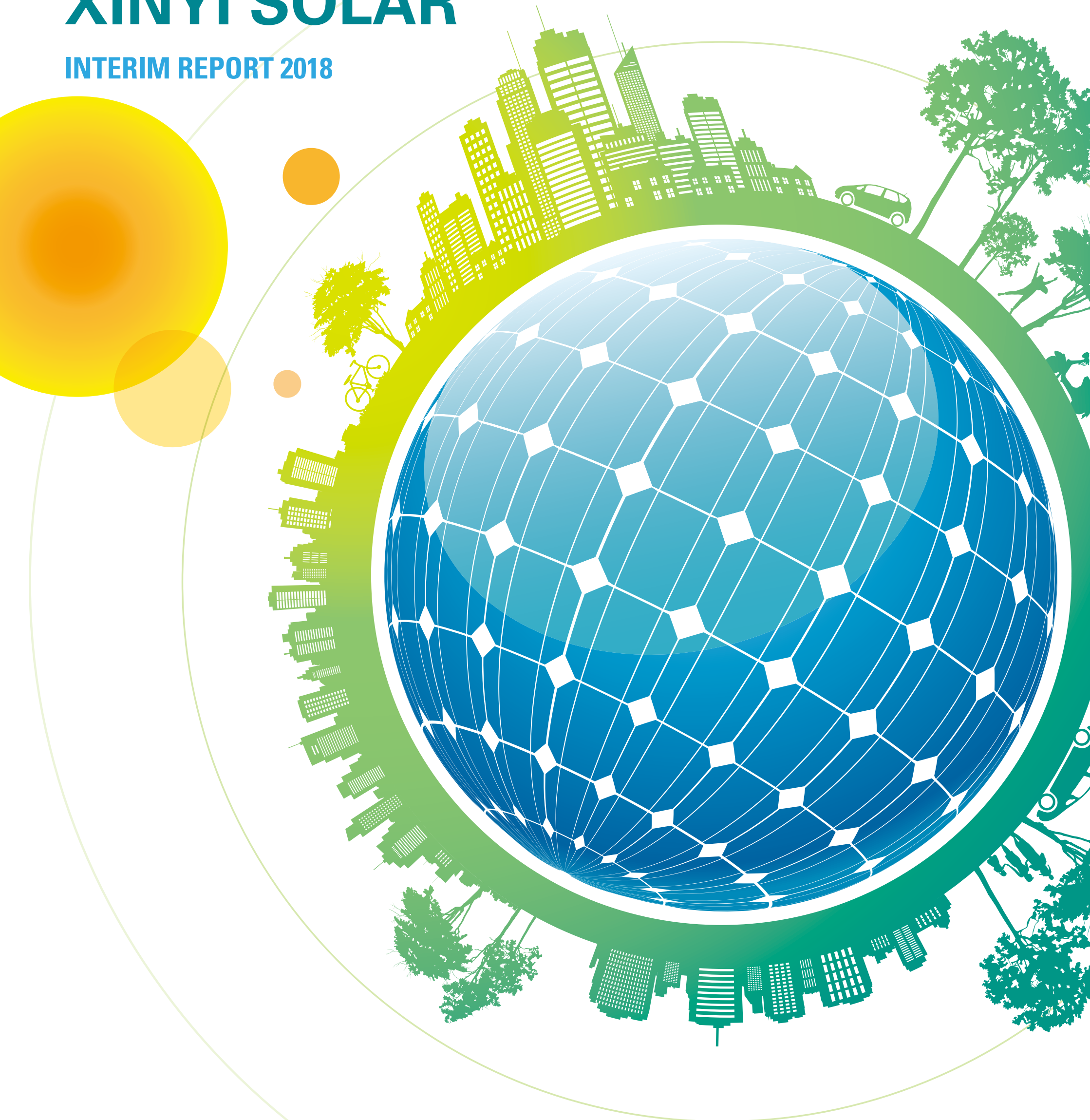
信義光能控股有限公司
XINYI SOLAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 00968

A GREEN LIFE WITH

# XINYI SOLAR

## INTERIM REPORT 2018



# Contents

# Financial Highlights

| | Six months ended 30 June | | Year ended 31 December |
|---|---|---|---|
| | **2018** | 2017 | 2017 |
| | **(Unaudited)** | (Unaudited) | (Audited) |
| *(in HK$'000)* | | | |
| Revenue | **4,177,429** | 5,309,673 | 9,527,031 |
| Profit before income tax | **1,434,047** | 1,510,609 | 2,789,435 |
| Profit attributable to Company's equity holders | **1,213,953** | 1,254,909 | 2,332,031 |
| Dividends | **594,182** | 593,894 | 1,113,792 |
| *(Number of ordinary shares in '000)* | | | |
| Weighted average number of shares in issue | **7,425,810** | 6,874,755 | 7,151,533 |
| *(in Hong Kong cents)* | | | |
| Earnings per Share | | | |
| – basic | **16.35** | 18.25 | 32.61 |
| – diluted | **16.34** | 18.23 | 32.61 |
| Dividends per share | **8.00** | 8.00 | 15.00 |

| | At 30 June | | At 31 December |
|---|---|---|---|
| | **2018** | 2017 | 2017 |
| | **(Unaudited)** | (Unaudited) | (Audited) |
| *(in HK$'000)* | | | |
| Equity attributable to Company's equity holders | **10,601,598** | 8,965,735 | 10,121,127 |

Dear Shareholders

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**"), I announce herewith the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "**Group**" or "**Xinyi Solar**") for the six months ended 30 June 2018.

## INTERIM RESULTS

Despite the drop in contribution from the Group's engineering, procurement and construction ("**EPC**") services and the substantial decline in the photovoltaic ("**PV**") demand of China since the policy shift on 31 May 2018, the Group still recorded a set of resilient results for the six months ended 30 June 2018. As compared with the same period in 2017, revenue of the Group decreased by 21.3% to HK$4,177.4 million and profit attributable to equity holders of the Company decreased by 3.3% to HK$1,214.0 million for the six months ended 30 June 2018.

## REDUCED FORECAST FOR GLOBAL PV INSTALLATION AFTER CHINA'S SUDDEN POLICY SHIFT

The continuous and spectacular cost reduction in recent years has enabled solar power to evolve at a much faster pace than other types of energy in many different countries. According to SolarPower Europe, the global PV installation was 99.1 gigawatt ("**GW**") in 2017, up from 76.6GW in 2016, representing a year-on-year growth of 29%. The global PV market demand was dominated by China, which accounted for more than half of the total newly-added capacity in 2017. The explosive growth of China's solar power demand for 2017 was largely contributed by the surging installations of DG systems.

According to National Energy Administration ("**NEA**"), China has added a total of 9.65GW of PV capacity in the first quarter of 2018, a 22% year-on-year increase. However, after the release of the "2018 PV Power Generation Notice (2018年光伏發電有關事項的通知)" dated 31 May 2018 ("**May 31 Notice**"), market participants are expecting a sharp reduction in the PV demand in China for 2018 because allocation of quotas for new utility-scale projects (except the Top Runner Programme and poverty-alleviation projects) has been halted until further notice and distributed generation ("**DG**") installation has been set at 10GW for 2018.

The market contraction in China will undoubtedly impact the global PV development and result in more diversification of the global PV demand. In 2017, nine countries installed more than 1GW, compared with just six countries in 2016. The number of GW-scale countries will continue to increase in 2018. The subsequent decline in installation costs as a result of the drop in PV demand in China could help to boost the demand in overseas PV markets, especially in some emerging markets.

## PLUMMETING PV DEMAND IN CHINA

After years of rapid development, the growth of utility scale ground-mounted PV projects in China has slowed down because of intensified competition. The DG sector, on the other hand, has shown exceptional growth since 2017 and continued its rapid growth in the first few months of 2018. Out of the 9.65GW installation in the first quarter of 2018, utility-scale and DG projects accounted for 1.97GW and 7.68GW, respectively. DG has already developed as one of the key growth drivers of China's PV market.

Starting from June 2018, the PV market of China is bound to experience a difficult time amidst the sudden policy change pursuant to the May 31 Notice. The limitation of new capacity for 2018 – no further quota for ordinary utility-scale projects and the setting of DG installations to 10GW – has caused a steep decline in the demand and prices along the entire solar value chain. The downturn of the market will intensify competition in the short run and accelerate consolidation among PV manufacturers. Thus supply-side reform for the phasing-out of inefficient capacity is set to proceed.

