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 2018

FINANCIAL HIGHLIGHTS

	Year Ended 31 December		
	2018	2017	Change
	HK$' million	*HK$' million*	
Revenue	**7,671.6**	9,527.0	-19.5%
Profit attributable to equity holders of the Company	**1,863.1**	2,332.0	-20.1%
Earnings per share - Basic	**24.87 HK cents**	32.61 HK cents	-23.7%
Proposed final dividend per share	**4.2 HK cents**	7.0 HK cents	

The board (the "**Board**") of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**") announce herewith the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**" or "**Xinyi Solar**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017, as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	4	**7,671,632**	9,527,031
Cost of sales	8	**(4,711,194)**	(6,122,410)
Gross profit		**2,960,438**	3,404,621
Other income	5	**176,433**	181,047
Other (losses)/gains, net	6	**(7,952)**	211
Selling and marketing expenses	8	**(271,169)**	(239,318)
Administrative and other operating expenses	8	**(412,690)**	(432,598)
Impairment losses on trade receivables	8, 12(b)	**(1,584)**	—
Operating profit		**2,443,476**	2,913,963
Bargain purchase arising from business combinations	16	**5,839**	—
Finance income	7	**9,567**	14,098
Finance costs	7	**(255,959)**	(178,605)
Share of profits of a joint venture		**33,613**	36,407
Share of profits of associates		**9,804**	3,572
Profit before income tax		**2,246,340**	2,789,435
Income tax expense	9	**(204,662)**	(265,336)
Profit for the year		**2,041,678**	2,524,099
Profit for the year attributable to:			
– the equity holders of the Company		**1,863,146**	2,332,031
– non-controlling interests		**178,532**	192,068
		2,041,678	2,524,099
Earnings per share attributable to the equity holders of the Company (Expressed in HK cents per share)			
– Basic	11	**24.87**	32.61
– Diluted	11	**24.86**	32.61

Details of the dividends proposed for the year are disclosed in note 10.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	HK$'000	*HK$'000*
Profit for the year	**2,041,678**	2,524,099
Other comprehensive (loss)/income, net of tax:		
Items that may be reclassified to profit or loss		
Currency translation differences	**(1,012,101)**	1,222,746
Share of other comprehensive (loss)/income of a joint venture accounted for under equity method		
– Share of currency translation differences	**(23,435)**	29,221
Total comprehensive income for the year	**1,006,142**	3,776,066
Total comprehensive income for the year attributable to:		
– the equity holders of the Company	**940,262**	3,434,021
– non-controlling interests	**65,880**	342,045
	1,006,142	3,776,066

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**15,804,382**	14,240,034
Land use rights		**319,877**	343,721
Prepayments for property, plant and equipment, land use rights and operating leases	13	**335,224**	260,965
Finance lease receivables		**187,806**	—
Interests in a joint venture		**358,296**	387,842
Investments in associates		**75,123**	65,319
Deferred income tax assets		**4,107**	837
Goodwill		**4,485**	2,001
Total non-current assets		**17,089,300**	15,300,719
Current assets			
Inventories		**429,576**	373,942
Amounts due from customers for construction work		**—**	28,000
Contract assets		**56,122**	—
Trade and bills receivables	12	**4,153,804**	4,166,578
Prepayments, deposits and other receivables	13	**1,370,339**	1,517,433
Finance lease receivables		**5,355**	—
Amount due from a joint venture		**4,131**	—
Cash and cash equivalents		**783,873**	1,380,587
Total current assets		**6,803,200**	7,466,540
Total assets		**23,892,500**	22,767,259
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital		**765,969**	742,396
Other reserves		**2,232,726**	3,591,132
Retained earnings		**7,435,114**	5,787,599
		10,433,809	10,121,127
Non-controlling interests		**1,625,109**	1,559,229
Total equity		**12,058,918**	11,680,356

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**10,608**	—
Bank borrowings	15	**4,996,500**	4,787,428
Other payables	14	**89,125**	58,647
Total non-current liabilities		**5,096,233**	4,846,075
Current liabilities			
Bank borrowings	15	**3,773,009**	3,145,260
Trade and other payables	14	**2,780,434**	2,940,939
Contract liabilities		**33,978**	—
Amounts due to related companies		**101,687**	53,778
Amount due to a joint venture		**—**	13,036
Current income tax liabilities		**48,241**	87,815
Total current liabilities		**6,737,349**	6,240,828
Total liabilities		**11,833,582**	11,086,903
Total equity and liabilities		**23,892,500**	22,767,259

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 ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS 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) New standards, amendments to standards and interpretation adopted by the Group

The Group has applied the following new standards, amendments to standards and interpretation for the first time for their annual reporting period commencing 1 January 2018:

- Amendments to HKFRS 1 and HKAS 28, "Annual Improvements 2014-2016 Cycle"
- Amendments to HKFRS 2, "Classification and Measurement of Share-based Payment Transactions"
- Amendments to HKFRS 4, "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"
- HKFRS 9, "Financial Instruments" ("**HKFRS 9**")
- HKFRS 15, "Revenue from Contracts with Customers" ("**HKFRS 15**")
- Amendments to HKFRS 15, "Clarifications to HKFRS 15"
- Amendments to HKAS 40, "Transfers of Investment Property"
- HK(IFRIC)-Int 22, "Foreign Currency Transactions and Advance Consideration"

The impacts of the adoption of HKFRS 9 and HKFRS 15 are disclosed in note 3. Except for these, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

(b) New standards, amendments to standards and interpretation have been issued but are not effective for the accounting period beginning on 1 January 2018 and have not been early adopted:

		Effective for accounting periods beginning on or after
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

(c) Impact of new standards, amendments to standards and interpretation issued but not yet applied by the Group

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$1,199,862,000 Upon adoption of HKFRS 16, operating lease commitments will be recognised in the consolidated balance sheets 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 amortised on a straight-line basis during the lease term. The Group expects that net profit after tax will decrease for 2019 as a result of adopting the new rules.

The Group's activities as a lessor are not significant and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

There are no other new standards, amendments to standards and interpretation that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's finanial statements.

(a) Impact on the financial statements

The Group elected to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The reclassifications and the adjustments are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

	31 December 2017	HKFRS 15	1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
	(As originally presented)		(Restated)
Consolidated balance sheet (extract)			
Current assets			
Amounts due from customers for construction work	28,000	(28,000)	—
Contract assets	—	28,000	28,000
Current liabilities			
Trade and other payables	2,940,939	(44,986)	2,895,953
Contract liabilities	—	44,986	44,986

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 "Financial Instruments: Recognition and Measurement" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

There is no impact on the Group's retained earnings as at 1 January 2018.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories.

The financial assets currently held by the Group include debt instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. Accordingly, there is no 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 HKFRS 9 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 and have not been changed.

