. According to the statistics of China Photovoltaic Industry Association (CPIA), the newly installed capacity has reached 102GW globally, representing a year-on-year growth of over 37%, while the accumulated photovoltaic capacity has reached 405GW. In particular, China's newly installed capacity has reached 53GW, representing a year-on-year growth of over 53.6%, which made her ranked the first in the world for five consecutive years. The newly installed capacity in traditional markets such as the United States, Europe and Japan etc. have reached 12.5GW, 8.8GW and 6.8GW respectively, which are still occupying an important share in the global market. In 2017, India and countries in South America and South East Asia have added new momentum to the growth of the global demand, in which the newly installed capacity in India has reached 9GW, while the installed capacity of Mexico, Chile, Thailand etc. is also increasing rapidly.

Looking ahead to year 2018, the global photovoltaic market demand will continue to rise. But under the influence of uncertainties in the major photovoltaic markets including the United States, China and India etc., the increase in demand might slow down. According to the latest released forecast, the global installed photovoltaic capacity in 2018 may reach 107GW. According to the latest released forecast Mainstream markets including China, the United States, Japan and India etc. will continue to dominate the global installed capacity.

Along with the entry into force of the Paris Agreement, countries have been actively promoting the renewable energy power, committing to carbon emission standards and promoting the development of new energies including wind power and photovoltaic power, etc. In light of the technological improvement in the current photovoltaic industry, the Levelised Cost of Electricity (LCOE) in each country continues to decline. The economic advantage of photovoltaic is rather obvious in future, and there is still significant momentum for the development of global photovoltaic.

Solar PV Market in China

The Chinese photovoltaic market continued to stand on the top of the global photovoltaic market in 2017. Under the influences of multiple factors including the photovoltaic poverty alleviation policy, lower expectation on price of on-grid tariff and the rushed installations on 30 June and 30 September, etc., the scale of photovoltaic power generation market has expanded rapidly. According to the report of CPIA, in 2017, China's accumulative installed capacity for photovoltaic has reached 130GW, maintaining its top spot in the world for three consecutive years; while its newly installed capacity for photovoltaic was 53GW, representing a year-on-year growth of over 53.6%, maintaining its top spot in the world for five consecutive years.

Distributed photovoltaic power stations became the new highlight in market growth throughout the year, in which the newly installed capacity was over 19GW, representing a year-on-year growth of around 3.6 times. The figure far exceeded the accumulated installed capacity of distributed photovoltaic power stations in last five years, and accounted for up to 36% of the total newly installed capacity for the year. Household photovoltaic recorded a rapid growth, in which its installed capacity was more than 3 times than that of 2016. The accumulative installed capacity in the Zhejiang, Shandong and Hebei provinces has exceeded 100,000 households, as compared with the national figure of around 500,000 households. According to preliminary statistics, the household photovoltaic installed capacity has exceeded 2GW.

In 2017, the development of China's photovoltaic power generation has demonstrated three characteristics: 1. the development of distributed photovoltaic power stations accelerated quickly; 2. the obvious shifting of regional distribution of newly installed photovoltaic capacity, as evidenced by the more obvious trend of moving from China's northwestern region to the central and eastern regions; 3. Photovoltaic development benefits from new ways of promotion, as demonstrated by the good results achieved by the implementation of the photovoltaic 'Top Runner' Programs, the significant technological improvement in the photovoltaic industry, and the realisation of the substantial reduction in the cost.

Looking into 2018, there is still a lot of room for the development in the Chinese photovoltaic market, as it is driven by the photovoltaic 'Top Runner' Programs and the bases construction projects, the photovoltaic poverty alleviation policy and the growing popularity of the rooftop distributed PV projects. According to the report "The Prospect of the Development Situation of China's Photovoltaic Industry in 2018" (《2018年中國光伏產業發展形勢展望》) released by CCID Think Tank, China's newly installed capacity for photovoltaic in 2018 is expected to reach 40GW. Since February 2018, the Chinese market will allow the distributed on-grid power generators to sell electricity directly to nearby business clients, which will help reduce the over-reliance of rooftop distributed solar energy projects on individual clients, hence boosting the installed capacity of rooftop distributed solar energy. According to the forecast made by BNEF, the deregulation in the Chinese electricity market will further boost the rooftop solar energy installations, and China's installed capacity for rooftop distributed solar energy in 2018 is expected to reach 24GW.

