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XINYI SOLAR HOLDINGS LIMITED
信 義 光 能 控 股 有 限 公 司

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

(Stock code: 00968)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2017	2016	Change
	HK$' million	HK$' million	
Revenue	**9,527.0**	6,007.1	+58.6%
Profit attributable to equity holders of the Company	**2,332.0**	1,985.6	+17.4%
Earnings per share - Basic and diluted	**32.61 HK cents**	29.22 HK cents*	+11.6%
Proposed final dividend per share	**7.0 HK cents**	6.0 HK cents	

* Basic and diluted earnings per share for the year ended 31 December 2016 has been restated to take into account of the effects of the rights issue of the Company completed in June 2017.

The board of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**" or "**Xinyi Solar**") for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Revenue	3	**9,527,031**	6,007,081
Cost of sales	7	**(6,122,410)**	(3,257,198)
Gross profit		**3,404,621**	2,749,883
Other income	4	**181,047**	175,540
Other gains, net	5	**211**	8,264
Selling and marketing expenses	7	**(239,318)**	(164,310)
Administrative and other operating expenses	7	**(432,598)**	(321,056)
Operating profit		**2,913,963**	2,448,321
Finance income	6	**14,098**	9,338
Finance costs	6	**(178,605)**	(103,867)
Share of profits of a joint venture		**36,407**	31,125
Share of profits of associates		**3,572**	5,547
Profit before income tax		**2,789,435**	2,390,464
Income tax expense	8	**(265,336)**	(240,777)
Profit for the year		**2,524,099**	2,149,687
Profit for the year attributable to:			
– the equity holders of the Company		**2,332,031**	1,985,630
– non-controlling interests		**192,068**	164,057
		2,524,099	2,149,687
Earnings per share attributable to the equity holders of the Company			(Restated)
(Expressed in HK cents per share)			
– Basic and diluted	10	**32.61**	29.22

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**2,524,099**	2,149,687
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**1,222,746**	(765,912)
Share of other comprehensive income of a joint venture accounted for under equity method		
- Share of currency translation differences	**29,221**	(12,604)
Total comprehensive income for the year	**3,776,066**	1,371,171
Total comprehensive income for the year attributable to:		
– the equity holders of the Company	**3,434,021**	1,310,639
– non-controlling interests	**342,045**	60,532
	3,776,066	1,371,171

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**14,240,034**	11,078,655
Land use rights		**343,721**	326,821
Prepayments for property, plant and equipment, land use rights and operating leases	12	**260,965**	383,913
Interests in a joint venture		**387,842**	329,827
Investments in associates		**65,319**	61,747
Deferred income tax assets		**837**	197
Goodwill		**2,001**	1,066
Total non-current assets		**15,300,719**	12,182,226
Current assets			
Inventories		**373,942**	288,428
Amount due from customers for construction work		**28,000**	211,739
Trade and bills receivables	11	**4,166,578**	2,020,372
Prepayments, deposits and other receivables	12	**1,517,433**	1,240,286
Cash and cash equivalents		**1,380,587**	843,332
Total current assets		**7,466,540**	4,604,157
Total assets		**22,767,259**	16,786,383
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**742,396**	674,880
Other reserves		**3,591,132**	1,835,734
Retained earnings		**5,787,599**	3,705,011
		10,121,127	6,215,625
Non-controlling interests		**1,559,229**	1,212,163
Total equity		**11,680,356**	7,427,788

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings	14	**4,787,428**	4,713,543
Other payables	13	**58,647**	53,901
Total non-current liabilities		**4,846,075**	4,767,444
Current liabilities			
Bank borrowings	14	**3,145,260**	1,952,388
Trade and other payables	13	**2,940,939**	2,538,635
Amounts due to related companies		**53,778**	16,028
Amount due to a joint venture		**13,036**	20,582
Current income tax liabilities		**87,815**	63,518
Total current liabilities		**6,240,828**	4,591,151
Total liabilities		**11,086,903**	9,358,595
Total equity and liabilities		**22,767,259**	16,786,383

NOTES:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amended standards adopted by the Group

The following amendments to standards are mandatory for accounting period beginning on or after 1 January 2017. The adoption of these amendments to standards does not have any significant impact to the results and financial position of the Group.

Amendments to HKAS 7, 'Statement of cash flows'

– The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

(b) Amendments to existing standards effective in 2017 but not relevant to the Group

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Income taxes	1 January 2017
HKFRS 12 (Amendment)	Disclosure of interest in other entities	1 January 2017

(c) New standards, amendments to standards and interpretations have been issued but are not effective for the accounting period beginning on 1 January 2017 and have not been early adopted:

		Effective for accounting periods beginning on or after
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1 January 2018
HKFRS 1 and HKAS 28		
HKFRS 2 (Amendments)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 financial instruments with HKFRS4 insurance contracts	1 January 2018
HKFRS 9 (Amendments)	Financial instruments	1 January 2018
HKFRS 15 (Amendments)	Revenue from contracts with customers	1 January 2018
HKAS 40 (Amendments)	Transfers of investment property	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
HKFRS 17	Insurance contracts	1 January 2021

(d) Impact of new standards, amendments and interpretations issued but not yet applied by the Group

1) *HKFRS 9 "Financial instruments"*

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

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets currently held by the Group includes debt instruments currently classified as loans and receivables which would likely continue to be measured at amortised cost. Accordingly, the Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

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

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

The impacts on the Group's financial results and position upon the adoption of HKFRS 9 are not expected to be material. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2018.

2) *HKFRS 15 "Revenue from contracts with customers"*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

(a) Identify the contract(s) with a customer;

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

(d) Allocate the transaction price to each performance obligation; and

(e) Recognise revenue when each performance obligation is satisfied.

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and has identified the following areas that are likely to be affected:

(a) revenue from service – the application of HKFRS 15 may result in the identification of separate performance obligations which could affect the timing of the recognition of revenue;

(b) accounting for certain costs incurred in fulfilling a contract – certain costs which are currently expensed may need to be recognised as an asset under HKFRS 15; and

(c) rights of return HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

More detailed assessments will be carried out by the Group to estimate the impact of the new rules on the Group's financial statements.

3) *HKFRS 16 "Leases"*

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the balance sheet. Instead, all long-term leases must be recognised in the balance sheet in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations. The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the balance sheet. In the income statement, rental expenses will be replaced with depreciation and interest expense. The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating leases. At 31 December 2017, the Group had non-cancellable operating lease commitments of HK$1,174,541,000. Upon adoption of HKFRS 16 the majority of operating lease commitments will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

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

3 SEGMENT INFORMATION

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

The Executive Directors consider the business from product type perspective. Generally, the Executive Directors consider the performance of business of each product type within the Group separately. Thus, the performance of each product type within the Group is an individual operating segment.

For the year ended 31 December 2017, there are three operating segments based on business type: (1) sales of solar glass; (2) solar farm business, which includes solar farm development and solar power generation; and (3) engineering, procurement and construction ("**EPC**") services.