## CAPACITY CHANGE TO ACCOMMODATE NEW MARKET CONDITIONS

With no quota restriction on DG projects, PV installation in China continued to remain robust in the first few months of 2018 prior to the policy change on 31 May 2018. Despite the contraction in sales in June, the Group reported a 3.5% year-on-year increase in its sales volume of solar glass for the six months ended 30 June 2018.

No new solar glass production capacity has been added by the Group during the review period. Its aggregate daily melting capacity has remained around 6,300 tonnes throughout the first six months of 2018. The production volume growth is mainly driven by the capacity and efficiency ramp-up of the three ultra-clear PV raw glass production lines with an aggregate daily melting capacity of 2,900 tonnes added in the last quarter of 2016 and the first quarter of 2017. A 500-tonne/day PV raw glass production line in Anhui, which had suspended operation for repairs and upgrade since June 2017, has restarted commercial production in March 2018. On the other hand, a 500-tonne/day PV raw glass production line in Tianjin has ceased operation for repairs and modification in late March 2018. It is expected that this production line can be ready to resume operation in the third quarter of 2018 and will start commercial operation in accordance with market conditions. To mitigate inventory backlog and strengthen its competitive advantage, the Group has suspended the operation of another 500-tonne/day PV raw glass production line in Anhui in July 2018, which is in advance of its scheduled repair in early 2019.

To further strengthen its competitive edge and resilience to adverse operating environment, the Group will continue to add new solar glass production capacity. Capacity expansion and the introduction of new production technology and knowhow can further enhance the benefits of economies of scale as well as the overall production efficiency and cost competitiveness of the Group, thereby enabling it to expand its market share and reinforce its position as a leading solar glass manufacturer despite the industry downturn.

## SOLAR GLASS PRICE TRENDING DOWNWARD AMID THE WEAKENED MARKET SENTIMENT

With new capacity of about 2,600 tonnes/day coming onstream in late 2017 and early 2018, the industry supply of solar glass has increased gradually in the first half of 2018 and created downward pressure on the average selling price ("**ASP**") of solar glass products. The decline is even more significant after the publication of the May 31 Notice. In 2018, the ASP of anti-reflective coating solar glass dropped by more than 20% during the first six months when compared to the beginning of the year; and therefore, the profit margin of the Group's solar glass business is expected to come under increasing pressure, especially in the second half of 2018. In response to the rapidly shrinking demand, the Group has adopted a proactive and flexible marketing strategy to speed up inventory turnover.

## SOLAR FARM DEVELOPMENT – INCREASED FOCUS ON TECHNOLOGICAL INNOVATION AND QUALITY ENHANCEMENT

Over the past decade, China's PV installation has increased rapidly amidst the favourable government policies. China is now the global market leader in terms of newly-added capacity. Nevertheless, many solar PV projects still rely on government subsidies. The faster the development pace of new PV installation, the greater is the burden of the renewable energy fund. This development model is difficult to sustain in the long run and cannot facilitate the principle of "survival of the fittest".

In order to foster the healthy development of the PV industry and reduce the reliance on government subsidies, a policy change has been made in June 2018 with the issuance of May 31 Notice. This sudden policy shift will slow down the installation pace and cause near-term market turmoil; however, it can help the industry to sustain growth through technological innovation and quality enhancement, and thus accelerate the country achieving grid parity.

Due to the relatively high electricity costs of some commercial and industrial users in China, the investment return of solar PV projects on their rooftops are attractive even without government subsidies. Besides, the successful bidding prices for some utility-scale projects, especially those in high sunlight irradiation areas, have already reached the renminbi ("**RMB**") 0.4/kWh level.

Currently, leading People's Republic of China ("**PRC**") PV power generators in some relatively high radiation areas can still enjoy a reasonable return if the tariff rate is set at around RMB0.4/kWh, that is, very close to the price of coal-fired power generation. Actually, the China's PV industry can grow without further subsidies. Nevertheless, it may take time for the industry players to re-adjust their investment plans. Given the substantial and continuous decline in installation costs and leveraging its experience in the solar power value chain, the Group is confident that it can further advance and expand its solar farm business.

## INCREASED CONTRIBUTION FROM ELECTRICITY GENERATION OF SOLAR FARMS

The revenue and profit contribution from the electricity generation of the Group's solar farms continued to show robust growth. Revenue and gross profit reported 28.8% and 25.7% increases year-on-year respectively for the six months ended 30 June 2018. Same as in previous years, the Group has not experienced any curtailment issue in electricity generation as its solar farm projects are in provinces or municipalities with high demand for electricity such as Anhui, Hubei, Tianjin, Henan and Fujian.

As at 30 June 2018, the Group had grid-connected solar projects with a total capacity of 2,086 megawatt ("**MW**"), including 1,934MW utility-scale ground-mounted projects, 34MW commercial DG projects and 118MW self-used DG projects. In terms of ownership, 1,032MW are projects held through wholly-owned subsidiaries, 954MW is from projects held by 75%-owned subsidiaries and 100MW is from a joint venture project 50%-owned by the Group.

The seventh batch of the Subsidy Catalogue was announced in June 2018. The Group has eight self-owned solar farm projects with an aggregate capacity of 724MW and a joint venture project with capacity of 100MW enlisted in this batch of the Renewable Energy Tariff Subsidy Catalogue ("**Subsidy Catalogue**").

## EPC SERVICES – A SUPPLEMENTARY INCOME SOURCE

EPC services – because of their inherent one-off and ad-hoc nature – seldom provide a predictable and stable revenue stream. Therefore, the Group has never considered this business as a key growth driver. Unlike 2017, no large-scale PV poverty alleviation project has been undertaken by the Group for the six months ended 30 June 2018. The EPC service revenue for this half-year period was mainly derived from a non-wholly-owned subsidiary in relation to the residential and commercial DG projects carried out in Canada.

## PROPOSED SPIN-OFF AND SEPARATE LISTING OF XINYI ENERGY

On 10 April 2018, the Company submitted an updated application for the spin-off ("**Spin-Off**") and separate listing ("**Listing**") of the shares of its non-wholly owned subsidiary, Xinyi Energy Holdings Limited ("**Xinyi Energy**"), on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), and the Stock Exchange has confirmed on 21 May 2018 that the Company may proceed with the Spin-Off. On 19 June 2018, Xinyi Energy submitted a listing application form in relation to the Listing. Currently, it is proposed that following the completion of the Spin-Off, Xinyi Energy will continue to be a non-wholly owned subsidiary of the Company and as such its operating result as well as assets and liabilities will continue to be consolidated into the consolidated financial statements of the Group. For further details, please refer to the Company's announcement dated 19 June 2018. A redacted version of the application proof of Xinyi Energy's listing document dated 19 June 2018 can be downloaded from the Stock Exchange's website at www.hkexnews.hk. There is no assurance that the Spin-Off and Listing will proceed and that the approval for the Listing by the Stock Exchange will be granted.

## BUSINESS OUTLOOK

For PV development in 2018, the industry is concerned about market contraction as a result of the sudden policy shift in China and its impact on the global solar market. In the short run, substantial drop in PV demand from China is unavoidable, and this will create pressure along the supply chain. However, there is no sign that China will cease its commitment and support to its solar power industry. Instead, the purpose of this new policy is to rationalise solar power development and mitigate the renewable energy fund deficit. What is noteworthy is that it has left room for projects that do not require subsidies. Going forward, the development potential is still great, but the focus will shift from quantitative growth to qualitative growth, accompanied by an increasing degree of electricity marketisation. Grid parity may be achieved earlier than expected. With an internationally competitive and complete industrial chain, China will continue to take the lead in global PV development.

The solar power value chain in China is in the midst of a transformative change. It is undergoing reform through initiatives that focus on technological innovation, efficiency improvement and high-quality development. With competition becoming more intense, more consolidation in the PV industry is expected. For the solar glass market, demand fluctuations, ASP volatilities and the phasing out of some inefficient capacities are expected in the months ahead.

The Group will continue to adopt flexible marketing strategies, diversify its customer bases, explore new markets and further strengthen the cost competitiveness of its products. To further expand the market share, the Group will continue its expansion plan of adding three new solar glass production lines with a daily melting capacity of 1,000 tonnes each in Malaysia. The first new production line is expected to be ready for commercial production by the end of 2018, and the development plan of the second and third new production lines will be adjusted in accordance with the market conditions.