(ii) Impairment of financial assets

The Group has six types of financial assets that are subject to expected credit loss model:

– trade and other receivables excluding prepayment and tax receivables;
– bills receivables;
– contract assets;
– amount due from a joint venture;
– finance lease receivables; and
– cash at bank

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. There is no impact of the change in impairment methdology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade, bills and other receivables, contract assets, amount due from a joint venture and finance lease receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade, bills and other receivables, contract assets, amount due from a joint venture and finance lease receivables. There is no loss allowance on 1 January 2018.

The loss allowance increased from Nil to HK$355,000 for trade receivables during the current reporting period.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, the Group has adopted the simplified transition method and did not restate the comparatives. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 January 2018):

		HKAS 18 carrying amount 31 December 2017	Reclassification	HKFRS 15 carrying amount 1 January 2018
		HK$'000	*HK$'000*	*HK$'000*
				(Restated)
Consolidated balance sheet (extract)				
Current assets				
Amounts due from customers for construction work	(i)	28,000	(28,000)	—
Contract assets	(i)	—	28,000	28,000
Current liabilities				
Trade and other payables	(i)	2,940,939	(44,986)	2,895,953
Contract liabilities	(i)	—	44,986	44,986

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also voluntarily changed the presentation of certain amounts in the balance sheet to reflect the terminology of HKFRS 15 and HKFRS 9:

– Contract assets recognised in relation to EPC services were previously presented as amounts due from customers for construction work (HK$28,000,000 as at 1 January 2018).

– Contract liabilities in relation to receipt in advance from customers for sales of goods not yet delivered to customers, were previously included in trade and other payables (HK$44,986,000 as at 1 January 2018).

4 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 2018, 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 2018			
	Sales of solar glass	**Solar farm business**	**EPC services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Segment revenue				
Recognised at a point in time	**5,562,253**	**1,920,475**	**135,210**	**7,617,938**
Recognised over time	**—**	**—**	**53,694**	**53,694**
Revenue from external customers	**5,562,253**	**1,920,475**	**188,904**	**7,671,632**
Cost of sales	**(4,106,449)**	**(479,455)**	**(125,290)**	**(4,711,194)**
Gross profit	**1,455,804**	**1,441,020**	**63,614**	**2,960,438**

	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

	Other segment information				
	Solar glass	**Solar farm business**	**EPC services**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2018					
Depreciation charge of property, plant and equipment	**283,030**	**415,978**	**689**	**—**	**699,697**
Amortisation charge of land use rights	**7,519**	**—**	**—**	**—**	**7,519**
Additions to non-current assets (other than finance lease receivables and deferred income tax assets)	**991,239**	**2,099,248**	**4,525**	**3,694**	**3,098,706**
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 finance lease receivables and deferred income tax assets)	643,932	2,116,780	4,750	32,366	2,797,828

	Assets and liabilities				
	Solar glass	Solar farm business	EPC services	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2018					
Total assets	**7,831,812**	**15,193,002**	**420,029**	**447,657**	**23,892,500**
Total liabilities	**1,439,032**	**4,172,562**	**355,747**	**5,866,241**	**11,833,582**
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

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

	Assets		Liabilities	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets/(liabilities)	**23,444,843**	22,295,365	**(5,967,341)**	(6,755,416)
Unallocated:				
Property, plant and equipment	**396**	450	**—**	—
Interests in a joint venture	**358,296**	387,842	**—**	—
Investments in associates	**75,123**	65,319	**—**	—
Prepayments, deposits and other receivables	**13,265**	13,978	**—**	—
Cash and cash equivalents	**577**	4,305	**—**	—
Other payables	**—**	—	**(1,351)**	(1,319)
Bank borrowings	**—**	—	**(5,864,890)**	(4,330,168)
Total assets/(liabilities)	**23,892,500**	22,767,259	**(11,833,582)**	(11,086,903)

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

	2018	2017
	HK$'000	*HK$'000*
Segment gross profit	**2,960,438**	3,404,621
Unallocated:		
Other income	**176,433**	181,047
Other (losses)/gains, net	**(7,952)**	211
Selling and marketing expenses	**(271,169)**	(239,318)
Administrative and other operating expenses	**(412,690)**	(432,598)
Impairment losses on trade receivables	**(1,584)**	—
Bargain purchase arising from business combinations	**5,839**	—
Finance income	**9,567**	14,098
Finance costs	**(255,959)**	(178,605)
Share of profits of a joint venture	**33,613**	36,407
Share of profits of associates	**9,804**	3,572
Profit before income tax	**2,246,340**	2,789,435

The Group's revenue is mainly derived from customers located in the 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:

	2018	2017
	HK$'000	*HK$'000*
Revenue from sales of solar glasses		
The PRC	**4,170,198**	4,546,929
Other countries	**1,392,055**	1,199,213
	5,562,253	5,746,142
Revenue from solar farm business in the PRC		
Sales of electricity	**763,763**	554,921
Tariff adjustment	**1,156,712**	918,583
	1,920,475	1,473,504
Revenue from construction contracts in respect of EPC services		
The PRC	**52,194**	2,154,843
Other countries	**136,710**	152,542
	188,904	2,307,385
	7,671,632	9,527,031

Revenues of approximately HK$1,220,267,000 and HK$945,258,000 were derived from customer B from solar farm business for the years ended 31 December 2018 and 2017, respectively. Revenue of approximately HK$951,791,000 was derived from customer A from EPC services for the year ended 31 December 2017. The respective revenues derived from these customers accounted for more than or approximately 10% of the Group's revenue for the respective 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:

	2018	2017
	HK$'000	*HK$'000*
The PRC	**15,486,410**	14,562,444
Other countries	**1,598,783**	737,438
	17,085,193	15,299,882

5 OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Rental income	**3,449**	1,559
Government grants (Note (i))	**115,037**	144,199
Others (Note (ii))	**57,947**	35,289
	176,433	181,047

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, compensation of insurance claims 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.

6 OTHER (LOSSES)/GAINS, NET

	2018	2017
	HK$'000	*HK$'000*
Foreign exchange (losses)/gains, net	**(5,896)**	489
Loss on disposal of property, plant and equipment	**(2,056)**	(278)
	(7,952)	211

7 FINANCE INCOME AND COSTS

	2018	2017
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**9,567**	14,098
Finance costs		
Interest on bank borrowings	**291,785**	212,920
Less: Amounts capitalised on qualifying assets	**(35,826)**	(34,315)
	255,959	178,605

8 EXPENSES BY NATURE

Expenses included cost of sales, selling and marketing expenses, administrative and other operating expenses and impairment losses on trade receivables are analysed as follows:

	2018	2017
	HK$'000	*HK$'000*
Auditor's remuneration		
- Audit services	**1,980**	1,480
- Non-audit services	**5,701**	—
Depreciation charge of property, plant and equipment	**699,697**	542,036
Amortisation charge of land use rights	**7,519**	7,289
Employee benefit expenses (including directors' emoluments)	**337,823**	324,910
Raw material and consumables used	**3,676,962**	3,670,598
Changes in inventories	**(55,634)**	(85,514)
Cost of inventories sold	**3,621,328**	3,585,084
Construction contracts costs	**125,290**	1,739,784
Impairment losses on trade receivables	**1,584**	1,104
Impairment on inventories	**2,837**	—
Operating lease payments in respect of land and buildings	**47,677**	41,631
Transportation costs	**238,525**	215,306
Research and development expenditures	**169,587**	204,440
Other expenses	**137,089**	131,262
	5,396,637	6,794,326

9 INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current income tax		
- Hong Kong profits tax (Note (ii))	**667**	1,506
- PRC corporate income tax ("**CIT**") (Note (iii))	**196,081**	264,448
- Overseas income tax (Note (iv))	**532**	22
	197,280	265,976
Deferred income tax	**7,382**	(640)
Income tax expense	**204,662**	265,336

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 two-tiered rate of 8.25% for the first HK$2 million of the estimated assessable profits and 16.5% on the remaining estimated assessable profits for the Group's subsidiaries in Hong Kong for the year (2017: 16.5%).