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

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

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

	Year ended 31 December 2017			
	Sales of solar glass	**Solar farm business**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue	**5,746,434**	**1,473,504**	**2,307,385**	**9,527,323**
Inter-segment revenue	**(292)**	**—**	**—**	**(292)**
Revenue from external customers	**5,746,142**	**1,473,504**	**2,307,385**	**9,527,031**
Cost of sales	**(4,011,116)**	**(371,510)**	**(1,739,784)**	**(6,122,410)**
Gross profit	**1,735,026**	**1,101,994**	**567,601**	**3,404,621**

	Year ended 31 December 2016			
	Sales of solar glass	Solar farm business	EPC services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue	4,277,961	1,049,845	680,742	6,008,548
Inter-segment revenue	(1,467)	—	—	(1,467)
Revenue from external customers	4,276,494	1,049,845	680,742	6,007,081
Cost of sales	(2,472,158)	(271,062)	(513,978)	(3,257,198)
Gross profit	1,804,336	778,783	166,764	2,749,883

Other segment information

	Other segment information				
		Solar farm	EPC		
	Solar glass	business	services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2017					
Depreciation charge of property, plant and equipment	**223,943**	**317,417**	**676**	**—**	**542,036**
Amortisation charge of land use rights	**7,289**	**—**	**—**	**—**	**7,289**
Additions to non-current assets (other than deferred income tax assets)	**643,932**	**2,116,780**	**4,750**	**32,366**	**2,797,828**
Year ended 31 December 2016					
Depreciation charge of property, plant and equipment	154,622	241,675	65	—	396,362
Amortisation charge of land use rights	4,013	—	—	—	4,013
Additions to non-current assets (other than deferred income tax assets)	1,556,030	3,628,702	2,409	217,377	5,404,518

	Assets and liabilities				
		Solar farm	EPC		
	Solar glass	business	services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2017					
Total assets	**7,548,071**	**13,759,391**	**987,903**	**471,894**	**22,767,259**
Total liabilities	**1,538,001**	**4,648,633**	**568,782**	**4,331,487**	**11,086,903**
At 31 December 2016					
Total assets	5,477,696	10,318,610	587,524	402,553	16,786,383
Total liabilities	1,549,441	4,710,291	192,328	2,906,535	9,358,595

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

	Assets		Liabilities	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets/(liabilities)	**22,295,365**	16,383,830	**(6,755,416)**	(6,452,060)
Unallocated:				
Property, plant and equipment	**450**	213	**—**	—
Interests in a joint venture	**387,842**	329,827	**—**	—
Investments in associates	**65,319**	61,747	**—**	—
Prepayments, deposit and other receivables	**13,978**	10,199	**—**	—
Cash and cash equivalents	**4,305**	567	**—**	—
Other payables	**—**	—	**(1,319)**	(1,308)
Bank borrowings	**—**	—	**(4,330,168)**	(2,905,227)
Total assets/(liabilities)	**22,767,259**	16,786,383	**(11,086,903)**	(9,358,595)

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

	2017	2016
	HK$'000	*HK$'000*
Segment gross profit	**3,404,621**	2,749,883
Unallocated:		
Other income	**181,047**	175,540
Other gains, net	**211**	8,264
Selling and marketing expenses	**(239,318)**	(164,310)
Administrative and other operating expenses	**(432,598)**	(321,056)
Finance income	**14,098**	9,338
Finance costs	**(178,605)**	(103,867)
Share of profits of a joint venture	**36,407**	31,125
Share of profits of associates	**3,572**	5,547
Profit before income tax	**2,789,435**	2,390,464

The Group's revenue is mainly derived from customers located in the People's Republic of China ("**PRC**") and other countries, while the Group's business activities are conducted predominately in the PRC and Malaysia. An analysis of the Group's sales by geographical area of its customers is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue from sales of solar glasses		
The PRC	**4,546,929**	3,644,735
Other countries	**1,199,213**	631,759
	5,746,142	4,276,494
Revenue from sales of electricity in the PRC		
Sales of electricity	**554,921**	391,213
Tariff adjustment	**918,583**	658,632
	1,473,504	1,049,845
Revenue from construction contracts in respect of EPC services		
The PRC	**2,154,843**	659,181
Other countries	**152,542**	21,561
	2,307,385	680,742
	9,527,031	6,007,081

Revenues of approximately HK$951,791,000 and HK$945,258,000 were derived from customer A from EPC services and customer B from solar farm business for the year ended 31 December 2017 and revenue of approximately HK$721,560,000 was derived from customer B from solar farm business for the year ended 31 December 2016. The respective revenues derived from these customers accounted for more than or approximately 10% of the Group's revenue for the year.

An analysis of the Group's non-current assets other than deferred income tax assets by geographical area in which the assets are located is as follows:

	2017	2016
	HK$'000	*HK$'000*
The PRC	**14,562,444**	11,560,186
Other countries	**737,438**	621,843
	15,299,882	12,182,029

4 OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Rental income	**1,559**	1,478
Government grants (Note (i))	**144,199**	137,042
Others (Note (ii))	**35,289**	37,020
	181,047	175,540

Notes:

(i) Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations and certain tax payments.

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

5 OTHER GAINS, NET

	2017	2016
	HK$'000	*HK$'000*
Foreign exchange gains, net	**489**	9,165
Loss on disposal of property, plant and equipment	**(278)**	(901)
	211	8,264

6 FINANCE INCOME AND COSTS

	2017	2016
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**14,098**	9,338
Finance costs		
Interest on bank borrowings	**212,920**	137,906
Less: Amounts capitalised on qualifying assets	**(34,315)**	(34,039)
	178,605	103,867

7 EXPENSES BY NATURE

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

	2017	2016
	HK$'000	*HK$'000*
Auditor's remuneration		
– Audit services	**1,480**	1,400
Depreciation charge of property, plant and equipment	**542,036**	396,362
Amortisation charge of land use rights	**7,289**	4,013
Employee benefit expenses (including directors' emoluments)	**324,910**	252,234
Raw material and consumables used	**3,499,570**	2,076,852
Changes in inventories	**85,514**	89,350
Cost of inventories sold	**3,585,084**	2,166,202
Construction contracts costs	**1,739,784**	513,978
Impairment of trade receivables	**1,104**	—
Operating lease payments in respect of land and buildings	**41,631**	29,993
Transportation costs	**215,306**	133,135
Research and development expenditures	**204,440**	154,170
Other expenses	**131,262**	91,077
	6,794,326	3,742,564

8 INCOME TAX EXPENSE

	2017	2016
	HK$'000	*HK$'000*
Current income tax		
– Hong Kong profits tax (Note (ii))	**1,506**	—
– PRC corporate income tax ("**CIT**") (Note (iii))	**264,448**	256,872
– Malaysia corporate income tax (Note (iv))	**22**	—
	265,976	256,872
Deferred income tax	**(640)**	(16,095)
Income tax expense	**265,336**	240,777

Notes:

(i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and, accordingly, is exempted from payment of the Cayman Islands income tax.