Notwithstanding its profit margin remaining under pressure in the coming months, the Directors are optimistic about the potential growth of the Group's solar glass business in the long run as industry consolidation will create more market opportunities in the future. Capitalising on diversified production bases, innovative products, proven business strategies, effective operational management and advanced production techniques, the Group is well positioned to meet the forthcoming challenges as a result of the May 31 Notice policy change.

The sudden and serious shift in PV policy in China has disrupted certain solar farm development plans of the Group. The annual installation target of 400MW, as previously set by the Group for 2018, has now become difficult to achieve. In the second half of 2018, the Group will continue its effort to explore different new PV project opportunities, but no longer fix any installation target amid the challenging and uncertain market environment.

## CONCLUSION

With the policy change in China, the business outlook of the PV industry for the second half of 2018 tends to be highly competitive and challenging. A tipping point seems to have been reached where potentially extensive industry reform and restructuring is expected. As industry players are still in the process of reviewing and re-adjusting their production and investment plans, the situation remains complex and uncertain in the coming months.

On the positive side, as solar power remains one of the key renewable energy solutions for China to tackle pollution, the Directors is confident that the PV industry will grow strongly again after reform and innovation. Meanwhile, the Group needs to exercise prudence and caution when assessing new business opportunities so as to ensure financial stability during the market contraction period.

As in the past, the Group will continue to focus on establishing a sustainable business that can ride through various business cycles. Diversified revenue sources from solar glass sales and solar power electricity generation can help the Group to build a more balanced business model and improve its overall financial stability. Leveraging its solid foundation and competitive advantages, the Group is well positioned to capture new business opportunities, rise above the rapidly changing and challenging market conditions and reinforce its leading position in the solar power value chain.

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

Hong Kong, 30 July 2018

## OVERVIEW

The PV market in China has experienced a sudden and serious shift after the release of the May 31 Notice by the China National Development and Reform Commission, the Ministry of Finance and the NEA. Plummeting demand has caused a substantial price drop in different PV products and components along the value chain since June 2018. These changes had an impact on the Group's results for the last month in the six months ended 30 June 2018 and are likely to affect its operating performance even more over the coming months during the second half of 2018.

During the six months ended 30 June 2018, the Group achieved a consolidated revenue of HK$4,177.4 million, representing a decrease of 21.3% as compared with the same period in 2017. Profit attributable to the equity holders of the Company decreased by 3.3% to HK$1,214.0 million. Basic earnings per share were 16.35 HK cents for the six months ended 30 June 2018, as compared with 18.25 HK cents for the same period in 2017.

## FINANCIAL REVIEW

### Revenue

For the six months ended 30 June 2018, the Group recorded revenue growth of its sales of solar glass and solar power electricity generation businesses by 27.0% and 28.8% respectively on a year-on-year basis, but because of the decrease in EPC services income, consolidated revenue showed a drop of 3.3% compared to the same period last year.

## Revenue – by Product

| | Six Months Ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | Increase/(Decrease) | |
| | *HK$' million* | *% of revenue* | *HK$' million* | *% of revenue* | *HK$' million* | *%* |
| Sales of solar glass | **3,107.1** | **74.4** | 2,447.3 | 46.1 | 659.8 | 27.0 |
| Solar farm business | **945.8** | **22.6** | 734.5 | 13.8 | 211.3 | 28.8 |
| EPC services | **124.5** | **3.0** | 2,127.9 | 40.1 | (2,003.4) | (94.1) |
| Total external revenue* | **4,177.4** | **100.0** | 5,309.7 | 100.0 | (1,132.3) | (21.3) |

* 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

| | Six Months Ended 30 June | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | Increase/(Decrease) | |
| | *HK$ million* | *% of revenue* | *HK$ million* | *% of revenue* | *HK$ million* | *%* |
| The PRC | **2,234.9** | **71.9** | 2,090.4 | 85.4 | 144.5 | 6.9 |
| Other countries | **872.2** | **28.1** | 356.9 | 14.6 | 515.3 | 144.4 |
| | **3,107.1** | **100.0** | 2,447.3 | 100.0 | 659.8 | 27.0 |

For the six months ended 30 June 2018, the Group's solar glass sales revenue increased by 27.0% to HK$3,107.1 million. Driven by the rapid growth in the DG market, PV installations in China remained robust in the first few months of 2018 and therefore created a strong demand for solar glass. Growth momentum then slowed down in the second quarter and market demand decreased even more sharply in June after the publication of the May 31 Notice. Despite the drop in sales volume in June, representing 18.4% over the average of the previous five months, the Group still recorded a 3.5% year-on-year volume growth in solar glass sales for the first half of 2018. Notwithstanding the dramatic drop in June – an immediate response to the unexpected and substantial cut in PV installation quota for 2018 in China because of policy change, a stronger ASP of solar glass was recorded for the first half of 2018, primarily reflecting the increase in the second half of 2017. The exchange rate of RMB against Hong Kong dollar ("**HKD**") was in general moving in an upward trend from the beginning of 2017 up to March 2018 and depreciated again starting from May 2018. Therefore, the RMB/HKD exchange rates used for translating the RMB denominated revenue for the different months in the first half 2018 into HKD was relatively higher – roughly in the range of 7% to 10% year-on-year – than those used for the corresponding months in 2017; and hence has also provided a positive impact on the revenue growth of the Group.

In view of the higher profit margin of PV processed glass over PV raw glass, the Group has continued its effort in promoting the sale of its processed glass products, including ultra-clear PV anti-reflective coating glass and back glass. For the six months ended 30 June 2018, PV raw glass only accounted for less than 1% (2017: 5.8%) of the Group's total solar glass revenue.

The successful operation of the production line in Malaysia since 2017 has enabled the Group to develop overseas markets more flexibly and efficiently. Overseas sales therefore increased even more rapidly than domestic sales in the PRC market and accounted for 28.1% (2017: 14.6%) of the Group's total solar glass sales in the first half of 2018. This change of geographical mix was mainly due to the strong sales growth in Malaysia, South Korea, North America, India and Thailand.

The electricity generation revenue of the Group for the six months ended 30 June 2018 was derived from the solar farms located in the PRC as set forth below.

| | **As at 30 June 2018 MW** | As at 31 December 2017 MW | At 30 June 2017 MW | As at 31 December 2016 MW |
|---|---|---|---|---|
| Utility-scale ground-mounted solar farms | | | | |
| Anhui province | **1,230** | 1,160 | 1,010 | 920 |
| Others (Hubei, Tianjin, Henan, Fujian, etc.) | **604** | 574 | 574 | 544 |
| Sub-total | **1,834** | 1,734 | 1,584 | 1,464 |
| Commercial DG projects | **34** | 20 | — | — |
| Total | **1,868** | 1,754 | 1,584 | 1,464 |
| Utility-scale ground-mounted solar farms enlisted in Subsidy Catalogue | | | | |
| – The 6th batch | **250** | 250 | 250 | 250 |
| – The 7th batch | **724** | — | — | — |
| Total | **974** | 250 | 250 | 250 |
| Total number of solar farms | **26** | 20 | 17 | 14 |
| Weighted average FiT * (RMB/kWh) | **0.93** | 0.96 | 0.97 | 0.98 |

* 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 30 June 2018, the Group had 1,868MW utility-scale ground-mounted and commercial DG solar farm projects in operation. Accumulated approved gird-connection capacity increased from 1,584MW as at 30 June 2017 to 1,754MW as at 31 December 2017 and further to 1,868MW at 30 June 2018, driving up the revenue of its solar farm business by 28.8% year-on-year to HK$945.8 million in the first half of 2018.

The Group places significant emphasis on implementing initiatives to monitor the performance of its solar farms so as to reduce the chance of system failure. In addition to regular on-site inspections, preventive checks and replacement of ancillary equipment, the Group has set up a remote monitoring system, which can provide remote web-based access to the operating and performance data of its solar farms on a real-time basis.

Same as other solar farm operators in China, the Group has also experienced a delay in receiving subsidy payments in relation to the electricity generation of its solar farms. As at 30 June 2018, the outstanding tariff adjustment (subsidy) receivables of the Group amounted to HK$2,339.1 million, of which HK$305.3 million and HK$1,535.0 million are related to solar farm projects listed on the sixth and seventh batches of the Subsidy Catalogue respectively.

For the EPC service segment, the Group has carried out some residential and commercial DG projects in Canada and China with an aggregate capacity of about 9MW but no large-scale PV poverty alleviation projects for the six months ended 30 June 2018 (2017: about 296MW). Therefore, revenue of this segment decreased substantially by 94.1% year-on-year to HK$124.5 million.