Under the guidance of national policy planning, it is believed that China will accelerate the development of distributed photovoltaic. The high growth of the installed capacity for distributed PV is expected to continue after 2018, taking up a higher proportion. The Group will seize the opportunities offered by photovoltaic poverty alleviation and distributed PV power generation etc., and take the market advantage of a head start in the industry as well as the technological and application advantages of the solar power thin film products; and to improve our channels, fully exploit the potentials to increase sales, so as to promote a wider application of the thin film power generation products in the fields of distributed and mobile energy.

B. Policy Support from the Chinese Government

Solar Energy and Renewable Energy in the 13th Five-Year Plan

On 5 January 2017, National Energy Administration held a press conference and issued the "13th Five-Year Plan for the Development of Energy" (《能源發展'十三五'規劃》and the "13th Five-Year Plan for the Development of Renewable Energy" (《可再生能源發展"十三五"規劃》), which pointed out that clean energy will be the main source for the increase in energy supply in the '13th Five-Year Plan'. The PRC government will exercise strict control on new coal production capacity, facilitate wind power and photovoltaic development towards eastern and central regions, establish a trading mechanism of 'green certificates' for renewable energy, achieve a further 50% reduction on PV power generation tariff level on the 2015 basis by 2020, and achieve grid parity in terms of photovoltaic power consumption. As shown by the plan, the PRC government will strive for increasing the proportion of consumption of the non-fossil energy to over 15% during the '13th Five-Year Plan' period. To achieve photovoltaic power generation of 105GW in 2020, the focus will be placed on distributed photovoltaic development. With a combination of a sound system and electricity tariff reform, the PRC government will strive to promote market-oriented transactions in order to help reduce transaction costs. By making full use of the advantages of distributed photovoltaic, the PRC government's subsidy policy can be implemented sooner, which will in turn encourage different groups of investors to participate fully in distributed photovoltaic investment and construction. Meanwhile, attempts in resources allocation should also be made with respect to marketization, and photovoltaic top-runner programs should be implemented to promote the products and applications of advanced photovoltaic technologies.

In July 2017, the PRC National Energy Administration issued the "Guiding Opinions in Relation to the Implementation of the 13th Five-Year Plan for the Development of Renewable Energy" (《關於可再生能源發展"十三五"規劃實施的指導意見》), which provided guidelines for the local governments, energy regulatory authorities and national power generation companies with respect to strengthening target achievements, monitoring and assessments of renewable energy, laying out development plans, strengthening the implementation of power grid access as well as the conditions for market consumption, promoting technological progress and cost reduction through innovative development, optimizing the construction scale and control mechanism of photovoltaic power generation, exploring the sources of subsidy funds through various means, and strengthening policy support, etc. Further guidance and scopes were also provided for the continuous healthy development of renewable energy.

The "13th Five-Year" Photovoltaic Poverty Alleviation Plan

In December 2017, the National Energy Administration of the PRC and the State Council Leading Group Office of Poverty Alleviation and Development issued the "Notice from the National Energy Administration and the State Council Leading Group Office of Poverty Alleviation and Development on issuing the first batch of photovoltaic poverty alleviation projects in the 13th Five-Year Plan" (《國家能源局國務院扶貧辦關於下達「十三五」第一批

光伏扶貧項目計畫的通知》), in which a total of 8,698 village-level power stations have been issued in 14 provinces (autonomous regions) and 236 key counties for photovoltaic poverty alleviation with a total installed capacity of 4,186MW. The Notice required every provincial energy authority and poverty alleviation authority to implement well the construction and management work of the poverty alleviation projects. It also urged local governments to implement the construction conditions as soon as possible in accordance to the "Management Guidelines to the Photovoltaic Power Stations for Poverty Alleviation", to handle registration of project filing in a timely manner; to coordinate with banks and other financial institutions for the finance arrangements of the projects as soon as possible, implementing preferential loans conditions and protection for financing; to urge the grid companies to formulate solutions for grid connection, ensuing that the network connection project and photovoltaic poverty alleviation project are put into operation in the same period; to organise the main investment and management entities of photovoltaic poverty alleviation projects to report the information including construction progress, operation and income distribution for poverty alleviation etc. on the National Renewable Energy Power Generation Projects Information Management Platform in a timely manner.