(ii) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the year.

(iii) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited, a subsidiary established in the PRC, was 15% (2016: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. Solar farm companies of the Group in the PRC enjoyed tax holiday and the profits are fully exempted from CIT for three years starting from its first year of profitable operations, followed by 50% reduction in CIT in next three years. However, the government grants received during the year are subject to CIT with statutory income tax rate of 25%.

(iv) Malaysia statutory income tax has been provided at the rate of 24% (2016: 24%) on the estimated chargeable income for the year.

(v) 5%-10% withholding income tax is imposed on dividends relating to profits remitted from the PRC subsidiaries to the Hong Kong intermediate holding companies.

9 DIVIDENDS

An interim dividend of 8.0 HK cents per share (2016: 8.0 HK cents) was paid to shareholders whose names appeared on the Register of Members of the Company on 17 August 2017 (2016: 19 August 2016).

A final dividend in respect of the year ended 31 December 2017 of 7.0 HK cents per share (2016: 6.0 HK cents), amounting to a total dividend of HK$519,677,000 (2016: HK$445,421,000) is to be proposed at the forthcoming Annual General Meeting. The amount of 2017 proposed final dividend is based on 7,423,957,000 shares in issue as at 31 December 2017. The amount of 2016 final dividend represents the actually paid amount based on 7,423,680,000 shares in issue as at the book closure date for the dividend entitlement, including 674,880,000 shares issued for rights issue. These financial statements do not reflect the proposed final dividend for the year ended 31 December 2017.

Subject to the approval by the shareholders at the forthcoming annual general meeting, the proposed final dividend of 7.0 HK cents per share will be payable on or before 4 July 2018 to the shareholders whose names appear on the register of members of the Company at the closure day of register of members. The register of members of the Company will be closed from 13 June 2018 to 15 June 2018, both day inclusive, during which period no transfer of shares will be registered.

10 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year and adjusted for bonus elements in ordinary shares issued as a result of the rights issue completed in June 2017.

	2017	2016 (Restated)
Profit attributable to equity holders of the Company (HK$'000)	**2,332,031**	1,985,630
Adjusted weighted average number of shares in issue (thousands)	**7,151,533**	6,794,848
Basic earnings per share (HK cents)	**32.61**	29.22

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has dilutive potential ordinary shares from share options. The calculation for share options is determined by the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2017	2016 (Restated)
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**2,332,031**	1,985,630
Weighted average number of ordinary shares in issue (thousands)	**7,151,533**	6,748,848
Adjustments for share options (thousands)	**247**	645
	7,151,780	6,749,493
Diluted earnings per share (HK cents)	**32.61**	29.22

Basic earnings per share and diluted earnings per share for the year ended 31 December 2016 have been restated to take into account the effects of the rights issue of the Company completed in June 2017.

11 TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**3,493,848**	1,895,278
Bills receivables	**672,730**	125,094
Trade and bills receivables (Note (a))	**4,166,578**	2,020,372
Less: Provision for impairment of trade receivables (Note (b))	—	—
Trade and bills receivables, net	**4,166,578**	2,020,372

(a) Trade and bills receivables

Breakdown of trade and bills receivables by segment is as follows:

	Solar glass	**Solar farm Business**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 31 December 2017				
Sales of solar glass	**1,580,294**	**—**	**—**	**1,580,294**
Sales of electricity	**—**	**69,782**	**—**	**69,782**
Tariff adjustment	**—**	**1,728,707**	**—**	**1,728,707**
EPC service revenue	**—**	**—**	**787,795**	**787,795**
Total	**1,580,294**	**1,798,489**	**787,795**	**4,166,578**
At 31 December 2016				
Sales of solar glass	747,343	—	—	747,343
Sales of electricity	—	56,140	—	56,140
Tariff adjustment	—	879,980	—	879,980
EPC service revenue	—	—	336,909	336,909
Total	747,343	936,120	336,909	2,020,372

The credit terms granted by the Group to its customers in respect of sales of solar glass are generally from 30 to 90 days.

Receivables from sales of electricity were usually settled on a monthly basis by the state grid companies. Tariff adjustment receivables represented the government subsidies on renewable energy to be received from the state grid companies in accordance with the prevailing government policies.

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract.

The ageing analysis of the trade receivables based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**1,836,132**	1,034,692
91 days to 180 days	**442,932**	338,924
181 days to 365 days	**567,115**	388,079
1 to 2 years	**616,683**	133,529
Over 2 years	**30,986**	54
	3,493,848	1,895,278

Trade receivables aged over 180 days amounted to HK$1,214,784,000, of which solar glass business, solar farm business and EPC services accounted for HK$4,753,000, HK$1,187,010,000 and HK$23,021,000, respectively.

The maturity of the bills receivables is within 1 year.

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

	2017	2016
	HK$'000	*HK$'000*
RMB	**3,798,396**	1,958,336
US$	**169,633**	51,296
Other currencies	**198,549**	10,740
	4,166,578	2,020,372

(b) Provision for impairment of trade receivables

Sales of solar glass

As at 31 December 2017, trade receivables of HK$31,372,000 (2016: HK$94,451,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

The ageing analysis of these trade receivables based on due date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**26,535**	82,416
91 days to 180 days	**221**	10,031
Over 180 days	**4,616**	2,004
	31,372	94,451

During the year, there is an individually impaired trade receivable, which relates to a solar glass customer that is experiencing unexpected economic difficulties. The Group expects that a portion of the receivable will be recovered and has recognised impairment losses of HK$1,104,000 (2016: Nil) in profit or loss in relation to the impaired receivable.

The ageing of the impaired receivable is as follows:

	2017	2016
	HK$'000	*HK$'000*
Over 180 days	**1,104**	—

Sales of electricity

Given the track record of regular repayment of receivables from sales of electricity, all trade receivable from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. There is no due date for settlement (2016: Same). Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250 megawatts ("**MW**"), successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue ("**Catalogue**"). During the year ended 31 December 2017, the Group received aggregate payment of RMB272,281,000 (equivalent to HK$318,143,000) for the subsidies between May 2015 to December 2016 for these two solar farm projects (2016: RMB61,425,000 (equivalent to HK$68,879,000)). Given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the collection of tariff adjustment receivables is expected in the normal operating cycle, which is within 2 years, they are classified as current assets. Consequently, no provision for impairment of trade receivables was recognised as at 31 December 2017 (2016: Nil).

Construction contracts revenue from EPC services

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract. Trade receivables of HK$787,795,000 (2016: HK$336,909,000) in respect of construction contracts revenue from EPC services were neither past due nor impaired. There is no recent history of default. Management believes that no impairment allowance is necessary.

As of 31 December 2017, except the receivable above, all other trade receivables were expected to be recoverable. Consequently, no provision for impairment of trade receivables was recognised as at 31 December 2017 (2016: Nil).