## Gross Profit

The Group's gross profit decreased slightly by HK$23.8 million, or 1.3%, from HK$1,801.9 million for the six months ended 30 June 2017 to HK$1,778.1 million for the six months ended 30 June 2018. Both solar glass and solar farm businesses recorded an increase in gross profit offset by the decline in EPC services. Overall gross profit margin grew to 42.6% (2017: 33.9%), primarily due to: (i) improvement in the gross margin of the solar glass segment; and (ii) higher percentages of the Group's total revenue derived from the solar glass and solar farm businesses, which command a higher gross profit margin than that of EPC services.

For the six months ended 30 June 2018, the gross profit margin of the Group's solar glass segment increased by 4.8 percentage points to 33.4% (2017: 28.6%). The increase in margin was mainly attributable to: (i) a year-on-year increase in ASP; (ii) new production capacities, which commenced operation in late 2016 and the first quarter of 2017 had not yet fully ramped up in the same period last year; (iii) a higher percentage of overseas sales after the commissioning of the production line in Malaysia; and (iv) a shift of product mix to focus more on solar processed glass products.

The gross profit margin of the Group's solar farm business has shown no material change for the period under review. This is because: (i) there is no material change in the sun irradiation level year-on-year; and (ii) depreciation charge of the solar farms, the largest component of the total cost of sales, is fixed, and other operating costs such as electricity, labour and rental expenses only accounted for a small portion of the total cost of sales.

With fewer EPC projects being conducted, the gross profit contribution from this segment decreased substantially for the six months ended 30 June 2018. Despite this, the gross profit margin of this segment increased slightly by 0.6 percentage point to 26.0% (2017: 25.4%).

## Other Income

During the six months ended 30 June 2018, the Group's other income increased by HK$30.3 million to HK$89.2 million, as compared to HK$58.9 million for the same period last year. The increase was principally due to the increase in: (i) government grant income; and (ii) scrap sales and tariff adjustments in relation to the electricity generated by the solar power system installed on the rooftops of the Group's production complex.

## Other Losses, Net

The Group recorded other losses, net of HK$25.6 million for the six months ended 30 June 2018 (2017: HK$0.2 million). The increase in losses was mainly due to the foreign exchange losses on the accounts receivable in relation to the overseas sales of the Group's solar glass business.

## Selling and Marketing Expenses

The Group's selling and marketing expenses increased by 29.6% from HK$99.3 million in the first half of 2017 to HK$128.7 million in the first half of 2018. The increase stemmed primarily from the increase in transportation costs as a result of the sales volume growth in the solar glass business. Selling and marketing expenses to revenue ratio increased from 1.9% to 3.1% in the relevant periods 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 for the six months ended 30 June 2018 when compared with the same period last year.

## Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by HK$1.2 million, or 0.6%, from HK$189.0 million for the six months ended 30 June 2017 to HK$187.8 million for the six months ended 30 June 2018. The decrease was mainly attributable to the decrease in research and development expenses and other miscellaneous operating expenses, partially offset by the increase in staff cost and benefits as well as rental and other office expenses to cope with the Group's business expansion.

The ratio of administrative and other operating expenses to revenue increased from 3.6% to 4.5% in the relevant periods because EPC services, which incur fewer administrative and other operating expenses than the solar glass business, accounted for a much lower percentage of the Group's total revenue for the six months ended 30 June 2018 when compared with the same period last year.

## Finance Costs

The Group's finance costs increased from HK$82.7 million (or HK$101.7 million before capitalisation) in the first half of 2017 to HK$115.4 million (or HK$128.6 million before capitalisation) in the first half of 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 new solar glass production capacity expansion. During the period under review, interest expense of HK$13.2 million (2017: HK$19.0 million) was capitalised into the construction costs of different solar farms and solar glass production facilities. The capitalised amounts would depreciate together with the relevant assets over their estimated useful lives.

## Share of Profits of a Joint Venture

For the six months ended 30 June 2018, the Group recorded a share of profits of a joint venture of HK$20.1 million (2017: HK$19.4 million), which is attributable to the contribution from Xinyi Solar (Lu'an) Company Limited, a 50%-owned joint venture engaged 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$153.3 million for the six months ended 30 June 2017 to HK$125.3 million for the six months ended 30 June 2018. The decline was primarily attributable to: (i) decrease in profit contribution from the EPC services; and (ii) solar glass sales profit derived from the Group's subsidiary in Malaysia being fully exempted from Malaysia corporate income tax during the period under review.

## EBITDA and Net Profit

For the six months ended 30 June 2018, the Company's EBITDA (earnings before interest, taxation, depreciation and amortisation) was HK$1,883.1 million, representing an increase of 2.9% compared with HK$1,830.8 million for the six months ended 30 June 2017. The Company's EBITDA margin (calculated based on total revenue for the period) was 45.1% for the six months ended 30 June 2018 as compared to 34.5% for the six months ended 30 June 2017.

Net profit attributable to equity holders of the Company for the six months ended 30 June 2018 was HK$1,214.0 million, representing a decrease of 3.3%, as compared to HK$1,254.9 million for the six months ended 30 June 2017. Net profit margin increased to 29.1% for the six months ended 30 June 2018 from 23.6% for the six months ended 30 June 2017, mainly due to: (i) the improvement in the profit margin of the solar glass business; and (ii) a higher percentage of revenue being derived from the solar farm and solar glass businesses which command a higher profit margin than EPC services.

## Financial Resources and Liquidity

During the six months ended 30 June 2018, the total assets of the Group increased by 6.5% to HK$24,253.0 million and shareholders' equity increased by 4.7% to HK$10,601.6 million. The Group's current ratio as at 30 June 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.

The Group continues to adopt a prudent financial management policy such that it can maintain a healthy financial position through different business cycles and achieve a long-term sustainable growth. As at 30 June 2018, the Group's financial position remained healthy, with cash and bank balances of HK$1,306.6 million. During the six months ended 30 June 2018, net cash inflow from operating activities amounted to HK$794.5 million (2017: HK$200.0 million). The increase in net cash inflow was primarily attributable to the increase in revenue from the Group's solar glass and solar farm business, partially offset by the increase in tariff adjustments receivables as a result of the expanded solar farm operation and the increase in solar glass inventory. Net cash used for investing activities amounted to HK$1,386.1 million (2017: HK$987.4 million). The increase was primarily due to the settlement of outstanding capital expenditures for solar farm projects previously completed as well as projects under construction during the period. Net cash generated from financing activities amounted to HK$527.0 million (2017: HK$2,382.6 million). During the period under review, the Group secured new bank borrowings of HK$1,896.4 million and repaid bank borrowings of HK$1,377.1 million.

The Group's net debt gearing ratio as at 30 June 2018 was 58.6% (31 December 2017: 56.1%). This ratio is based on bank borrowings less cash and cash equivalents divided by total equity. The gearing level of the Group remained relatively stable during the review period. Total equity increased as a result of profit growth while bank borrowings also increased because of business expansion.

During the period under review, trade and bills receivables of the Group increased by HK$473.9 million, primarily due to: (i) a delay in the collection of subsidy payment (tariff adjustment receivables) for its solar farms; and (ii) increased sales in the solar glass segment. As at 30 June 2018, trade and bills receivables amounted to HK$4,640.5 million, comprising receivables of HK$1,698.5 million, HK$2,468.1 million and HK$473.8 million in the solar glass, solar farm and EPC services segment respectively.

## Capital Expenditures and Commitments

The Group incurred capital expenditures of HK$1,390.4 million for the six months ended 30 June 2018 which was primarily used in the development of the solar farm projects in China as well as the expansion and upgrade of solar glass production capacities. Capital commitments contracted for but not incurred by the Group as at 30 June 2018 amounted to HK$837.2 million, which were mainly related to the development and construction of the solar farm projects in China and payments for the new solar glass production facilities.

## Pledge of Assets

No assets of the Group were pledged as security for bank borrowings as of 30 June 2018.

## Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

## Material Acquisitions and Disposal of Subsidiaries

There was no material acquisition and disposal of subsidiaries and associated companies during the six months ended 30 June 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 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 will be exposed to significant exchange rate 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.