Paying Greater Attention to Distributed Power Generation

In October 2017, the National Development and Reform Commission of the PRC and the National Energy Administration issued the "Notice on the implementation of pilot marketized transaction spots for the distributed power generation" (《關於開展分散式發電市場化交易試點的通知》), allowing distributed power generation units (including individual) to transact electricity with the nearby power users within the distribution network, hence encouraging the nearby consumption of the distributed photovoltaic energy. Power grid enterprises are responsible for the electricity transmission of the distributed power generation and the coordination with relevant electricity transaction agencies on organizing marketized transaction for distributed power generation, as well as the charging of "over-the-net fee' in accordance to standards approved by the government. By December, the National Development and Reform Commission and the National Energy Administration issued a supplementary notice to the above notice, giving further instructions as to the organization of the pilot marketized transaction spots for the distributed power generation, and to the content and submission of the pilot schemes, demonstrating the State's determination and support to the promotion of distributed power generation.

China's state and local Government continued to adopt encouraging and supportive attitude toward the distributed power generation projects. They introduced policies to support the distributed photovoltaic industry, which fully demonstrated their optimism and long-term support to the development of distributed photovoltaic. With the eastward movement of China's photovoltaic installations from the northwestern part of the country, and the maturing conditions of grid parity for PV power, it is expected that the distributed photovoltaic power generation will enter a stage of rapid development in near future, and will achieve rapid growth especially in the densely populated eastern and southern regions.

Thin Film Solar Cell as a Focus of National Strategy

Starting from 2016, a number of ministries and commissions of the central government, including the State Council and the National Development and Reform Commission of the PRC, successively promulgated a number of documents related to the manufacturing of energy equipment, key products of the strategic emerging industries, the 13th Five-Year Science and Technology Innovation Plan and the development of key new materials for the manufacturing industry, in which CIGS thin film cells, high efficiency GaAs cells, thin film solar cell manufacturing equipment, high efficiency photovoltaic cells, as well as CIGS and GaAs materials were listed as the focus of strategic development. There will be great potentials for our future development, as the manufacturing equipment for thin film solar cells developed by the Group as well as our CIGS and GaAs thin film cells are on the list.

C. Implementation of the Sales-oriented Strategy of "One Base Two Fronts"

During the period, the Group continued the corporate restructuring and governance improvement, establishing a clearer and efficient governance structure, a more scientifically regulated business process and a customer-oriented sales culture. The Group has adopted the strategic deployment of "One Base Two Fronts", that is, based on the continuous innovation of thin film solar technology, and with 'turnkey' solutions for high-end equipment and production lines on the left front, and solutions for distributed energy and mobile energy on the right front, with focus on the upstream business of equipment production lines, and the downstream business of distributed and mobile energy.

The upstream business actively develops the industrial park projects and independent third-party clients, and provides integrated "turnkey" solutions for thin film solar equipment and production lines. The Group has successfully developed a number of industrial park projects and independent third-part clients, and also secured large orders. During the period, phased delivery has been completed in succession and large amount of payment has been received. Currently, the Group is still actively negotiating a number of industrial park projects and is expected to sign production lines sales contracts, which will contribute income to the business results in 2018 as well as in the coming years.

The downstream business provides customers with 'one-stop' services and solutions, which are mainly driven by distributors/channel partners and supplemented by direct sales to major customers. The Group has achieved good results with the downstream photovoltaic applications during the period, while the business model and organization for distributors of household distributed system have become more mature after three years of development. In addition, with the nation's strengthened support toward distributed photovoltaics, steady growth has been achieved in the businesses including industrial and commercial power generation, photovoltaic poverty alleviation, BIPV, agricultural applications etc. New innovations and cooperation have also been realised in the mobile energy application business.