12 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Prepayments	**564,723**	513,718
Deposits and other receivables	**169,434**	150,957
Other tax receivables (Note)	**1,044,241**	959,524
	1,778,398	1,624,199
Less: Non-current portion:		
Prepayments for property, plant and equipment, land use rights and operating leases	**(260,965)**	(383,913)
Current portion	**1,517,433**	1,240,286

Note: Other tax receivables mainly represent value added tax recoverable.

13 TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables (Note (a))	**702,191**	403,778
Retention payables for EPC services (Note (a))	**5,385**	3,084
Bills payables (Note (a))	**180,467**	466,243
Trade, retention and bills payables	**888,043**	873,105
Accruals and other payables (Note (b))	**2,111,543**	1,719,431
	2,999,586	2,592,536
Less: Non-current portion:		
Retention payables for construction of solar farms	**(58,647)**	(53,901)
Current portion	**2,940,939**	2,538,635

Notes:

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

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**302,681**	344,181
91 days to 180 days	**216,703**	14,289
181 days to 365 days	**95,885**	24,999
Over 1 year	**92,307**	23,393
	707,576	406,862

The maturity of the bills payables is within 6 months.

The carrying amounts of the Group's trade, retention and bills payable are denominated in the following currencies:

	2017	2016
	HK$'000	*HK$'000*
RMB	**847,407**	873,042
Other currencies	**40,636**	63
	888,043	873,105

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

	2017	2016
	HK$'000	*HK$'000*
Payables for property, plant and equipment	**1,626,808**	1,540,492
Accruals for employee benefits and welfare	**81,616**	60,086
Receipt in advance from customers	**44,986**	8,574
Payables for transportation costs and other operating expenses	**102,687**	26,284
Provision for value added tax and other taxes in the PRC	**151,122**	27,884
Payables for utilities	**50,077**	37,759
Others	**54,247**	18,352
	2,111,543	1,719,431

(c) The carrying amounts of trade and other payables approximate their fair values.

14 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 1 year	**3,145,260**	1,952,388
Between 1 and 2 years	**3,593,298**	2,634,280
Between 2 and 5 years	**1,194,130**	2,079,263
	7,932,688	6,665,931
Less: Non-current portion	**(4,787,428)**	(4,713,543)
Current portion	**3,145,260**	1,952,388

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

Unlike previous years, photovoltaic ("**PV**") installations in China in the second half of the year showed less fluctuations when compared to that in the first half of the year because of the more evenly distributed closure deadlines for installation as well as the rapid growth of distributed generation ("**DG**") projects in 2017. The significant increase in market demand has created a very good opportunity for the Group. Because of the timely expansion of the solar glass production capacity in late 2016 and early 2017, the Group has successfully expanded its market share in the overseas market and increased the sales volume of solar glass in 2017. With selling prices increasing mildly in the second half of 2017, the profit margin of the Group's solar glass segment also showed steady improvement. Together with the increased contribution from the solar farm business and engineering, procurement and construction ("**EPC**") services, this trend enables the Group to achieve a satisfactory result in 2017.

For the year ended 31 December 2017, the Group achieved a consolidated revenue of HK$9,527.0 million, representing an increase of 58.6% compared with 2016. Profit attributable to the equity holders of the Company increased by 17.4% to HK$2,332.0 million. Basic earnings per share were 32.61 HK cents for 2017, as compared with 29.22 HK cents (restated) for 2016.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2017 was mainly derived from three business segments, including: (i) sales of solar glass; (ii) the solar farm business, which includes solar farm development and solar power generation; and (iii) EPC services. All three business segments recorded remarkable revenue growth in 2017.

Revenue – by Product

	Year Ended 31 December					
	2017		2016		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**5,746.1**	**60.3**	4,276.5	71.2	1,469.6	34.4
Solar farm business	**1,473.5**	**15.5**	1,049.8	17.5	423.7	40.4
EPC services	**2,307.4**	**24.2**	680.7	11.3	1,626.7	239.0
Total external revenue*	**9,527.0**	**100.0**	6,007.1	100.0	3,520.0	58.6

* Because of rounding off, the sum of the individual amounts may not be the same as the actual total amount.

Solar Glass Revenue – By Geographical Markets

	Year Ended 31 December					
	2017		2016		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
The PRC	**4,546.9**	**79.1**	3,644.7	85.2	902.2	24.8
Other countries	**1,199.2**	**20.9**	631.8	14.8	567.4	89.8
	5,746.1	**100.0**	4,276.5	100.0	1,469.6	34.4

For the year ended 31 December 2017, the Group's solar glass sales revenue increased by 34.4% to HK$5,746.1 million. The increase was primarily due to a higher sales volume, partially offset by the lower average selling price ("**ASP**").

Benefitting from its capacity expansion strategy and vigorous sales efforts, the Group's total sales volume of solar glass products increased by 53.0% year-on-year. After the PV installation rush of China in the second quarter of 2016, demand sharply dwindled and supply began to dominate the market. Solar glass prices witnessed a declining trend since the third quarter of 2016 and then hovered around a low level. Starting from the second quarter of 2017, the higher-than-expected volume of PV installations in China gradually improved the supply-demand balance and the inventory of solar glass manufacturers continued to decline. This shift eventually led to the price rises from August to October 2017. However, the ASP of solar glass in 2017 was still more than 10% below that of 2016.

In light of the improved market situation and the higher profit margin of PV processed glass over PV raw glass, the Group has adjusted its marketing strategy and focused more on the sales of PV processed glass (including ultra-clear PV tempered glass, ultra-clear PV anti-reflective coating glass, back glass, etc.) in the second half of 2017. Sales of PV processed glass contributed 98.8% of the Group's solar glass revenue in the last six months as compared with 94.2% for the first six months of the year. With the double-glass module becoming more popular in recent years, the sale of back glass has grown rapidly, showing high growth potential.

The Group recorded a year-on-year revenue growth of 24.8% and 89.8% in the People's Republic of China ("**PRC**") domestic market and overseas market, respectively. Overseas sales accounted for 20.9% of the Group's total solar glass sales in 2017. The change in the geographical mix was mainly due to the substantial growth in sales to India, Malaysia, Thailand and European countries. The successful operation of the production line in Malaysia has enabled the Group to fulfill customer orders from these countries more flexibly, promptly and efficiently.

The electricity generation revenue of the Group for the year ended 31 December 2017 was derived from the solar farms located in the PRC as set forth below.

	At 31 December 2017 *MW*	At 30 June 2017 *MW*	At 31 December 2016 *MW*	At 31 December 2015 *MW*	At 31 December 2014 *MW*
Approved grid-connection capacity					
Anhui province	**1,180**	1,010	920	530	250
Others	**574**	574	544	80	—
Total	**1,754**	1,584	1,464	610	250
Total number of solar farm	**20**	17	14	8	2
Weighted average FiT	**0.962**	0.975	0.981	1.000	1.000
Approved grid-connection capacity					
– enlisted in the 6th batch Catalogue	**250**	250	250	—	—
– applying for enlisting in the 7th batch Catalogue	**724**	724	—	—	—
	974	974	250	—	—

* The weighted average FiT rate is proportionately weighted in accordance with the approved grid-connection capacity of each solar farm.