(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 ("**Xinyi Solar (Wuhu)**"), a subsidiary established in the PRC, was 15% (2017: 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 and insurance claims received during the year are subject to CIT with the statutory income tax rate of 25%.

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

(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.

10 DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Interim dividend of 8.0 HK cents (2017: 8.0 HK cents) per share (Note (a))	**594,205**	593,894
Proposed final dividend of 4.2 HK cents (2017: final dividend of 7.0 HK cents) per share (Note (b))	**321,707**	519,898

Notes:

(a) An interim dividend of 8.0 HK cents per share (2017: 8.0 HK cents) was paid in cash (with a scrip dividend alternative to shareholders for 2018 interim dividend) whose names appeared on the Register of Members of the Company on 17 August 2018 (2017: 17 August 2017).

(b) A final dividend in respect of the year ended 31 December 2018 of 4.2 HK cents per share (2017: 7.0 HK cents), amounting to a total dividend of HK$321,707,000 (2017: HK$519,898,000) is to be proposed at the forthcoming annual general meeting. The amount of 2018 proposed final dividend is based on 7,659,688,506 shares in issue as at 31 December 2018. The amount of 2017 final dividend represents the actually paid amount based on 7,427,109,631 shares in issue as at the book closure date for the dividend entitlement including 674,880,000 shares in issue for right issue. These financial statements do not reflect the proposed final dividend for the year ended 31 December 2018.

Subject to the approval by the shareholders at the forthcoming annual general meeting, the proposed final dividend of 4.2 HK cents per share will be payable on or about 3 July 2019 to the shareholders whose names appear on the register of members of the Company on 23 May 2019. The register of members of the Company will be closed from 21 May 2019 to 23 May 2019, both days inclusive, during which period no transfer of shares will be registered.

Shareholder will be given an option to receive the 2018 final dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend (the "**Scrip Dividend Scheme**"). The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in the shares to be allotted and issued under the Scrip Dividend Scheme.

For the purpose of calculating the number of the scrip shares (the "**Scrip Shares**") under the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at 95% of the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on 17 May 2019 until 23 May 2019 (both days inclusive) rounded down to two decimal places. Further details of the Scrip Dividend Scheme will be announced later.

11 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 considering for scrip dividend issued in September 2018.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**1,863,146**	2,332,031
Weighted average number of shares in issue (thousands)	**7,492,798**	7,151,533
Basic earnings per share (HK cents)	**24.87**	32.61

(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.

	2018	2017
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**1,863,146**	2,332,031
Weighted average number of ordinary shares in issue (thousands)	**7,492,798**	7,151,533
Adjustments for share options (thousands)	**646**	247
	7,493,444	7,151,780
Diluted earnings per share (HK cents)	**24.86**	32.61

12 TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**3,452,905**	3,493,848
Bills receivables	**701,254**	672,730
Trade and bills receivables (Note (a))	**4,154,159**	4,166,578
Less: Loss allowance of trade receivables (Note (b))	**(355)**	—
Trade and bills receivables, net	**4,153,804**	4,166,578

(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 2018				
Sales of solar glass	**1,628,013**	**—**	**—**	**1,628,013**
Sales of electricity	**—**	**87,293**	**—**	**87,293**
Tariff adjustment	**—**	**2,178,452**	**—**	**2,178,452**
EPC service revenue	**—**	**—**	**260,401**	**260,401**
Total	**1,628,013**	**2,265,745**	**260,401**	**4,154,159**
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

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:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**3,354,976**	3,322,457
91 days to 180 days	**51,609**	143,482
181 days to 365 days	**26,992**	2,835
1 to 2 years	**11,836**	17,790
Over 2 years	**7,492**	7,284
	3,452,905	3,493,848

The ageing analysis of trade receivables from solar farm business based on the Group's revenue recognition policy is as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**356,569**	301,867
91 days to 180 days	**390,319**	305,365
181 days to 365 days	**622,026**	564,415
1 to 2 years	**824,450**	598,893
Over 2 years	**56,008**	23,702
	2,249,372	1,794,242

The maturity of the bills receivables is within 1 year.

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

	2018	2017
	HK$'000	*HK$'000*
RMB	**3,972,778**	3,798,396
US$	**112,891**	169,633
Other currencies	**68,490**	198,549
	4,154,159	4,166,578

(b) Loss allowance of trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables by segment.

Sales of solar glass

The closing loss allowances for trade receivables from sales of solar glass as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018
	HK$'000
Opening loss allowance as at 31 December 2017 under HKAS 39 and 1 January 2018 under HKFRS 9	**—**
Increase in loss allowance recognised in consolidated income statement during the year	**1,584**
Receivables written off during the year as uncollectible	**(1,229)**
Closing loss allowance as at 31 December 2018	**355**

Sales of electricity

Given the track record of regular repayment of receivables from sales of electricity, all trade receivables 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. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Catalogue. Since June 2018, the Group has another eight ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality with an aggregate capacity of 724MW, successfully enlisted on the seventh batch of the Catalogue.

During the year ended 31 December 2018, the Group received aggregate payment of RMB684,027,000 (equivalent to approximately HK$773,936,000) for the subsidies incurred up to March 2017 of the solar farm projects enlisted on sixth and seventh batch of the Catalogue (2017: RMB272,281,000 (equivalent to approximately HK$318,143,000) for the subsidies between May 2015 to December 2016 of the two solar farm projects enlisted on the sixth batch of the Catalogue). 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, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2018 (2017: 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. There is no recent history of default. Management believes that no loss allowance is necessary.

As of 31 December 2018, except a loss allowance of trade receivables of HK$355,000 (2017: Nil), all other trade receivables were expected to be recoverable. The carrying amounts of trade and bills receivables approximate their fair values.