D. Research and Development for New Products and New Applications

In the past year, the Group's thin film solar energy cells have been used in a number of mobile traffic applications one after another. From solar energy powered boats, shared bikes to solar energy powered vehicles, unmanned aerial vehicles and other types of transportation, all have enjoyed green and uninterrupted electricity supplies because of the installation of thin film solar energy cells. The Group has also responded to the market demand by introducing various types of portable mobile energy thin film power generation paper, power generation pack, power generation backpack and small off-grid power generation system, so as to provide users with a more convenient and efficient mobile power usage experience as well as satisfying the demand for mobile energy solutions from markets including mobile communications, outdoor sports, field operations and emergency rescue.

In July 2017, the Group introduced "Hantile", a brand new product which integrates MiaSolé's high efficiency thin film solar energy cells with glass to form new types of rooftop construction materials, and with these safe and durable tiles, roof-top solar energy power generation can be achieved. These products will be heavily used in the applications for the construction market which have enormous growth potentials, and they have been promoted to the markets such as China and Europe. By the end of 2017, a Swedish client has signed the first order for Hantile in overseas market. It is believed that in future more clients will accept and favor such innovative new energy product which can both generate power and be beautiful and practical.

The Group has developed a systematic plan to the product and it centers around two main topics – living and travelling. Under these, a total of twelve product categories, including building and construction materials power generation products, consumer type portable power generation products, household power generation systems, flexible industrial rooftop power generation systems, agricultural power generation products, car-top solutions for solar energy powered vehicles, and high-altitude long-endurance unmanned aerial vehicles and satellite applications and other special products have been deployed. We have also established the Global Application Products Development Centre to carry out the management of product development life cycle by following the IPD process, so as to develop more products and improvement upgrades for launching to the market.

In the past year, the Group continued to strengthen its technological innovation, develop new products, explore new business models and develop its core business. To be in line with the economic trend of the vigorous development of new energy industrial parks in various parts of China, the Group also actively promoted the turnkey projects and large-scale localization of thin film battery equipment production lines. The Group also developed major photovoltaic application businesses such as the channel sales of downstream distributed power generation, industrial and commercial power generation, photovoltaic poverty alleviation, BIPV and mobile energy etc. The Group has comprehensively promoted and thoroughly implemented the customer-oriented corporate culture, and established a strong matrix management system with project management as the core. The Group will continue to seize the opportunities and to ride on the trend, by making every effort to promote a wider application of the thin film power generation technology and products.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had interest-bearing bank and other borrowings of HK$1,126,008,000 (31 December 2016: HK$1,050,635,000) while the cash and cash equivalents amounted to approximately HK$2,496,760,000 (31 December 2016: approximately HK$248,674,000).

Gearing ratio (total debt less cash and cash equivalent, tax payable, deferred income, other non-current liabilities and deferred tax liabilities ("Net Debt") over adjusted capital and net debt) as at 31 December 2017 was 47.86% (31 December 2016: 36.43%).

TREASURY POLICIES AND EXCHANGE & OTHER EXPOSURES

The Group's monetary transactions and deposits continued to be in the form of US dollars, Renminbi and Hong Kong dollars. The Group expected that the exposure to exchange rates fluctuation was not significant and therefore had not engaged in any hedging activities.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 (31 December 2016: Nil).

PERSONNEL

The number of employees of the Group as at 31 December 2017 was 4,250 (31 December 2016: 3,162) of whom 695 (31 December 2016: 511) were office administration staff.

Remuneration of employees and directors are determined according to individual performance and the prevailing trends in different areas and reviewed on an annual basis. The Group has also contributed mandatory provident fund, retirement funds and provided medical insurance to its employees.

Bonuses are awarded based on individual performance and overall Group performance, and are made to certain employees of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted a code of conduct (the "**Model Code**") regarding securities transactions by the Directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (the "**Listing Rules**"). Having made specific enquiry to all Directors, the Directors confirmed that they had complied with the required standard set out in the Model Code and the code of conduct regarding securities transactions by Directors adopted by the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2017.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company, comprising Professor Zhang Qiusheng (Chairman of Committee), Mr. Lo Man Tuen. *G.B.S. JP,* Professor He Xiaofeng and Mr. Wang Dan, has reviewed with management and approved the consolidated financial statements of the Company for the year ended 31 December 2017.