Revenue of the Group's solar farm business increased by 40.4% from HK$1,049.8 million in 2016 to HK$1,473.5 million in 2017. Given the fixed feed-in-tariff ("**FiT**") after grid-connection and the relatively stable sunlight radiation, the increase in revenue was mainly attributable to the increase in capacity of its solar farms. The Group has not encountered any curtailment in electricity generation as all of its solar farm projects are located in regions with high electricity demand.

As with other solar farm operators in China, the Group also experienced a delay in receiving subsidy payments from the PRC government in relation to the generation of electricity at its solar farms. As at 31 December 2017, the Group had outstanding receivables for the sales of electricity of HK$69.8 million (2016: HK$56.1 million) and a tariff adjustment (subsidy) receivable of HK$1,728.7 million (2016: HK$880.0 million). The receivables from sales of electricity are generally settled on a monthly basis by the state grid companies. The tariff adjustment (subsidy) receivables are settled by the state grid companies in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. For the year ended 31 December 2017, the Group received subsidy payments totaling HK$318.1 million in relation to the generation of electricity from May 2015 to December 2016 by its two ground-mounted solar farms enlisted in the sixth batch of the renewable energy tariff subsidy catalogue ("**Catalogue**"). The Group has submitted applications for eight ground-mounted solar farm projects with an aggregate capacity of 724 megawatts ("**MW**") for enlisting in the seventh batch of the Catalogue, and is now awaiting the result.

The Group's revenue from EPC services increased by 239.0% from HK$680.7 million in 2016 to HK$2,307.4 million in 2017. The substantial increase was mainly attributable to: i) the service income derived from several large-scale EPC projects with an aggregate capacity of about 300 MW completed during the year in relation to the PV poverty alleviation programs in different counties within Anhui province, the PRC; and ii) an increase in revenue contribution from Polaron Solartech Corporation ("**Polaron Solartech**"), a 60%-owned subsidiary specialising in residential and commercial DG projects in Canada. Polaron Solartech completed about 790 and 300 residential projects in 2017 and 2016, respectively.

Gross Profit

The Group's gross profit increased by HK$654.7 million, or 23.8%, from HK$2,749.9 million in 2016 to HK$3,404.6 million in 2017. The increase in gross profit was mainly due to the increase in the EPC services and solar farm businesses, partly offset by the decline in the solar glass segment. Overall gross profit margin dropped to 35.7% (2016: 45.8%), primarily due to: (i) the reduced gross margin of the solar glass segment and (ii) increased contribution from EPC services, which command a lower gross profit margin than the solar glass and solar farm businesses.

For the year ended 31 December 2017, the gross profit margin of the Group's solar glass segment decreased by 12.0 percentage points to 30.2% (2016: 42.2%). The decline in margin was mainly attributable to: (i) the drop in ASP (despite the price rebounds in the second half of 2017, ASP of solar glass still showed more than a 10% drop year-on-year in 2017); (ii) the benefits of improvements in efficiency brought by certain newly-added production capacities not being fully reflected during their ramp-up period, particularly in the first half of 2017; and (iii) rises in energy costs and raw material costs such as soda ash during the year. Benefitting from the ASP hikes in the second half of the year and the efficiency ramp-up of the new production lines, gross profit margin of this segment has gradually improved from 28.6% in the first half of 2017 to 31.4% in the second half of the year.

The gross profit contribution from the Group's solar farm segment increased significantly in 2017 amid the increase in aggregate grid-connected capacity. In 2017, the gross profit contribution from this segment increased remarkably by 41.5% to HK$1,102.0 million (2016: HK$778.8 million), accounting for 32.4% (2016: 28.3%) of the total gross profit of the Group. Gross profit margin of this segment rose slightly from 74.2% in 2016 to 74.8% in 2017, mainly due to the real-time monitoring, regular maintenance and various performance enhancement measures employed by the Group to improve the efficiency of electricity generation at its solar farms.

The gross profit margin of the EPC services business showed no significant change during the year, amounting to 24.6% in 2017 (2016: 24.5%). A strong margin was maintained, primarily due to the declining PV component costs, more efficient procurement and logistics management as well as the benefits of economies of scale brought about by several large-scale projects that the Group secured in the first half of 2017.

Other Income

In 2017, the Group's other income increased by HK$5.5 million to HK$181.0 million, as compared to the HK$175.5 million recorded in 2016. Other income mainly comprised government grants, scrap sales and tariff adjustments in relation to the electricity generated by the solar power systems installed on the rooftops of the production complex of the Group.

Other Gains, Net

Other gains, net decreased by HK$8.1 million to HK$0.2 million in 2017 from HK$8.3 million in 2016. The decrease was mainly due to the decrease in foreign exchange gains.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 45.7% from HK$164.3 million in 2016 to HK$239.3 million in 2017. The increase stemmed primarily from the upsurge in sales volume of solar glass as well as the increase in transportation costs as a result of more sales to India and Southeast Asian countries. The ratio of selling and marketing expenses to revenue decreased from 2.7% in 2016 to 2.5% in 2017 because the solar farm and EPC services businesses incurred fewer selling and marketing expenses than the solar glass business.

Administrative and Other Operating Expenses

The Group's administrative expenses increased by HK$111.5 million, or 34.7%, from HK$321.1 million in 2016 to HK$432.6 million in 2017. The rise was mainly attributable to the increase in: (i) research and development expenses of HK$50.2 million; (ii) staff cost and benefits of HK$14.2 million; and (iii) other miscellaneous expenses to cope with the Group's business expansion. Because of economies of scale and certain expenses being fixed, the Group managed to reduce its ratio of administrative and other operating expenses to revenue from 5.3% in 2016 to 4.5% in 2017.

Finance Costs

The Group's finance costs increased from HK$103.9 million (or HK$137.9 million before capitalisation) in 2016 to HK$178.6 million (or HK$212.9 million before capitalisation) in 2017. The increase was mainly attributable to new bank borrowings made by the Group to finance the capital expenditures for its solar farm projects and solar glass production capacity expansion. During the year under review, interest expense of HK$34.3 million (2016: HK$34.0 million) was capitalised into the construction costs of different solar farm projects and solar glass production facilities. The capitalised amounts would depreciate together with the relevant assets over their estimated useful lives.

Share of Profit of a Joint Venture

For the year ended 31 December 2017, the Group recorded a share of profit of a joint venture of HK$36.4 million (2016: HK$31.1 million), attributable to the contribution from Xinyi Solar (Lu'an) Company Limited, a 50%-owned joint venture engaging in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, the PRC.

Income Tax Expense

The Group's income tax expense increased from HK$240.8 million in 2016 to HK$265.3 million in 2017. The increase was primarily attributable to the increase in corporate income tax of the Group's solar farm business as certain solar farms have started their fourth year of operation in 2017. Profits derived from electricity generation of the Group's solar farms are fully exempted from corporate income tax for the first three years of their operation, followed by a 50% reduction in corporate income tax in the next three years.