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**541,522**	564,723
Deposits and other receivables	**197,414**	169,434
Other tax receivables (Note)	**966,627**	1,044,241
	1,705,563	1,778,398
Less: Non-current portion:		
Prepayments for property, plant and equipment, land use rights and operating leases	**(335,224)**	(260,965)
Current portion	**1,370,339**	1,517,433

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

14 TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables (Note (a))	**581,009**	702,191
Retention payables for EPC services (Note (a))	**7,197**	5,385
Bills payables (Note (a))	**493,838**	180,467
Trade, retention and bills payables	**1,082,044**	888,043
Accruals and other payables (Note (b))	**1,787,515**	2,111,543
	2,869,559	2,999,586
Less: Non-current portion:		
Retention payables for construction of solar farms	**(89,125)**	(58,647)
Current portion	**2,780,434**	2,940,939

Notes:

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

	2018	2017
	HK$'000	*HK$'000*
0 to 90 days	**450,534**	302,681
91 days to 180 days	**14,898**	216,703
181 days to 365 days	**98,413**	95,885
Over 1 year	**24,361**	92,307
	588,206	707,576

The maturity of the bills payables is within 6 months.

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

	2018	2017
	HK$'000	*HK$'000*
RMB	**1,048,152**	847,407
Other currencies	**33,892**	40,636
	1,082,044	888,043

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

	2018	2017
	HK$'000	*HK$'000*
Payables for property, plant and equipment	**1,544,762**	1,626,808
Accruals for employee benefits and welfare	**80,960**	81,616
Receipt in advance from customers	**—**	44,986
Payables for transportation costs and other operating expenses	**57,273**	102,687
Provision for value added tax and other taxes in the PRC	**15,859**	151,122
Payables for utilities	**41,075**	50,077
Others	**47,586**	54,247
	1,787,515	2,111,543

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

15 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 year	**3,773,009**	3,145,260
Between 1 and 2 years	**2,327,609**	3,593,298
Between 2 and 5 years	**2,668,891**	1,194,130
	8,769,509	7,932,688
Less: Non-current portion	**(4,996,500)**	(4,787,428)
Current portion	**3,773,009**	3,145,260

16 BUSINESS COMBINATION

To speed up its development pace and build up a more diversified solar farm investment portfolio, the Group has acquired several solar farm projects in the PRC from independent third parties during the year ended 31 December 2018. Details of each business combination is as follows:

(i) Anhui project

In April 2018, the Group acquired 100% equity interest in Chaohu Jindao Photovoltaic Power Generation Company Limited ("**Chaohu Jindao**") for a consideration of RMB12,000,000 (equivalent to HK$14,905,000). Since then, Chaohu Jindao has become a wholly owned subsidiary of the Group. Chaohu Jindao owns 20MW in a solar power project in Anhui which has connected to grid in December 2017.

(ii) Other projects

During the year ended 31 December 2018, the following projects were acquired at nil consideration from independent third parties and have achieved on-grid connection. The table below summarised the details of the other projects acquired.

Name of the company	**Month of acquisition in 2018**	**Equity interest acquired**	**Location**	**Approved capacity of the solar farm**
				MW
Wuhu Baote Hongfeng Renewable Energy Company Limited	March	100%	Anhui	4
Hefei Tongsheng Solar Technology Company Limited and its subsidiary, Zhanjiang Guandian New Energy Company Limited	May	100%	Guangdong	10
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited	June	100%	Jilin	30

The above business combinations are individually immaterial to the Group, aggregate financial information as at acquisition date is presented as follows:

	Total
	HK$'000
Purchases consideration	
Cash consideration	14,905
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	71,466
Value-added tax recoverable	8,944
Trade and other receivables and prepayments	22,065
Cash and cash equivalents	51
Other payables and accruals	(84,266)
Total identifiable net assets	18,260
Goodwill	2,484
Bargain purchase recognised in the consolidated income statement	(5,839)
	14,905
Net cash outflow arising from the acquisitions	
Cash consideration	14,905
Less: Cash and cash equivalents acquired	(51)
	14,854

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The policy change pursuant to the "2018 Photovoltaic Power Generation Notice (2018年光伏發電有關事項的通知)" dated 31 May 2018 ("**531 Policy**") issued by the National Development and Reform Commission ("**NDRC**"), the Ministry of Finance ("**MoF**") and the National Energy Administration ("**NEA**") has affected the operating performance of the Group's solar glass business. Since June 2018, downstream market demand has plummeted, causing a substantial drop in product prices across the entire value chain of the photovoltaic ("**PV**") industry. The annual performance of the Group's solar glass business was thus largely impacted, notwithstanding the gradual recovery of the solar glass market in the last few months of the year. Although the profit contribution from solar farm business increased, the consolidated profit of the Group for 2018 still recorded a year-on-year decline, mainly because of the decrease in profit contribution from solar glass business and the supplementary business namely engineering, procurement and construction ("**EPC**") service.

For the year ended 31 December 2018, the Group achieved consolidated revenue of HK$7,671.6 million, representing a 19.5% decrease compared with 2017. Profit attributable to equity holders of the Company decreased by 20.1% to HK$1,863.1 million. Basic earnings per share were 24.87 HK cents for 2018, as compared to 32.61 HK cents for 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue for the year ended 31 December 2018 was mainly derived from two core business segments, namely: (i) sale and manufacturing of solar glass; and (ii) solar farm business (solar farm development and solar power generation). Revenue from solar glass business had a slight decline whereas that from solar farm business showed remarkable growth. The drop in total revenue was mainly due to the significant decrease in income from the supplementary EPC service business.

Revenue – By Product

	Year Ended 31 December					
	2018		2017		Increase/(Decrease)	
	HK$ million	***% of revenue***	*HK$ million*	*% of revenue*	*HK$ million*	*%*
Sales of solar glass	**5,562.3**	**72.5**	5,746.1	60.3	(183.8)	(3.2)
Solar farm business	**1,920.5**	**25.0**	1,473.5	15.5	447.0	30.3
EPC services	**188.9**	**2.5**	2,307.4	24.2	(2,118.5)	(91.8)
Total external revenue*	**7,671.6**	**100.0**	9,527.0	100.0	(1,855.3)	(19.5)

* 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 Market

	Year Ended 31 December					
	2018		2017		Increase/(Decrease)	
	HK$ million	**% of revenue**	HK$ million	% of revenue	HK$ million	%
The People's Republic of China ("**PRC**")	**4,170.2**	**75.0**	4,546.9	79.1	(376.7)	(8.3)
Other countries	**1,392.1**	**25.0**	1,199.2	20.9	192.9	16.1
	5,562.3	**100.0**	5,746.1	100.0	(183.8)	(3.2)

For the year ended 31 December 2018, the Group's solar glass sales revenue decreased by 3.2% to HK$5,562.3 million. The decrease was primarily due to the lower sales volume and plummeted solar glass prices, partially offset by the impact of product mix change and the effect of exchange rate fluctuation.

Driven by the rapid growth in distributed generation ("**DG**") installation in China, demand for solar glass remained very strong in the first few months of 2018. Came the second quarter, growth momentum slowed down and market demand dropped even more sharply in June with PV installation quota for 2018 substantially cut pursuant to the 531 Policy. Although demand recovered some in the last few months of the year, the Group's solar glass sales volume for 2018 still recorded a 4.9% year-on-year decrease. In addition, the average selling price ("**ASP**") of solar glass dropped markedly, more than 20% in general, in the second half versus the first half of 2018.