SUSPENSION OF TRADING

Trading in the Company's shares has been halted with effect from 10:40 a.m. since 20 May 2015. The Company received a letter from the Securities and Futures Commission ("**SFC**") dated 15 July 2015 in relation to the Rule 8(1) direction of Stock Market Rules, in which the SFC directed the Stock Exchange to suspend trading in the securities of the Company.

The Company has been communicating with the SFC to seek resumption of trading of the Company's shares on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Finally the SFC set out two requirements for the resumption. One requirement is that Mr. Li Hejun ("**Mr Li**", an executive director and the Chairman of the Company from 15 May 2014 to 20 May 2016) and the four former independent non-executive directors ("**INEDs**") of the Company agreeing not to contest liability and the court orders sought by the SFC in the civil proceedings commenced by the SFC under section 214 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") against them ("**Section 214 Proceedings**"). The other requirement is the publication of a disclosure document by the Company ("**Disclosure Document**") which will provide detailed information on the Company, its activities, business, assets, liabilities, financial performance and prospects.

On 23 January 2017, the SFC has commenced the Section 214 Proceedings to seek disqualification orders against Mr. Li and the four former INEDs. The disqualification orders, if given by the Court, will disallow the five persons from being a director or being involved, directly or indirectly, in the management of any corporation for a certain period in Hong Kong. The SFC also required Mr. Li to promise to procure Hanergy Holding and its subsidiaries to pay the outstanding Secured Indebtedness of HK$3,164,727,000.

On 4 September 2017, the SFC has obtained orders from the High Court of Hong Kong, which, inter alia, disallowed Mr. Li, Ms. Zhao Lan, Mr. Wang Tongbo, Professor Xu Zheng and Dr. Wang Wenjin from being a director or being involved, directly or indirectly, in the management of any corporation for a certain period in Hong Kong, and accordingly, the appointment of Ms. Zhao, Mr. Wang, Professor Xu and Dr. Wang as INEDs of the Company has been terminated on the same day (the "**Termination**"). According to the Civil Court Orders, Mr. Li would be disqualified from being a director or being involved in the management of any listed or unlisted company in Hong Kong for 8 years. Ms. Zhao and Mr. Wang will be both disqualified for 4 years. Professor Xu and Dr. Wang will be both disqualified for 3 years.

According to the civil orders from the High Court of Hong Kong dated 4 September 2017 ("**Date of Court Orders**"), Mr. Li promised to procure Hanergy Holding and its subsidiaries to pay the Remaining Secured Indebtedness owed to the Company within 24 months from the Date of Court Orders.

Mr. Li and the Company also entered into a deed of guarantee ("**Deed of Guarantee**"), pursuant to which Mr. Li provided a personal guarantee in favour of the Company in respect of the Secured Indebtedness; and by way of first fixed charge, 1,367,000,000 ordinary shares in the Company's issued share capital held by Hanergy Option Limited (the "**Securing Party**", a company owned by Mr. Li) were mortgaged and pledged in favour of the Company.

The first requirement set out by the SFC for the resumption of trading of the Company's shares was satisfied. The Company has been putting its best endeavours to fulfill the second requirement in respect of the Disclosure Document. The Company will make further announcement(s) on the progress of its resumption plan in due course.

On behalf of the Board
Hanergy Thin Film Power Group Limited
Yuan Yabin
Chairman

Beijing, the PRC, 27 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Yuan Yabin (Chairman), Dr. Lam Yat Ming Eddie (Vice Chairman), Mr. Si Haijian (Chief Executive Officer), Mr. Huang Songchun (Financial Controller), Mr. Xu Xiaohua and Mr. Zhang Bin; and the independent non-executive directors of the Company are Mr. Lo Man Tuen, G.B.S., JP, Professor He Xiaofeng, Professor Zhang Qiusheng and Mr. Wang Dan.