EBITDA and Net Profit

In 2017, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$3,517.4 million, representing an increase of 21.5% as compared with HK$2,894.7 million in 2016. The Company's EBITDA margin (calculated based on total revenue for the year) was 36.9% in 2017 as compared with 48.2% in 2016.

Net profit attributable to equity holders of the Company in 2017 was HK$2,332.0 million, representing an increase of 17.4%, as compared to HK$1,985.6 million in 2016. Net profit margin decreased to 24.5% in 2017 from 33.1% in 2016, mainly due to: (i) the drop in profit margin of the solar glass business; and (ii) a higher percentage of revenue being derived from the EPC services business with a lower profit margin than that of the Group's solar farm and solar glass businesses.

Use of Proceeds of Rights Issue

In June 2017, the Company raised net proceeds of approximately HK$1,506.8 million by way of a rights issue ("**Rights Issue**") of 674,880,000 rights shares. The table below sets out the proposed application of the net proceeds and actual utilisation up to 31 December 2017.

	Proposed application of the net proceeds *HK$ million*	Amount utilised up to 31 December 2017 *HK$ million*	Unutilised balance up to 31 December 2017 *HK$ million*
Develop and construct new utility-scale ground-mounted solar farms for the Group	979.4	979.4	—
Expand, renew and upgrade the Group's solar glass production facilities	226.0	226.0	—
General working capital	301.4	301.4	—
Total	1,506.8	1,506.8	—

Financial Resources and Liquidity

For the year ended 31 December 2017, the total assets of the Group increased by 35.6% to HK$22,767.3 million and shareholders' equity increased by 62.8% to HK$10,121.1 million. The Group's current ratio as at 31 December 2017 was 1.2, compared to 1.0 as at 31 December 2016. The change in current ratio represents the improved liquidity of the Group as a result of the Rights Issue.

The confluence of the cash flow generated from the Group's business operations, significant banking facilities and the Rights Issue has substantially strengthened its financial resources. As at 31 December 2017, total cash and bank balances of the Group stood at HK$1,380.6 million, 63.7% higher than the corresponding figure at 31 December 2016. For the year ended 31 December 2017, net cash inflow from operating activities amounted to HK$1,298.2 million (2016: HK$680.8 million). The increase in net cash inflow was primarily attributable to the increase in revenue as a result of the expansion of the different business segments of the Group. Net cash used for investing activities amounted to HK$2,490.4 million (2016: HK$4,896.7 million). The decrease was primarily due to the decline in capital expenditures as fewer solar farm projects were built or under construction during the year. Net cash generated from financing activities amounted to HK$1,703.3 million (2016: HK$2,232.1 million). During the year under review, the Group secured new bank borrowings of HK$3,225.1 million, repaid bank borrowings of HK$1,989.9 million and raised net proceeds of HK$1,506.8 million from the Rights Issue.

The Group's net debt gearing ratio as at 31 December 2017 was 56.1% (31 December 2016: 78.4%). This ratio is based on bank borrowings less cash and cash equivalents divided by total equity. The gearing level of the Group decreased during the review period primarily due to (i) the decrease in net debt as a result of the Rights Issue; and (ii) the increase in total equity as a result of profit growth and translation gains for RMB-denominated assets caused by the rebound in the exchange rate of the RMB.

As at 31 December 2017, trade and bills receivables amounted to HK$4,166.6 million, comprising receivables of HK$1,580.3 million, HK$1,798.5 million and HK$787.8 million in the solar glass, solar farm and EPC services segments respectively. The increase in trade and bills receivables was primarily due to: (i) expanded business operations of the Group; and (ii) a delay in the collection of subsidy payment (tariff adjustment receivables) of its solar farms.

BUSINESS REVIEW

Global PV Installation Experienced Unprecedented Growth

Thanks to technological improvements and greater economies of scale, the economics of solar power are improving and have become more and more competitive when compared to other renewable or fossil energy sources. This, together with the supportive measures adopted by different countries, has led to the unprecedented level of solar power deployment in 2017. The largest increments in 2017 were recorded in China, followed by the United States ("**US**"). India has overtaken Japan as the third-largest global PV market. Rapid and sustained development was also noted in emerging markets in Latin America, South Africa, the Middle East and Asia-Pacific regions.

In 2017, PV installation in China continued to increase at a pace that far exceeded market expectation, accounting for about half of the entire global new additions. Compared with 2016, PV demand in the US for 2017 only recorded constrained growth, primarily driven by policy uncertainties as well as the decline in utility PV deployment. The utility scale market had to reset and restart the origination process after the build-out of the post-ITC (investment tax credit) extension pipeline in 2016. However, the decline in the US has been fully offset by the new additions in China and other emerging markets, thereby resulting in a new record high of global PV installations during 2017.

Explosive Growth of Distributed PV Power Generation in China

After the rapid growth in 2016, most of the forecasts in relation to China's new PV installation capacity in 2017 tend to be conservative. Some even worried that overcapacity might trigger another round of downturns in the solar industry. However, by taking various regulatory measures to rationalise and enhance the distribution and dispatch of PV power generation, the curtailment problem in China has been greatly alleviated and the development focus has been shifted from the northwestern and northeastern provinces to the provinces of central and eastern China, helping to maintain the upbeat sentiment and investment incentives in the market. In addition, the DG market has also displayed rapid growth, further driving PV installation of China in 2017 to surpass all expectations and set a new record high. PV demand grew steadily during the year since March and April. Driven by the additional demands from the Top Runner Program and poverty-alleviation projects as well as the explosive expansion of DG, strong growth momentum was maintained in the second half of 2017 even after the "630" installation rush.

PV installations have exhibited a more even distribution throughout the year in 2017 than during 2016. Smaller fluctuation in demand can better promote the healthy and sustainable development of the industry. As announced by the National Energy Administration ("**NEA**") at a press conference held on 24 January 2018, China added 53.06 gigawatts ("**GW**") of new PV capacity in 2017, representing a year-on-year increase of 53.6%. DG installation showed a much faster pace of growth in 2017 and recorded a new capacity of 19.44MW, up 370% from 2016.

China's DG sector has had a major kickstart in 2017. After years of rapid development, the growth of centralised PV projects was poised to slow down amid the intensifying competition and a land scarcity issue. Besides, with no reduction of government subsidies in the past few years and the lower-than-expected cut for 2018 projects (changing from RMB0.42/kWh to RMB0.37/kWh) but installation costs kept declining, the returns from DG projects seem even more attractive than those of centralised projects. DG has thus enjoyed a long-delayed takeoff in 2017 and has become one of the key growth drivers of China's PV market.

Successful Overseas Expansion and Continuous Upgrade of Production Facilities

The substantial increase of PV installations in China and the global market has stimulated the demand for PV glass in 2017. In late 2016 and the first quarter of 2017, the Group has added three new ultra-clear PV raw glass production lines with an aggregate daily melting capacity of 2,900 tonnes. The timely expansion of capacity has not only enabled the Group to capture the market growth and expand its market share, but also reinforced its position as the world's largest solar glass manufacturer.