In 2018, the exchange rate of RMB against HKD showed some rebounds in the first few months but dropped again May and June. Because of this, the Group reported non-cash translation losses of HK$223.6 million during the period under review, turning its consolidated exchange reserve account from a credit balance of HK$95.1 million at 31 December 2017 to a debit balance of HK$128.5 million at 30 June 2018. For the Group's solar farm business, the revenue from solar power electricity generation is denominated in RMB while the bank borrowings are denominated in HKD, 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 30 June 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. The Group may use financial instruments for hedging purposes as and when required. During the six months ended 30 June 2018, the Group did not use any financial instrument for hedging purpose.

## Employees and Remuneration Policy

As at 30 June 2018, the Group had about 3,409 full-time employees of whom 2,863 were based in Mainland China and 546 were based in Malaysia, Hong Kong, and other countries. The total staff costs, including the emoluments of the Directors, amounted to HK$165.3 million for the six months ended 30 June 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.

# Condensed Consolidated Income Statement

| | Note | Six months ended 30 June 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| **Revenue** | 3 | **4,177,429** | 5,309,673 |
| Cost of sales | 7 | **(2,399,282)** | (3,507,758) |
| **Gross profit** | | **1,778,147** | 1,801,915 |
| Other income | 4 | **89,162** | 58,860 |
| Other losses, net | 5 | **(25,567)** | (161) |
| Selling and marketing expenses | 7 | **(128,711)** | (99,318) |
| Administrative and other operating expenses | 7 | **(187,840)** | (188,985) |
| **Operating profit** | | **1,525,191** | 1,572,311 |
| Finance income | 6 | **4,320** | 1,759 |
| Finance costs | 6 | **(115,439)** | (82,694) |
| Share of profits of a joint venture | 13 | **20,092** | 19,360 |
| Share of losses of associates | | **(117)** | (127) |
| **Profit before income tax** | | **1,434,047** | 1,510,609 |
| Income tax expense | 8 | **(125,348)** | (153,289) |
| **Profit for the period** | | **1,308,699** | 1,357,320 |
| **Profit for the period attributable to:** | | | |
| – the equity holders of the Company | | **1,213,953** | 1,254,909 |
| – non-controlling interests | | **94,746** | 102,411 |
| | | **1,308,699** | 1,357,320 |
| **Earnings per share attributable to the equity holders of the Company** (Expressed in HK cents per share) | | | |
| **– Basic** | 9 | **16.35** | 18.25 |
| **– Diluted** | 9 | **16.34** | 18.23 |

Details of interim dividends for the period are disclosed in note 10.

# Condensed Consolidated Statement of Comprehensive Income

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Profit for the period | **1,308,699** | 1,357,320 |
| **Other comprehensive income, net of tax:** | | |
| Items that may be reclassified to profit or loss | | |
| Currency translation differences | **(246,214)** | 490,005 |
| Share of other comprehensive income of a joint venture accounted for under equity method | | |
| – Share of currency translation differences | **(5,729)** | 7,621 |
| **Total comprehensive income for the period** | **1,056,756** | 1,854,946 |
| **Total comprehensive income for the period attributable to:** | | |
| – the equity holders of the Company | **990,329** | 1,687,278 |
| – non-controlling interests | **66,427** | 167,668 |
| | **1,056,756** | 1,854,946 |

# Condensed Consolidated Balance Sheet

| | Note | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Restated*) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Land use rights | 11 | **336,111** | 343,721 |
| Property, plant and equipment | 12 | **14,908,401** | 14,240,034 |
| Prepayments for property, plant and equipment, land use rights and operating leases | 16 | **448,837** | 260,965 |
| Interests in a joint venture | 13 | **402,205** | 387,842 |
| Investments in associates | | **65,202** | 65,319 |
| Deferred income tax assets | | **198** | 837 |
| Goodwill | | **2,001** | 2,001 |
| **Total non-current assets** | | **16,162,955** | 15,300,719 |
| **Current assets** | | | |
| Inventories | | **625,519** | 373,942 |
| Contract assets | 14 | **47,032** | 28,000 |
| Trade and bills receivables | 15 | **4,640,490** | 4,166,578 |
| Prepayments, deposits and other receivables | 16 | **1,470,410** | 1,517,433 |
| Cash and cash equivalents | | **1,306,617** | 1,380,587 |
| **Total current assets** | | **8,090,068** | 7,466,540 |
| **Total assets** | | **24,253,023** | 22,767,259 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the equity holders of the Company** | | | |
| Share capital | 18 | **742,727** | 742,396 |
| Other reserves | | **2,857,319** | 3,591,132 |
| Retained earnings | | **7,001,552** | 5,787,599 |
| | | **10,601,598** | 10,121,127 |
| Non-controlling interests | | **1,625,656** | 1,559,229 |
| **Total equity** | | **12,227,254** | 11,680,356 |

* See note 2(a) for details regarding the restatement as a result of changes in accounting policy.

# Condensed Consolidated Balance Sheet

| | Note | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Restated*) |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Bank borrowings | 20 | **4,189,280** | 4,787,428 |
| Other payables | 17 | **65,807** | 58,647 |
| Deferred income tax liabilities | | **4,718** | — |
| **Total non-current liabilities** | | **4,259,805** | 4,846,075 |
| **Current liabilities** | | | |
| Bank borrowings | 20 | **4,280,175** | 3,145,260 |
| Trade and other payables | 17 | **2,750,072** | 2,895,953 |
| Contract liabilities | 14 | **36,759** | 44,986 |
| Amounts due to related companies | 22(b) | **77,402** | 53,778 |
| Amount due to a joint venture | 22(b) | **18,146** | 13,036 |
| Amount due to an associate | 22(b) | **60** | — |
| Dividend payable | | **519,898** | — |
| Current income tax liabilities | | **83,452** | 87,815 |
| **Total current liabilities** | | **7,765,964** | 6,240,828 |
| **Total liabilities** | | **12,025,769** | 11,086,903 |
| **Total equity and liabilities** | | **24,253,023** | 22,767,259 |

* See note 2(a) for details regarding the restatement as a result of changes in accounting policy.

# Condensed Consolidated Statement of Changes in Equity

| | Attributable to equity holders of the Company (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Other reserves HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Balance at 1 January 2018 | 742,396 | 2,509,611 | 1,081,521 | 5,787,599 | 10,121,127 | 1,559,229 | 11,680,356 |
| **Comprehensive income** | | | | | | | |
| Profit for the period | — | — | — | 1,213,953 | 1,213,953 | 94,746 | 1,308,699 |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences | — | — | (217,895) | — | (217,895) | (28,319) | (246,214) |
| Share of other comprehensive income of a joint venture accounted for using the equity method | — | — | (5,729) | — | (5,729) | — | (5,729) |
| **Total comprehensive income for the period** | — | — | (223,624) | 1,213,953 | 990,329 | 66,427 | 1,056,756 |
| **Transactions with owners** | | | | | | | |
| Employees' share option scheme | | | | | | | |
| – exercise of employees' share options | 331 | 9,743 | (2,317) | — | 7,757 | — | 7,757 |
| – value of employee services | — | — | 2,283 | — | 2,283 | — | 2,283 |
| Dividend relating to 2017 | — | (519,898) | — | — | (519,898) | — | (519,898) |
| **Balance at 30 June 2018** | 742,727 | 1,999,456 | 857,863 | 7,001,552 | 10,601,598 | 1,625,656 | 12,227,254 |

# Condensed Consolidated Statement of Changes in Equity

| | Attributable to equity holders of the Company (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Other reserves HK$'000 | Retained earnings HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total equity HK$'000 |
| Balance at 1 January 2017 | 674,880 | 2,108,790 | (273,056) | 3,705,011 | 6,215,625 | 1,212,163 | 7,427,788 |
| **Comprehensive income** | | | | | | | |
| Profit for the period | — | — | — | 1,254,909 | 1,254,909 | 102,411 | 1,357,320 |
| **Other comprehensive income** | | | | | | | |
| Currency translation differences | — | — | 424,748 | — | 424,748 | 65,257 | 490,005 |
| Share of other comprehensive income of a joint venture accounted for using the equity method | — | — | 7,621 | — | 7,621 | — | 7,621 |
| **Total comprehensive income for the period** | — | — | 432,369 | 1,254,909 | 1,687,278 | 167,668 | 1,854,946 |
| **Transactions with owners** | | | | | | | |
| Issuance of shares, net of transaction costs | 67,488 | 1,439,347 | — | — | 1,506,835 | — | 1,506,835 |
| Acquisition of a subsidiary | — | — | — | — | — | 5,021 | 5,021 |
| Employees' share option scheme | | | | | | | |
| – value of employee services | — | — | 1,418 | — | 1,418 | — | 1,418 |
| – release of share option reserve upon exercise and lapse of share options | — | — | (62) | 62 | — | — | — |
| Dividend relating to 2016 | — | (445,421) | — | — | (445,421) | — | (445,421) |
| **Balance at 30 June 2017** | 742,368 | 3,102,716 | 160,669 | 4,959,982 | 8,965,735 | 1,384,852 | 10,350,587 |