In 2018, the Group optimised its product mix and stepped up promoting sale of processed glass, including both ultra-clear PV anti-reflective coating glass and back glass. For the year ended 31 December 2018, PV raw glass accounted for less than 1% (2017: 5.2%) and back glass accounted for 10.2% (2017: 5.2%) of the Group's total solar glass sales volume. As thinner solar glass is used in double-glass module and the selling price of which is relatively higher, the increase in sales of this kind of products can also help to boost the revenue of this segment.

Although the exchange rate of Renminbi ("**RMB**") against the Hong Kong dollar ("**HKD**") declined in the second half year after peaking in March 2018, the yearly average rate of RMB/HKD in 2018 was still about 3% higher than that in 2017. In 2018, the average rate of the Malaysian Ringgit ("**MYR**") against HKD also appreciated, by about 8%. The above exchange rate changes caused the RMB-denominated and MYR-denominated sales incomes of the Group to be higher when translated into HKD amounts in its 2018 consolidated income statement.

With its production line in Malaysia was in smooth operation since 2017, the Group has been able to develop overseas markets more flexibly and efficiently. Overseas sales therefore increased rapidly during the year and accounted for 25.0% (2017: 20.9%) of the Group's total solar glass sales in 2018. The increase in overseas sales reflected mainly the strong sales growth in Malaysia, North America, South Korea, India and Singapore.

Revenue from electricity generation for the year ended 31 December 2018 was derived from the Group's solar farms in the PRC as set forth below.

	As at 31 December 2018 *MW*	As at 30 June 2018 *MW*	As at 31 December 2017 *MW*
Utility-scale ground-mounted solar farms			
Anhui province	**1,340**	1,230	1,160
Others (Hubei, Tianjin, Henan, Fujian, etc.)	**904**	604	574
Sub-total	**2,244**	1,834	1,734
Commercial DG projects	**38**	34	20
Total	**2,282**	1,868	1,754
Utility-scale ground-mounted solar farms enlisted in Catalogue			
– The 6th batch	**250**	250	250
– The 7th batch	**724**	724	—
Total	**974**	974	250
Total number of solar farms	**29**	26	20
Weighted average FiT * (RMB/kWh)	**0.91**	0.93	0.96

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

Given the fixed feed-in-tariff ("**FiT**") after grid-connection and the relatively stable sunlight radiation, the increase in revenue from the solar farm segment was mainly attributable to the increase in solar farm capacity. As at 31 December 2018, the Group had 2,282 megawatt ("**MW**") utility-scale ground-mounted and commercial DG solar farm projects in operation. Accumulated approved gird-connection capacity increased from 1,754MW at 31 December 2017 to 1,868MW at 30 June 2018 and further to 2,282MW at 31 December 2018, lifting revenue of the solar farm business by 30.3% year-on-year to HK$1,920.5 million in 2018.

Same as other solar farm operators in China, the Group has also experienced delay in receiving subsidy payments in relation to generation of electricity at its solar farms. As at 31 December 2018, the Group had outstanding receivables for sales of electricity of HK$87.3 million (2017: HK$69.8 million) and a tariff adjustment (subsidy) receivable of HK$2,178.5 million (2017: HK$1,728.7 million). The receivables from sales of electricity are generally settled on a monthly basis by state grid companies. As for tariff adjustment (subsidy) receivables, they are settled by state grid companies in accordance with prevailing government policies and prevalent payment trends of the MoF. In 2018, two solar farms and eight solar farms of the Group, which had been enlisted in the sixth and seventh batch of the renewable energy tariff subsidy catalogue ("**Catalogue**") respectively, received an aggregate subsidy payment of RMB684.0 million (equivalent to approximately HK$773.9 million) in relation to electricity generation up to March 2017.

As for the EPC service segment, the Group carried out some residential and commercial DG projects in Canada and China with an aggregate capacity of about 16MW, but there was no large-scale PV poverty alleviation projects for the year ended 31 December 2018 (2017: about 300MW). Therefore, revenue from this segment decreased by a substantial 91.8% year-on-year to HK$188.9 million.

Gross Profit

The Group's gross profit decreased by HK$444.2 million, or 13.0%, from HK$3,404.6 million in 2017 to HK$2,960.4 million in 2018. The decrease in gross profit was mainly due to the squeezed EPC services and solar glass businesses, partly offset by the increase in revenue from the solar farm segment. Overall gross profit margin of the Group grew to 38.6% (2017: 35.7%), primarily due to solar farm business accounting for a higher percentage of the total revenue of the Group for 2018, plus the business having a higher gross profit margin than the solar glass and EPC businesses.

For the year ended 31 December 2018, gross profit margin of the Group's solar glass segment decreased by 4.0 percentage points to 26.2% (2017: 30.2%). The decline was mainly attributable to: (i) the substantial drop in ASP as a result of downstream demand plummeting after the 531 Policy change in China; (ii) rises in cost of energy and raw material such as soda ash during the year; and (iii) sharing of certain fixed costs (such as depreciation) of the suspended production lines for repair and upgrade, and such drop was partially offset by: (i) higher percentage of overseas sales after the production line in Malaysia started operation; and (ii) a shift of product mix with emphasis on solar processed glass products.

Thanks to the increase in aggregate grid-connected capacity, the gross profit contribution from the Group's solar farm segment increased remarkably in 2018 by 30.8% to HK$1,441.0 million (2017: HK$1,102.0 million) and accounted for 48.7% (2017: 32.4%) of the total gross profit of the Group. The gross profit margin of this segment rose slightly from 74.8% in 2017 to 75.0% in 2018, mainly due to the streamlined operation of the segment and the various efficiency enhancement measures adopted by the Group during the year, as well as certain savings in fixed cost owed to the scaled up business.

With fewer EPC projects undertaken, gross profit contribution from this segment decreased substantially by 88.8% to HK$63.6 million in 2018. Gross profit margin of the segment increased by 9.1 percentage point to 33.7% (2017: 24.6%), mainly due to the adjustments of EPC revenue upon the final settlement with the customers in relation to certain projects completed in 2017 (corresponding costs of these projects had already been fully recognised in 2017).

Other Income

In 2018, the Group's other income decreased by HK$4.6 million to HK$176.4 million, as compared to the HK$181.0 million recorded in 2017. The decrease was principally due to decreased government grant income, partially offset by the increase in revenue from scrap sales, compensation from insurance claims and tariff adjustments in relation to the electricity generated by the solar power systems installed on the roof of the Group's production complex.

Other Losses, Net

The Group recorded other losses, net of HK$8.0 million, in 2018, versus other gains, net of HK$0.2 million, in 2017. The losses in 2018 mainly comprised foreign exchange losses of HK$5.9 million and losses on disposal of property, plant and machinery of HK$2.1 million.

Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 13.3% from HK$239.3 million in 2017 to HK$271.2 million in 2018. The increase primarily stemmed from higher and additional transportation and insurance costs alongside the rise in overseas solar glass sales. Selling and marketing expenses to revenue ratio increased from 2.5% in 2017 to 3.5% in 2018 because EPC services, which incur fewer selling and marketing expenses than the solar glass business, accounted for a much lower percentage of the Group's total revenue in 2018.

Administrative and Other Operating Expenses

The Group's administrative expenses decreased by HK$19.9 million, or 4.6%, from HK$432.6 million in 2017 to HK$412.7 million in 2018. The decline was mainly attributable to: (i) decrease in research and development expenses of HK$34.9 million; (ii) the classification of land use tax, property levy and business tax, amounted to HK$32.1 million in 2017 and classified as administrative and other operating expenses in 2017, was changed to cost of sales in 2018 to suit the applicable reporting and presentation requirement; (iii) listing fee of HK$31.2 million incurred in 2018 for the proposed spin-off of Xinyi Energy

Holdings Limited; and (iv) increase in staff cost and benefits of HK$11.6 million. Because of the decline in revenue and certain expenses are fixed, the ratio of administrative and other operating expenses to revenue increased from 4.5% in 2017 to 5.4% in 2018.

Finance Costs

The Group's finance costs increased from HK$178.6 million (or HK$212.9 million before capitalisation) in 2017 to HK$256.0 million (or HK$291.8 million before capitalisation) in 2018. 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$35.8 million (2017: HK$34.3 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 lifespans.

Share of Profit of a Joint Venture

For the year ended 31 December 2018, the Group recorded a share of profit of a joint venture of HK$33.6 million (2017: HK$36.4 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 decreased from HK$265.3 million in 2017 to HK$204.7 million in 2018. The decrease was primarily attributable to the decreased profits from the Group's solar glass and EPC services businesses, partially offset by the increase in corporate income tax of the Group's solar farm business as certain solar farms started fourth year operation in 2018. Profits derived from electricity generation of the Group's solar farms are fully exempted from corporate income tax for the first three years of operation, followed by a 50% reduction in corporate income tax in the three years following.

EBITDA and Net Profit

In 2018, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$3,209.5 million, representing a decrease of 8.8% as compared to HK$3,517.4 million in 2017. The Company's EBITDA margin (calculated based on total revenue for the year) was 41.8% in 2018 as compared to 36.9% in 2017.

Net profit attributable to equity holders of the Company in 2018 was HK$1,863.1 million, representing a decrease of 20.1%, as compared to HK$2,332.0 million in 2017. Net profit margin decreased to 24.3% in 2018 from 24.5% in 2017, mainly due to the drop in profit margin of the solar glass business which was partially offset by the increase in profit contribution from the Group's solar farm business.

Financial Resources and Liquidity

For the year ended 31 December 2018, total assets of the Group increased by 4.9% to HK$23,892.5 million and shareholders' equity increased by 3.1% to HK$10,433.8 million. The Group's current ratio as at 31 December 2018 was 1.0, compared to 1.2 as at 31 December 2017. The change in current ratio is primarily due to the increase in bank borrowings and decrease in cash and cash equivalents during the year.

The Group continues to adopt a prudent financial management policy such that it can maintain a healthy financial position throughout different business cycles and achieve long-term sustainable growth. As at 31 December 2018, the Group's financial position remained healthy, with cash and bank balances of HK$783.9 million. For the year ended 31 December 2018, net cash inflow from operating activities amounted to HK$2,310.3 million (2017: HK$1,298.2 million). The increase in net cash inflow was primarily attributable to the collection of tariff adjustments receivables in relation to the Group's solar farm operation, as well as settlement of EPC contract receivables during the year. Net cash used for investing activities amounted to HK$3,035.1 million (2017: HK$2,490.4 million). The increase was primarily due to the capital expenditures incurred for solar farm projects and the new solar glass production line in Malaysia. Net cash generated from financing activities amounted to HK$174.0 million (2017: HK$1,703.3 million). During the year under review, the Group secured new bank borrowings of HK$4,961.6 million and repaid bank borrowings of HK$4,155.6 million.

The Group's net debt gearing ratio, which is bank borrowings less cash and cash equivalents divided by total equity, as at 31 December 2018 was 66.2% (31 December 2017: 56.1%). The gearing level of the Group increased during the review period primarily due to: (i) the decrease in cash and cash equivalents and increase in bank borrowings to finance the capital expenditures for expanding the Group's solar glass and solar farm businesses; and (ii) decrease in total equity as a result of the non-cash translation losses of RMB-denominated assets caused by the RMB depreciation during the year.

During the year ended 31 December 2018, trade and bills receivables, net of loss allowance of the Group decreased by HK$12.8 million, or 0.3%, to HK$4,153.8 million. The decrease was primarily due to the decrease in trade receivables of the EPC services segment as well as the settlement of certain adjustment (subsidy) receivables of the solar farms during the year. As at 31 December 2018, trade and bills receivables amounted to HK$4,153.8 million, comprising receivables of HK$1,627.7 million, HK$2,265.7 million and HK$260.4 million in the solar glass, solar farm and EPC services segments respectively.

BUSINESS REVIEW

Market Contraction Resulting from Policy Change in China

After years of rapid development, growth of utility scale ground-mounted PV projects in China has slowed down because of intensified competition. For DG projects, however, with relatively little cut in government subsidies and substantial drop in installation costs, and no installation quota all along, returns from them had been attractive. DG installation thus saw explosive growth in 2017, which continued in the first few months of 2018. Of the 9.65 gigawatt ("**GW**") installation in the first quarter of 2018, utility-scale and DG projects accounted for 1.97GW and 7.68GW, respectively.

As a measure to contain industry development and mitigate pressure on the Renewable Energy Fund, the NDRC, the MoF and the NEA adjusted the country's PV subsidy policies starting in June 2018. They published the 531 Policy, pursuant to which all new subsidised solar capacity approvals (except for the Top Runner Programme and poverty-alleviation projects) were suspended and DG installation was set at around 10GW for 2018. The policy change put downstream demand into the freezer immediately, resulting in a sharp decline in prices along the entire solar value chain. Supply and demand were off balance. The market remained in a standstill in June and July and growth momentum continued to be stifled. Overseas customers also adopted a wait-and-see strategy in procurement and delayed ordering.

Fortunately, the actual drop of China's PV installations in 2018 finally turned out to be less significant than the market first expected when the 531 Policy took effect. With installation costs markedly down, more and more PV projects have become feasible even without national subsidies. This, together with the installations under the Top Runner Programme and poverty-alleviation projects, and projects already approved before the 531 Policy and not yet completed, contributed to the gradual rebound of PV demand in the last few months of 2018. According to NEA data, new PV installation in China was 44.26GW in 2018, second only to the 53.06GW in 2017, which is the second highest in history.