In 2017, contribution from the above-mentioned newly-added capacity has been increasing steadily amid the adjustments after their initial ramp-up. The improvement in the gross margin of the Group's solar glass segment in the second half of the year was partly due to the increase in selling prices and partly due to the enhancement of production efficiency. Special attention should be paid to the 900-tonne/day production line in Malaysia that commenced operation in late 2016. This production line has marked an important milestone of the Group's strategic overseas expansion. After the first full-year operation, it has already attained satisfactory production efficiency as planned and has continued to show further improvement. And because of its geographical advantages, it can help the Group to develop overseas markets and further strengthen the competitive edge in serving customers in different countries.

Other than the addition of new capacity, the Group has also carried out regular maintenance and upgrades so as to ensure the optimal running efficiency and consistent quality output of its production facilities. Since June 2017, a 500-tonne/day PV raw glass production line in Anhui has ceased operation for repairs and upgrade. It is expected that this production line can resume operation in the first quarter of 2018. Without taking this suspended production line into account, the aggregate daily melting capacity of the Group's ultra-clear PV raw glass production lines was 6,300 tonnes at the end of 2017.

Economies of scale as well as highly automated and fully integrated production processes have enabled the Group to stay ahead of its competitors, operate more efficiently and hence reduce the rising cost pressure from price hikes of natural gas and raw materials.

Solar Glass Price Trending Upward amid Improving Supply and Demand Dynamics

In 2017, the demand for solar glass was booming while the ramp-up of new solar glass capacity was slower than expected. The supply and demand dynamics for the industry have therefore improved substantially, particularly in the second half of the year. Growth in the demand was accelerating at a higher rate than the supply growth amid the maintenance of production lines, closure of obsolete capacity and the reduced industrial output as a result of more stringent pollution controls in some regions of China. Stockpiling ahead of the United States International Trade Commission "Section 201" trade investigation has also boosted the downstream demand. ASP of solar glass products showed around a 5% to 10% increase since mid-2017. Another round of price hikes has also started around the end of 2017 as a result of further tightened supply and rising production costs.

Robust Growth for Solar Farm Business

The rapid growth of solar power development in China in 2017 was fuelled by low-priced equipment, improved component efficiency, innovative products and applications as well as the long-awaited takeoff of the DG market. However, because of limited land resources, feed-in-tariff cuts and competitive bidding, the competition for the installation quota of utility-scale centralised PV projects was even fiercer than before. As outlined in the 13th Five-Year Plan of China, the country is aiming to carry out industrial and technological upgrades, reduce costs and promote the wider application of solar technology so as to achieve market-oriented and self-sustainable growth without relying on subsidies from the government. The targeted timing for grid parity on the consumer side is 2020. To achieve this, a further tariff cut is a must so as to encourage accelerated improvement in efficiency and reduction in costs.

The Group's solar farm business continued to demonstrate robust growth. Electricity generation revenue showed a 40.4% year-on-year increase. Given the substantial and continuous decline in installation costs and riding on its experience in the solar value chain, the Group is confident it can advance and further expand its solar farm business. In 2017, the Group has started to develop self-owned DG projects on the factory rooftops of third parties and has achieved an aggregate grid-connected capacity of about 20MW for two rooftop projects in Anhui. As at 31 December 2017, the Group had grid-connected solar farm projects with a total capacity of 1,972MW, including 1,834MW ground-mounted utility scale projects and 138MW rooftop DG projects (with electricity generation for self-consumption and for selling to the grid). These solar farm projects are all located in provinces/municipality with high electricity demand such as Anhui, Hubei, Tianjin, Henan and Fujian. In terms of ownership, 918MW are from projects held through wholly-owned subsidiaries, 954MW are from projects held by 75%-owned subsidiaries and 100MW is from a joint venture project 50%-owned by the Group. The Group continues to develop more DG projects and explore solar farm development opportunities in different regions of China.

As for the operation and maintenance of its solar farms, the Group strives to enhance their operational efficiency by implementing a remote monitoring system, which provides remote web-based access to the operating and performance data of the solar farms on a real-time basis. Timely preventive maintenance and performance analysis are carried out to identify areas for improvement and minimise the risk of failure.

EPC Services – A Supplementary Income Source

Revenue from EPC services of the Group increased spectacularly in 2017, mainly due to the additional income derived in the first half of the year from several large-scale PV poverty alleviation programmes in China. As EPC projects are mostly one-off or ad-hoc in nature and seldom provide a predictable and stable revenue stream, they are only considered as a supplementary income source, but not a key growth driver, of the Group.

The Group will continue to seek other PV development opportunities in China as well as overseas. The acquisition of 60% equity interest in Polaron Solartech in April 2016 has marked a successful start in this direction. Through this venture, the Group has gained solid PV development experience in other countries. Polaron Solartech is a solar power system provider, specialising in residential and commercial DG projects in Canada. In 2017, it completed about 790 residential projects and started to provide a profit contribution to the Group.

BUSINESS OUTLOOK

Looking ahead, cost reduction through technological advancement, efficiency improvement and innovative applications will continue to drive the growth of the global PV market. China will continue to lead in the volume of installations for the next few years.

Regarding China's FiT rates for solar projects in 2018, the China National Development and Reform Commission ("**NDRC**") announced the tariff cut in December 2017, stating with the benchmark FiT of Zone 1, 2 and 3 being reduced by RMB0.1/kWh to RMB0.55/kWh, RMB0.65/kWh and RMB0.75/kWh, respectively. For DG projects other than those aiming for poverty alleviation and those selling all electricity generated to the grid, the FiT will be reduced by RMB0.05/kWh to RMB0.37/kWh. The FiT cuts are generally in line with or even better than market expectations, especially for those of DG projects. This can help to boost PV demand in China.

In addition to technological innovation, policy adjustments will also help the solar industry to further achieve progress. At the end of October 2017, the NDRC and the NEA jointly issued the "Notice of a Pilot Program for the Market-based Transaction of Distributed Power Generation (關於開展分散式發電市場化交易試點的通知)", representing an important milestone in the reform of the power market and the enhanced integration of PV power into power markets. This pilot scheme calls for the setting up of platforms for electricity trading between distributed power producers and end users across the local electricity distribution network, which can effectively resolve certain inherent issues of DG projects such as concerns about the stability of electricity demand and the settlement ability of the rooftop owner. Besides, the scheme can promote the better use of the roof-tops in the areas adjacent to enterprises with high electricity costs and stable electricity consumption, and hence provide more opportunities for the development of DG. Although some time may still be needed for this new policy to take effect and be implemented on a full-scale basis; nonetheless it marks a very good start for the PV development in China in transitioning from being heavily policy-driven to becoming more market-driven and relying less on government subsidies.