# Condensed Consolidated Statements of Cash Flows

| | Six months ended 30 June | |
|---|---|---|
| | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| **Cash flows from operating activities** | | |
| Operating cash flow before working capital changes | 1,861,159 | 1,614,339 |
| Changes in working capital: | | |
| Inventories | (234,479) | (224,416) |
| Trade and other receivables | (426,890) | (2,459,742) |
| Trade payables, accruals and other payables | (180,981) | 1,063,962 |
| Others | (224,271) | 205,826 |
| **Cash flows from operating activities - net** | 794,538 | 199,969 |
| **Cash flows from investing activities** | | |
| Purchases of and prepayments of land use rights and operating leases | (115,933) | (4,115) |
| Purchases of and prepayments for purchase of property, plant and equipment | (1,274,508) | (985,964) |
| Acquisition of a subsidiary, net of cash acquired | — | 586 |
| Proceeds from disposal of property, plant and equipment | — | 336 |
| Other investing cash flow – net | 4,320 | 1,759 |
| **Cash flows from investing activities - net** | (1,386,121) | (987,398) |
| **Cash flows from financing activities** | | |
| Net proceeds from rights issues | — | 1,506,835 |
| Proceeds from issuance of shares under employees' share option scheme | 7,757 | — |
| Proceeds from bank borrowings | 1,896,376 | 1,999,675 |
| Repayment of bank borrowings | (1,377,090) | (1,123,937) |
| **Cash flows from financing activities - net** | 527,043 | 2,382,573 |
| **Net (decrease)/increase in cash and cash equivalents** | (64,540) | 1,595,144 |
| Cash and cash equivalents at beginning of the period | 1,380,587 | 843,332 |
| Effect of foreign exchange rate changes | (9,430) | 11,195 |
| **Cash and cash equivalents at end of the period** | 1,306,617 | 2,449,671 |

## 1 GENERAL INFORMATION

Xinyi Solar Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") are principally engaged in the production and sale of solar glass products through the production complexes located in the People's Republic of China (the "**PRC**") and Malaysia. In addition, the Group is also engaged in the development and operation of solar farms as well as the engineering, procurement and construction ("**EPC**") services in the PRC.

This unaudited condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK$'000), unless otherwise stated. This unaudited condensed consolidated interim financial information was approved for issue by the Board of Directors on 30 July 2018.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and Hong Kong Accounting Standards ("**HKAS**") 34, 'Interim financial reporting' issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the adoption of the below new HKFRSs and amendments to HKFRSs that are first effective for the financial year ending 31 December 2018.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (a) New HKFRSs and amendments to HKFRSs adopted by the Group

(i) HKFRS 15, "Revenue from contracts with customers" ("**HKFRS 15**")

HKFRS 15 replaces HKAS 18 "Revenue" ("**HKAS 18**"), which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction contracts" ("**HKAS 11**") which specified the accounting for construction contracts. Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time.

HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time.

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (a) New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)

(i) HKFRS 15, "Revenue from contracts with customers" ("**HKFRS 15**") (Continued)

If the contract terms and the entity's activities do not fall into any of these three situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact the Group's results and financial position for the current or prior periods except the presentation of contract assets and contract liabilities. To follow the terminology used under HKFRS 15, the Group has made the following adjustments at 1 January 2018:

1) "Amounts due from customers for construction work" in relation to EPC services has been reclassified as "Contract assets"; and

2) "Receipt in advance from customers" in relation to deposits or payments received in advance for sales of goods not yet delivered to customers, which was previously included in "Trade and other payables" has been reclassified as "Contract liabilities".

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (a) New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)

(i) HKFRS 15, "Revenue from contracts with customers" ("**HKFRS 15**") (Continued)

The impact on the Group's financial position by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that was previously in effect before the adoption of HKFRS 15 is as follows:

| | As at 31 December 2017 | | |
|---|---|---|---|
| **Consolidated balance sheet (extract)** | **As previously stated** | **Effects of the adoption of HKFRS 15** | **Restated** |
| | HK$'000 | HK$'000 | HK$'000 |
| 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 |

*Sales of solar glass*

Revenue from sales of solar glass is recognised when i) control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products; and ii) collectability of the related receivables is reasonably assured. No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on previous experience.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (a) New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)

(i) HKFRS 15, "Revenue from contracts with customers" ("**HKFRS 15**") (Continued)

*Sales of electricity*

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

*Tariff adjustment*

Tariff adjustment represents subsidy received and receivable from the sale of electricity to the customer pursuant to the government policy on subsidies of solar energy in respect of solar power electricity generation. Tariff adjustment is recognised at its fair value when there is a reasonable assurance that additional tariff will be received and the Group will comply with all attached conditions, if any.

*Revenue from EPC services*

Revenue from EPC services is recognised over time in accordance with the input method (i.e. the entity's efforts/inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation) when a group entity's performance creates and enhances an asset or work in progress that the customer controls as the asset is created or enhanced and the group entity has an enforceable right to payment from the customer for performance completed to date.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (a) New HKFRSs and amendments to HKFRSs adopted by the Group (Continued)

(ii) The following amendments to standards and interpretations are effective for accounting periods beginning on or after 1 January 2018. The adoption of which does not have a material impact on the Group.

| | |
|---|---|
| Annual Improvements Project HKFRS 1 and HKAS 28 | Annual improvements 2014-2016 cycle |
| HKFRS 2 (Amendments) | Classification and measurement of share-based payment transactions |
| HKFRS 4 (Amendments) | Applying HKFRS 9 financial instruments with HKFRS4 insurance contracts |
| HKFRS 9 (Amendments) | Financial instruments |
| HKAS 40 (Amendments) | Transfers of investment property |
| HK (IFRIC) 22 | Foreign currency transactions and advance consideration |

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (b) New standards, amendments to standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2018 and not early adopted by the Group

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKFRS 9 | Prepayment features with negative compensation | 1 January 2019 |
| 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 |

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

### (c) Impact of standards issued but not yet applied by the Group

HKFRS 16 "Leases" ("**HKFRS 16**")

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 30 June 2018, the Group had non-cancellable operating lease commitments of HK$1,166,270,000. 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 on the impact of other new standards, amendments to standards and interpretations and considered on a preliminary basis that their application will have no significant impact on the financial performance and the financial position of the Group.

## 3 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Sales of solar glass | **3,107,062** | 2,447,297 |
| Solar farm business | | |
| – Sales of electricity | **375,434** | 270,585 |
| – Tariff adjustment | **570,400** | 463,895 |
| | **945,834** | 734,480 |
| Construction contracts revenue - EPC services | **124,533** | 2,127,896 |
| Total revenue | **4,177,429** | 5,309,673 |

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 six months ended 30 June 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) 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.

## 3 REVENUE AND SEGMENT INFORMATION (Continued)

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 interim consolidated income statement.