More Diversified Global PV Installation

After several years of rapid growth, global PV installation slowed down in 2018 amid the 531 Policy change in China. However, with solar module prices trending down sharply, demand for PV installation recovered gradually and positivity returned regarding China's domestic solar demand after the NEA floated the possibility of it increasing the 2020 PV target under the 13th Five-Year Plan from 105 GW to somewhere between 210 GW to 270 GW, the pressure on global PV installation in 2018 was much lower than the market first anticipated.

Thanks to technological improvements and the continuous decline in installation costs, solar power has been evolving at a much faster pace than other types of energy in different countries in recent years. The pursuit of PV deployment was spreading from the top three solar markets (China, US and India) to emerging and re-awakening markets in 2018. The new countries poised to cross the 1-GW annual threshold in 2018 included Mexico, France, the Netherlands, Egypt, Brazil and Spain. Going forward, the number of GW-scale countries are expected to continue to increase. Global PV demand will become more diversified and less dependent on the incentive regime and policy of a single country. Such development can help reduce demand volatility and uncertainty, which is beneficial to the Group in planning capacity expansion.

Capacity Change to Accommodate New Market Conditions

At the impact of the 531 Policy, new PV installations of China in 2018 dropped by about 17% year-on-year. In light of this change, the Group suspended operation of a 500-tonne/day PV solar glass production line and a 600-tonne/day solar glass production line in July and August respectively before their scheduled repairs in 2019. As such, its aggregate daily melting capacity dropped from around 6,300 tonnes in the first half of 2018 to about 5,200 tonnes by the end of 2018. This timely adjustment of capacity has enabled the Group to mitigate inventory backlog and strengthened its competitive advantage. Solar glass shipment volume of the Group recorded a 4.9% year-on-year decrease in 2018 amid the decline in downstream demand and weakened market sentiment.

Given the continuous improvement and innovation in solar technology, the Group remains optimistic about the future growth potential of PV installation in China and worldwide. The Group will strive to expand its market share and reinforce its leadership as a solar glass manufacturer by adding new capacity from time to time. Before the end of 2018, the Group started trial run of a new 1,000-tonne/day solar glass production line in Malaysia and resumed operation of the 500-tonne/day solar glass production line in Tianjin, which operation had been suspended since March 2018 for repairs and modification.

Capacity expansion can enhance economies of scale and operational synergies conducive to overall cost reduction, thereby enable the Group to stay ahead of its competitors and reduce the cost pressure from consistently rising raw material prices and fuel costs.

Solar Glass Price Bottomed Out and Sustained a Tepid Recovery

The selling price of solar glass dropped significantly, more than 20%, came mid-2018 and reached the lowest in the third quarter because demand plummeted in China after the 531 Policy was announced. As a result, most solar glass manufacturers suffered a significant decline in revenue and profit in the second half of 2018 and some even incurred losses. The supply and demand dynamics of the solar glass market gradually improved in the fourth quarter with PV installation demand picking up before the year end cut off and industrial supply became tight. Solar glass price rebounded some in the last few months of 2018, partly attributable to the recovery of demand and partly due to rising production costs, but at year-end, price was still more than 10% lower than the average selling price in the first half year. Many solar glass manufacturers were still operating with difficulty.

Supportive Policies Promote Grid Parity – New Opportunities for Solar Farm Developers

The 531 Policy taking effect has presented challenges as well as opportunities to solar farm developers in China. This sudden policy shift has slowed down installation pace and caused short-term market turmoil, but on the other hand, it can encourage the industry to pursue technological innovation and quality enhancement so as to sustain growth, and also help the country speed up achieving grid parity.

Aware of the widespread pessimism and concerns over future PV subsidy polices in the post-531 Policy PV market in China, to restore market confidence, the NEA indicated at a symposium held in early November 2018 that PV subsidy will continue till 2022, but the amount will be reduced gradually. Currently, some solar projects in China actually have achieved grid parity, especially those in regions with high on-grid benchmark tariff rate and high level of sunlight irradiation. With installation costs on sharp decline, the number of subsidy-free (grid parity) projects is expected to continue to increase in coming years. The continuation of subsidy in gradually reducing amount up till 2022 can ensure the smooth advance of the solar industry towards grid parity.

Another positive move made by the NDRC is that it laid out certain supportive policies in January 2019 to encourage development of pilot subsidy-free wind and solar projects across the country, to fuel advancement of relevant technologies and ultimately contribute to grid parity. The key measures included guaranteed purchase from grid companies, green certificate trading, reduced land and transmission costs, priority dispatch and financing support.

Given the substantial drop in installation costs, continuous improvement of solar technology and the supportive government initiatives, the Group is confident that it can leverage its expertise in the solar power value chain to further advance and expand its solar farm business.

Increased Contribution from Electricity Generation of Solar Farms

At the beginning of 2018, having considered the lower-than-expected subsidy cut and no quota restriction on DG projects in China, the Group targeted to develop several self-owned commercial DG projects during the year. However, with the 531 Policy change limiting the subsidised DG capacity for 2018 to 10GW, this type of projects lost development potential and became less attractive. The Group thus decided to shift its development focus back to utility-scale projects. In addition to developing its own PV projects, the Group also seized the opportunity of the industry downturn during the year and acquired four solar farm projects with an aggregate capacity of approximately 64MW.

The Group's solar farm business continued its robust growth in 2018. Revenue and gross profit rose by 30.3% and 30.8% year-on-year respectively and accounted for 25.0% and 48.7% of the Group's total revenue and gross profit for the year ended 31 December 2018. As at 31 December 2018, the Group had grid-connected solar projects of total capacity 2,500MW, including 2,344MW utility-scale ground-mounted projects and 156MW rooftop DG projects (with electricity generation for self-consumption and selling to the grid). In terms of ownership, 1,446MW projects were held through wholly-owned subsidiaries, 954MW were from projects held by 75%-owned subsidiaries and 100MW from a joint venture project 50%-owned by the Group. All these solar farm projects are located in provinces or municipalities with high electricity demand, such as Anhui, Hubei, Tianjin, Henan and Fujian, hence the Group has not experienced any curtailment issue in electricity generation so far.

EPC Services – A Supplementary Income Source

As the contributions from EPC services are usually one-off and ad-hoc in nature, this business segment has never been considered as a key growth driver of the Group. The Group's core businesses are solar glass and solar farm. For the year under review, the revenue and profit contributions from EPC services dropped substantially because several large-scale PV poverty alleviation projects were undertaken by the Group in 2017, but not in 2018. The EPC services revenue of the Group for 2018 was mainly derived from a non-wholly owned subsidiary for certain residential and commercial DG projects carried out in Canada.

Proposed Spin-Off and Separate Listing of Xinyi Energy

With the stock market persistently volatile, the Board announced on 14 December 2018 that the proposed spin-off ("**Proposed Spin-Off**") and separate listing ("**Proposed XYE Listing**") of shares of its non-wholly owned subsidiary, Xinyi Energy Holdings Limited ("**Xinyi Energy**"), on the Main Board of the Stock Exchange would not proceed as originally scheduled. The Directors will continue to monitor market conditions and other conditions in assessing the opportune time for the Proposed Spin-Off and Proposed XYE Listing in the future.