Although China has achieved a record high in PV installation in 2017, electricity generation from solar power plants only accounted for less than 2% of its annual electricity consumption, meaning that there is still vast potential for further development, particularly for DG. The DG projects, facing no quota restrictions, will undoubtedly speed up and boost their share of PV installations of China in 2018. With continuous declining of costs and technological improvement, PV power will also continue to increase its share of the energy mix in different countries around the world.

The global rise of PV installation will drive the demand for solar modules and hence other components, including solar glass, in the solar value chain. Given the fierce market competition, more consolidation is expected in the solar glass industry amid the increase in capacity of leading players and the gradual phasing out of some small and less efficient production lines. As a leading enterprise in the industry, the Group will continue to leverage its scale and technical advantages, streamline and automate its production processes, and develop new products to further strengthen its competitive edge. In order to capture the market growth and expand its market share, the Group plans to add three new solar glass production lines in Malaysia with a daily melting capacity of 1,000 tonnes each. The expected commencement dates of operation are the fourth quarter of 2018, middle of 2019 and the end of 2019, respectively.

In light of the declining installation costs and increasing attractiveness of the DG development in China, the Group will strive to increase its investment in both centralised and distributed PV projects, with an annual installation target of about 400MW in capacity for 2018.

In 2017, the Group has started the preparation for the proposed spin-off of the solar farm business operated and managed by the Group.

Capital Expenditures and Commitments

The Group incurred capital expenditures of HK$2,511.1 million for the year ended 31 December 2017 which was primarily used in the development of the solar farm projects as well as the construction of new solar glass production capacities. Capital commitments contracted for but not incurred by the Group as at 31 December 2017 amounted to HK$498.4 million, which were mainly related to the development and construction of the solar farm projects and the addition of new solar glass production facilities.

Pledge of Assets

No assets of the Group were pledged as security for bank borrowings as of 31 December 2017.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2017, the Group completed the acquisition of 60% equity interest in Anhui Xinhao New Energy Construction Company ("**Xinhao**") for a consideration of RMB7,500,000 (equivalent to HK$8,465,967). Since then, Xinhao has become a non-wholly owned subsidiary of the Company. The principal activities of Xinhao are the construction of new energy systems, including design development, permit acquisition and installation and maintenance services of new energy systems. Except for this, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2017.

Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates

The Group has adopted treasury policies for the purpose of using financial resources available to different members of the Group at reduced financial cost. The Directors believe that such treasury policies are an integral part of the business operations of the Group and are beneficial to the Group as a whole by fully utilising the readily-available financial resources and reducing the costs and interests that may otherwise be borne by the relevant members of the Group. The treasury policies also provide flexibility to the Group as a whole in arranging the financial resources for different business needs. For example, the headquarters of the Group have adopted a centralised approach in managing the funds available to the subsidiaries and branches, including cash, bank deposits, securities, bills and financial instruments. These financial resources of the Group, such as bills and financial instruments, are managed and arranged amongst members of the Group, through proper endorsements or transfers, so that they can be fully utilised to meet the Group's payment obligations (arising from ordinary course of business) with reduced financial cost. The Group closely monitors the value of each of these transactions. Although the value of each of these transactions represents an immaterial part of the total assets and undertakings of the Group, such policies promote the financial discipline of the Group with effective use of financial resources.

In addition, the treasury policies of the Group also include mechanisms to reduce the foreign exchange risks of the Group. The Group mainly operates in China with most of its significant transactions denominated and settled in RMB and US Dollar ("**USD**"). Given the pegged exchange rate between Hong Kong dollar ("**HKD**") and USD, the Directors do not foresee that the Group is subject to significant foreign exchange risk for transactions conducted in HKD or USD. However, exchange rate fluctuations between RMB and HKD or RMB and USD could affect the Group's performance and asset value. The Group also has solar glass production facilities and production activities in Malaysia. Exchange rate fluctuations between Malaysian Ringgit ("**MYR**") and HKD could also affect the Group's performance and asset value.

Because of the rebound in the exchange rate between RMB and HKD in 2017, the Group reported non-cash translation gains — an increase in the reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2017, exchanges gains of HK$1,102.0 million were recorded as the exchange reserve movement, as a result the balance of the consolidated exchange reserve account recorded a credit balance of HK$95.1 million as of 31 December 2017 as compared with a debit balance of HK$1,006.9 million as of 31 December 2016.

For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst most of the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance to minimise the risk of currency mismatch between the source of revenue with bank borrowings and the advantage of the lower borrowing rates of HKD as compared to those of the RMB. As at 31 December 2017, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2017, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 31 December 2017, the Group had about 3,493 full-time employees of whom 3,032 were based in Mainland China and 461 were based in Hong Kong, Malaysia and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$324.9 million for the year ended 31 December 2017.

The Group maintains good working relationship with its employees and provides training when necessary to keep its employees informed of the latest information on developments of its products and production processes. Remuneration packages offered to the Group's employees are generally consistent with the prevailing levels in the market and are reviewed on a regular basis. Apart from basic remuneration and the statutory retirement benefit scheme, discretionary bonuses may be provided to selected employees taking into consideration the Group's performance and the performance of the individual employee.

Share Option Scheme

Pursuant to the share option scheme adopted by the Company in June 2014, 7,381,500 share options were granted to selected employees and an executive director in March 2017. The validity period of the options is from 31 March 2017 to 31 March 2021. One third of the options will vest on each of the year-end date of 2017, 2018 and 2019 if each grantee has met the conditions of vesting as stated in the letter of grant.

Final Dividend and Closure of Register of Members

At the meeting of the board of Directors held on 26 February 2018, the Directors proposed a final cash dividend (the "**Final Dividend**") of 7.0 HK cents per share for 2017. The declaration and the payment of the Final Dividend are subject to the approval of the shareholders at the forthcoming annual general meeting of the Company to be held on or before 7 June 2018. If so approved by the shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 4 July 2018 to shareholders whose names appear on the register of members of the Company on Friday, 15 June 2018.

The register of members of the Company will be closed from Wednesday, 13 June 2018 to Friday, 15 June 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Computershare Hong Kong Investor Services Limited, the Company's branch share registrar in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 June 2018.

Purchase, Sale or Redemption of the Company's Listed Shares

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

Compliance with the Code on Corporate Governance Practices

In the opinion of the Directors, the Company has complied with the applicable Code Provisions in the Corporate Governance Code (the "**Code**") as set forth in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2017.

Model Code for Securities Transactions

The Company has adopted The Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the Directors. The Company has made specific enquiry with the Directors and all Directors have confirmed that they complied with the Model Code in 2017.

Sufficiency of Public Float

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

Publication of Final Results

This announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2017 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the shareholders and published on the websites of the Stock Exchange and the Company in due course.

Figures in Preliminary Announcement Agreed by Auditor

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers Hong Kong ("**PwC HK**"), to the amounts set forth in the Group's audited consolidated financial statements for the year. The work performed by PwC HK in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC HK on the preliminary announcement.

Annual General Meeting

The annual general meeting of the Company will be held on or before 7 June 2018. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and dispatched to the shareholders on or before 30 April 2018.

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

Hong Kong, 26 February 2018

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