The following table presents revenue, profit and other information regarding the Group's operating segments for the six months ended 30 June 2018 and 2017 respectively.

| | Six months ended 30 June 2018 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Sales of solar glass HK$'000 | Solar farm business HK$'000 | EPC services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
| Revenue from contract with customers | | | | | |
| Recognised at a point in time | 3,107,062 | 945,834 | — | — | 4,052,896 |
| Recognised over time | — | — | 124,533 | — | 124,533 |
| | 3,107,062 | 945,834 | 124,533 | — | 4,177,429 |
| Inter-segment revenue | — | — | — | — | — |
| Revenue from external customers | 3,107,062 | 945,834 | 124,533 | — | 4,177,429 |
| Cost of sales | (2,069,800) | (237,315) | (92,167) | — | (2,399,282) |
| Gross profit | 1,037,262 | 708,519 | 32,366 | — | 1,778,147 |
| Depreciation charge of property, plant and equipment | 125,769 | 203,730 | 195 | — | 329,694 |
| Amortisation charge of land use rights | 3,896 | — | — | — | 3,896 |
| Additions to non-current assets (other than deferred income tax assets) | 481,811 | 897,965 | 3,255 | 20,092 | 1,403,123 |

## 3 REVENUE AND SEGMENT INFORMATION (Continued)

| | Six months ended 30 June 2017 (Unaudited) | | | | |
|---|---|---|---|---|---|
| | Sales of solar glass HK$'000 | Solar farm business HK$'000 | EPC services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
| Revenue from contract with customers | | | | | |
| Recognised at a point in time | 2,447,506 | 734,480 | — | — | 3,181,986 |
| Recognised over time | — | — | 2,127,896 | — | 2,127,896 |
| | 2,447,506 | 734,480 | 2,127,896 | — | 5,309,882 |
| Inter-segment revenue | (209) | — | — | — | (209) |
| Revenue from external customers | 2,447,297 | 734,480 | 2,127,896 | — | 5,309,673 |
| Cost of sales | (1,748,414) | (170,892) | (1,588,452) | — | (3,507,758) |
| Gross profit | 698,883 | 563,588 | 539,444 | — | 1,801,915 |
| Depreciation charge of property, plant and equipment | 85,753 | 147,890 | 243 | — | 233,886 |
| Amortisation charge of land use rights | 3,581 | — | — | — | 3,581 |
| Additions to non-current assets (other than deferred income tax assets) | 337,021 | 884,465 | 1,470 | 32,753 | 1,255,709 |

## 3 REVENUE AND SEGMENT INFORMATION (Continued)

Reportable segment assets/(liabilities) are as follows:

| | Segment assets and liabilities | | | | |
|---|---|---|---|---|---|
| | Solar glass HK$'000 | Solar farm business HK$'000 | EPC services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
| **At 30 June 2018 (Unaudited)** | | | | | |
| Total assets | **8,101,856** | **15,037,799** | **631,118** | **482,250** | **24,253,023** |
| Total liabilities | **1,485,509** | **5,094,949** | **452,611** | **4,992,700** | **12,025,769** |
| **At 31 December 2017 (Audited)** | | | | | |
| 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 as at | | Liabilities as at | |
|---|---|---|---|---|
| | **30 June 2018 HK$'000 (Unaudited)** | 31 December 2017 HK$'000 (Audited) | **30 June 2018 HK$'000 (Unaudited)** | 31 December 2017 HK$'000 (Audited) |
| Segment assets/(liabilities) | **23,770,773** | 22,295,365 | **(7,033,069)** | (6,755,416) |
| Unallocated: | | | | |
| Property, plant and equipment | **428** | 450 | **—** | — |
| Investment in a joint venture | **402,205** | 387,842 | **—** | — |
| Investments in associates | **65,202** | 65,319 | **—** | — |
| Prepayments, deposits and other receivables | **13,825** | 13,978 | **—** | — |
| Cash and cash equivalents | **590** | 4,305 | **—** | — |
| Dividend payable | **—** | — | **(519,898)** | — |
| Other payables | **—** | — | **(1,820)** | (1,319) |
| Bank borrowings | **—** | — | **(4,470,982)** | (4,330,168) |
| Total assets/(liabilities) | **24,253,023** | 22,767,259 | **(12,025,769)** | (11,086,903) |

## 3 REVENUE AND SEGMENT INFORMATION (Continued)

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Segment gross profit | **1,778,147** | 1,801,915 |
| Unallocated: | | |
| Other income | **89,162** | 58,860 |
| Other losses, net | **(25,567)** | (161) |
| Selling and marketing expenses | **(128,711)** | (99,318) |
| Administrative and other operating expenses | **(187,840)** | (188,985) |
| Finance income | **4,320** | 1,759 |
| Finance costs | **(115,439)** | (82,694) |
| Share of profits of a joint venture | **20,092** | 19,360 |
| Share of losses of associates | **(117)** | (127) |
| Profit before income tax | **1,434,047** | 1,510,609 |

## 3 REVENUE AND SEGMENT INFORMATION (Continued)

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:

| | Six months ended 30 June | |
|---|---|---|
| | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Revenue from sales of solar glass | | |
| The PRC | 2,234,862 | 2,090,424 |
| Other countries | 872,200 | 356,873 |
| | 3,107,062 | 2,447,297 |
| Revenue from solar farm business in the PRC | | |
| Sales of electricity | 375,434 | 270,585 |
| Tariff adjustment | 570,400 | 463,895 |
| | 945,834 | 734,480 |
| EPC service income | | |
| The PRC | 15,459 | 2,071,145 |
| Other countries | 109,074 | 56,751 |
| | 124,533 | 2,127,896 |
| Total revenue | 4,177,429 | 5,309,673 |

## 3 REVENUE AND SEGMENT INFORMATION (Continued)

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:

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| Non-current assets other than deferred income tax assets | | |
| – The PRC | 15,212,270 | 14,562,444 |
| – Other countries | 950,487 | 737,438 |
| | 16,162,757 | 15,299,882 |

## 4 OTHER INCOME

| | Six months ended 30 June | |
|---|---|---|
| | 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
| Rental income | 2,017 | 638 |
| Government grants (Note (a)) | 66,297 | 45,216 |
| Others (Note (b)) | 20,848 | 13,006 |
| | 89,162 | 58,860 |

*Note:*

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

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

## 5 OTHER LOSSES, NET

| | Six months ended 30 June | |
|---|---|---|
| | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Foreign exchange (losses)/gains, net | (25,473) | 97 |
| Loss on disposal of property, plant and equipment | (94) | (258) |
| | (25,567) | (161) |

## 6 FINANCE INCOME AND FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Finance income | | |
| Interest income on bank deposits | 4,320 | 1,759 |
| Finance costs | | |
| Interest on bank borrowings | 128,639 | 101,720 |
| Less: Amounts capitalised on qualifying assets | (13,200) | (19,026) |
| | 115,439 | 82,694 |

## 7 EXPENSES BY NATURE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Depreciation charge of property, plant and equipment | **329,694** | 233,886 |
| Amortisation charge of land use rights | **3,896** | 3,581 |
| Employee benefit expenses (including directors' emoluments) | **165,258** | 149,502 |
| Cost of inventories sold | **1,845,469** | 1,571,463 |
| Construction contracts costs | **92,167** | 1,588,452 |
| Impairment of trade receivables | **—** | 1,104 |
| Operating lease payments in respect of land and buildings | **25,446** | 18,208 |
| Transportation costs and other selling expenses | **111,247** | 89,667 |
| Research and development expenditures | **85,579** | 89,758 |
| Other expenses | **57,077** | 50,440 |
| | **2,715,833** | 3,796,061 |

## 8 INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Current income tax | | |
| Hong Kong profits tax (Note (a)) | **2,790** | 42 |
| PRC corporate income tax ("**CIT**") (Note (b)) | **117,196** | 153,887 |
| Malaysia corporate income tax (Note (c)) | **71** | — |
| | **120,057** | 153,929 |
| Deferred income tax | **5,291** | (640) |
| Income tax expense | **125,348** | 153,289 |

*Notes:*

(a) Hong Kong profits tax has been provided at the rate of 8.25% on assessable profits up to HK$2,000,000 and 16.5% on any part of assessable profits over HK$2,000,000 for the period (2017: 16.5% on all assessable profits).

(b) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the period, 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% (2017: 15%) for the period as it enjoyed high-tech enterprise income tax benefit. Profits derived by the Group's solar farm companies in relation to electricity generation 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. Income unrelated to electricity generation is subject to statutory income tax rate of 25%.

(c) Xinyi Solar (Malaysia) Sdn Bhd, a subsidiary established in Malaysia, has been granted in principle income tax exemption equivalent to 100% capital allowance incurred on qualifying capital expenditure for the manufacture of photovoltaic glass. Malaysia statutory income tax has been provided at the rate of 24% on the other chargeable income, mainly interest income, for the period.