BUSINESS OUTLOOK

When it comes to technological innovation and industrial scale, China has been a global leader in the PV industry for several years. With installation cost coming down continuously and fast, the industry is relying less and less on subsidies and ultimately becoming subsidy free. For the industry to succeed, it has to pursue essentially technological revolution, industrial transformation and efficiency improvement. Looking ahead, the demand of PV installation is swiftly shifting from policy-driven to market-driven, pointing to more intense competition in and rapid development of the industry. Enterprises along the value chain will face new challenges and opportunities, and the industry will consolidate ousting the less efficient players.

Affected by the China-US trade war and socio-political uncertainty in different parts of the world, the global and Chinese economy is expected to experience some downturn in 2019. Compounded by the subsidy cuts as well as policy change in China to achieve grid parity for solar power, competition in the PV industry will become yet more intense down the road. Nevertheless, technological innovation, efficiency improvement and economies of scale will lower development costs further and continue to power the solar revolution, enticing more countries, including emerging and re-awakening markets, to adopt a higher use of PV power in their energy mix.

In the next few years, China will continue to champion the largest share of annual Global PV installations, but at a gradually reducing percentage. Seeing solar is a major pillar of its future's energy system, China is steadfast in its commitment or support to the solar power industry. However, its development focus may shift from quantitative growth to qualitative growth, accompanied by an increasing degree of electricity marketisation. Grid parity in the country may be achieved earlier than expected.

As a leading solar glass manufacturer, the Group will strive to enhance competitiveness via improving its production processes continuously and developing new solar glass products to meet changing customer requirements. With the double-glass module gaining acceptance, demand for back glass has also climbed. Thus, the Group will strengthen research and development work in the area, enrich its product range and enhance product quality to meet customer needs. To expand its market share, the Group plans to add two new solar glass production lines in Beihai, Guangxi Zhuang Autonomous Region, the PRC with a daily melting capacity of 1,000 tonnes each. The production lines are expected to begin operation in the first and second quarter of 2020, respectively.

For the solar farm business, other than subsidy projects, the Group will step up exploring more subsidy-free projects so as to boost its project pipeline and establish a more diversified solar farm portfolio. To improve the performance of its solar farms, the Group will monitor the operating statistics of each solar farm using a remote tracking system, carry out comparative analyses and put in place preventive measures to minimise risk of failure at all times. Subsidy payment delay remains a major drag on PV development in China. However, with China approaching grid parity, subsidised PV projects will gradually decrease. Moreover, as electricity consumption of the country continues to increase every year, more renewable surcharge can be collected; and hence the deficit of the Renewable Energy Fund can gradually be reduced.

Notwithstanding the impact of the 531 policy change on its operating performance in the near term, the Directors are optimistic about the growth potential of the Group's solar glass and solar farm businesses in the long run as consolidation of the industry will bring new opportunities. Capitalising on its expertise in solar glass manufacturing and solid experience in solar farm development, the Group is well prepared for the advent of solar market parity.

Capital Expenditures and Commitments

The Group incurred capital expenditures of HK$3,058.6 million for the year ended 31 December 2018 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 2018 amounted to HK$674.3 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 2018.

Contingent Liabilities

As at 31 December 2018, the Group did not have any significant contingent liabilities.

Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2018, the Group acquired four solar farm projects with an aggregate capacity of approximately 64MW. Please refer to note 16 to the consolidated financial statements of this announcement for further details. Except for this, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2018.

Treasury Policies and Exposure to Fluctuation in 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 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 MYR and HKD could also affect the Group's performance and asset value.

Because of the depreciation of RMB against HKD in 2018, the Group reported non-cash translation losses — a decline in the reserve of its consolidated balance sheet — when converting RMB-denominated assets into HKD. For the year ended 31 December 2018, exchanges losses of HK$922.9 million were recorded as the exchange reserve movement, as a result the balance of the consolidated exchange reserve account recorded a debit balance of HK$827.8 million as of 31 December 2018 as compared with a credit balance of HK$95.1 million as of 31 December 2017.

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 2018, 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 2018, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

As at 31 December 2018, the Group had about 3,308 full-time employees of whom 2,723 were based in Mainland China and 585 were based in Hong Kong, Malaysia and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$337.8 million for the year ended 31 December 2018.

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, 7,805,000 share options were granted to selected employees and an executive director in March 2018. The validity period of the options is from 29 March 2018 to 31 March 2022. One third of the options will vest on each of the year-end date of 2018, 2019 and 2020 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 25 February 2019, the Directors proposed a final dividend (the "**Final Dividend**") of 4.2 HK cents per share for the year ended 31 December 2018. 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 15 May 2019. If so approved by the shareholders, it is expected that the Final Dividend will be paid on or about Wednesday, 3 July 2019 to shareholders whose names appear on the register of members of the Company on Thursday, 23 May 2019.

The register of members of the Company will be closed from Tuesday, 21 May 2019 to Thursday, 23 May 2019, 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 Monday, 20 May 2019.

Shareholders will be given an option to receive the Final Dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by scrip dividend. The Scrip Dividend Scheme is subject to the Stock Exchange granting the listing of and permission to deal in the new shares to be allotted and issued under the Scrip Dividend Scheme.

For the purpose of calculating the number of the Scrip Shares under the Scrip Dividend Scheme, the market value of the Scrip Shares has been fixed at 95% of the average closing price per share as quoted on the Stock Exchange for the five consecutive trading days commenced on 17 May 2019 until 23 May 2019 (both days inclusive) rounded down to two decimal places. Further details of the Scrip Dividend Scheme will be announced later.

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

For the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Compliance with the Corporate Governance Code

In the opinion of the Directors, the Company has complied with the applicable code provisions contained in the Corporate Governance Code as set forth in Appendix 14 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the year ended 31 December 2018.

Audit Committee of the Board

The Company has established an audit committee, comprising three independent non-executive Directors. The primary duties of the audit committee are to review and supervise the financial reporting process and risk management and internal control systems of the Group and provide comment and advice to the Board. The audit committee has reviewed the audited consolidated financial statements of the Group for the year ended and as of 31 December 2018.

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 throughout the year ended 31 December 2018.

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 2018 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 Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

Annual General Meeting

The annual general meeting of the Company will be held on or before 15 May 2019. The register of members of the Company will be closed from Thursday, 9 May 2019 to Wednesday, 15 May 2019, both days inclusive, during which period no transfer of shares will be effected in order to determine the entitlement to attend and vote at the annual general meeting. All share transfers accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 8 May 2019 for such purpose. 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 about 9 April 2019.

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

Hong Kong, 25 February 2019

As of the date of this announcement, the Board comprises four executive Directors, namely Mr. TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi, two non-executive Directors, namely Dr. 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.