## 9 EARNINGS PER SHARE

### (a) Basic

The 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 period.

| | Six months ended 30 June | |
|---|---|---|
| | **2018** **(Unaudited)** | 2017 (Unaudited) |
| Profit attributable to equity holders of the Company (HK$'000) | **1,213,953** | 1,254,909 |
| Weighted average number of ordinary shares in issue (thousands) | **7,425,810** | 6,874,755 |
| Basic earnings per share (HK cents) | **16.35** | 18.25 |

### (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.

## 9 EARNINGS PER SHARE (Continued)

### (b) Diluted (Continued)

| | Six months ended 30 June | |
|---|---|---|
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| Profit attributable to equity holders of the Company (HK$'000) | 1,213,953 | 1,254,909 |
| Weighted average number of ordinary shares in issue (thousands) | 7,425,810 | 6,874,755 |
| Adjustments for share options (thousands) | 2,134 | 10,663 |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | 7,427,944 | 6,885,418 |
| Diluted earnings per share (HK cents) | 16.34 | 18.23 |

## 10 DIVIDENDS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Final dividend for 2017 of 7.0 HK cents (2016: 6.0 HK cents) per share | **519,898** | 445,421 |
| Proposed interim dividend of 8.0 HK cents (2017: 8.0 HK cents) per share | **594,182** | 593,894 |

At a meeting of the Board held on 30 July 2018, the Directors resolved to declare an interim dividend of 8.0 HK cents per share for the six months ended 30 June 2018. This interim dividend, amounting to HK$594,182,000 (2017: HK$593,894,000), is based on 7,427,269,715 issued shares as at 30 June 2018 and has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year ending 31 December 2018.

Shareholders will be given an option to receive the 2018 interim 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 granting the listing of and permission to deal in the shares to be allotted and issued under the Scrip Dividend Scheme. Details of the Scrip Dividend Scheme can be referred to the Company's announcement dated 22 August 2018.

## 11 LAND USE RIGHTS

| | Six months ended 30 June |
|---|---|
| | **2018** |
| | **HK$'000** |
| | **(Unaudited)** |
| Opening net book amount at 1 January | **343,721** |
| Amortisation | **(3,896)** |
| Currency translation differences | **(3,714)** |
| **Closing net book amount at 30 June** | **336,111** |

## 12 PROPERTY, PLANT AND EQUIPMENT

| | Six months ended 30 June 2018 (Unaudited) | | | | | | |
|---|---|---|---|---|---|---|---|
| | Freehold Land HK$'000 | Buildings HK$'000 | Plant and machinery HK$'000 | Solar Farms HK$'000 | Office equipment HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
| Opening net book amount at 1 January | 64,056 | 985,944 | 3,103,917 | 9,731,708 | 5,940 | 348,469 | 14,240,034 |
| Additions | — | 28 | 17,172 | 2,958 | 599 | 1,174,403 | 1,195,160 |
| Transfer | — | 4,448 | 245,776 | 660,516 | — | (910,740) | — |
| Disposals | — | — | (5,334) | — | — | — | (5,334) |
| Depreciation | — | (16,652) | (129,008) | (200,652) | (479) | — | (346,791) |
| Currency translation differences | 633 | (6,635) | (30,129) | (126,069) | (98) | (12,370) | (174,668) |
| Closing net book amount at 30 June | 64,689 | 967,133 | 3,202,394 | 10,068,461 | 5,962 | 599,762 | 14,908,401 |

## 13 INTERESTS IN A JOINT VENTURE

| | Six months ended 30 June 2018 HK$'000 (Unaudited) |
|---|---|
| At 1 January | 387,842 |
| Share of profits | 20,092 |
| Currency translation differences | (5,729) |
| At 30 June | 402,205 |

## 14 CONTRACT ASSETS AND CONTRACT LIABILITIES

Details of contract assets and contract liabilities are as follows:

| | As at 30 June 2018 | | As at 31 December 2017 | |
|---|---|---|---|---|
| | Contract assets HK$'000 (Unaudited) | Contract liabilities HK$'000 (Unaudited) | Contract assets HK$'000 (Restated) | Contract liabilities HK$'000 (Restated) |
| Contract assets related to EPC services (Note (a)) | 47,032 | — | 28,000 | — |
| Receipt in advance from customers (Note (b)) | — | 36,759 | — | 44,986 |
| **Total** | 47,032 | 36,759 | 28,000 | 44,986 |

*Note:*

a) The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. During the six months ended 30 June 2018, contract assets of HK$11,455,000 were transferred to trade receivables.

b) The contract liabilities primarily relate to the deposits or payments received in advance for sales of goods not yet delivered to customers. Revenue is recognised when goods are delivered to customers. Revenue recognised in the six months ended 30 June 2018 that was included in the contract liability balance at 31 December 2017 amounted to HK$32,324,000.

## 15 TRADE AND BILLS RECEIVABLES

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Trade receivables | **4,159,027** | 3,493,848 |
| Bills receivables | **481,463** | 672,730 |
| | **4,640,490** | 4,166,578 |
| Less: Provision for impairment of trade receivables | **—** | — |
| Trade and bills receivables, net | **4,640,490** | 4,166,578 |

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

| | Solar glass HK$'000 | Solar farm business HK$'000 | EPC services HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **At 30 June 2018 (Unaudited)** | | | | |
| Sales of solar glass | **1,698,547** | **—** | **—** | **1,698,547** |
| Sales of electricity | **—** | **129,056** | **—** | **129,056** |
| Tariff adjustment | **—** | **2,339,065** | **—** | **2,339,065** |
| EPC service revenue | **—** | **—** | **473,822** | **473,822** |
| **Total** | **1,698,547** | **2,468,121** | **473,822** | **4,640,490** |
| At 31 December 2017 (Audited) | | | | |
| 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 |

## 15 TRADE AND BILLS RECEIVABLES (Continued)

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

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| 0 - 90 days | **1,622,137** | 1,836,132 |
| 91 - 180 days | **541,117** | 442,932 |
| 181 - 365 days | **799,147** | 567,115 |
| 1 - 2 years | **911,460** | 616,683 |
| Over 2 years | **285,166** | 30,986 |
| | **4,159,027** | 3,493,848 |

The maturity of the bills receivables is within 6 months.

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

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 (2017: Nil). The Group has two solar farm projects with aggregate capacity of 250MW and eight solar farm projects with aggregate capacity of 724MW, successfully enlisted on the sixth and seventh batches respectively of the "Renewable Energy Tariff Subsidy Catalogue". Given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable; and therefore no provision for impairment of trade receivables was recognised as at 30 June 2018 (2017: Nil). As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets.

## 15 TRADE AND BILLS RECEIVABLES (Continued)

For the EPC services, receivables are normally settled within one year 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 impairment allowance is necessary.

## 16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| Prepayments | 666,368 | 564,723 |
| Deposits and other receivables | 249,817 | 169,434 |
| Other tax receivables (Note) | 1,003,062 | 1,044,241 |
| | 1,919,247 | 1,778,398 |
| Less: Non-current portion of prepayments for property, plant and equipment, land use rights and operating leases | (448,837) | (260,965) |
| Current portion | 1,470,410 | 1,517,433 |

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

## 17 TRADE AND OTHER PAYABLES

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| Trade payables | 549,216 | 702,191 |
| Retention payables for EPC services | 4,813 | 5,385 |
| Bills payable | 409,882 | 180,467 |
| Trade, retention and bills payables | 963,911 | 888,043 |
| Accruals and other payables | 1,851,968 | 2,066,557 |
| | 2,815,879 | 2,954,600 |
| Less: Non-current portion: | | |
| Retention payables for construction of solar farms | (65,807) | (58,647) |
| Current portion | 2,750,072 | 2,895,953 |

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

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| 0 - 90 days | 224,572 | 302,681 |
| 91 - 180 days | 58,781 | 216,703 |
| 181 - 365 days | 235,486 | 95,885 |
| Over 1 year | 35,190 | 92,307 |
| | 554,029 | 707,576 |

The maturity of the bills payables is within 6 months.

## 18 SHARE CAPITAL AND SHARE PREMIUM

| | Number of ordinary shares (thousands) | Ordinary shares of HK$ 0.1 each HK$'000 | Share premium HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Authorised:** | | | | |
| At 31 December 2017 and 30 June 2018 | 80,000,000 | 8,000,000 | — | 8,000,000 |
| **Issued:** | | | | |
| At 1 January 2018 | 7,423,957 | 742,396 | 2,509,611 | 3,252,007 |
| Issuance of shares under employee's share option scheme | 3,313 | 331 | 9,743 | 10,074 |
| Dividend relating to 2017 | — | — | (519,898) | (519,898) |
| **At 30 June 2018** | **7,427,270** | **742,727** | **1,999,456** | **2,742,183** |

## 19 SHARE OPTIONS

Pursuant to the share option scheme adopted by the shareholders of the Company at 6 June 2014, the Company granted 7,805,000 share options in March 2018 to eligible persons.

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

| | For the six months ended 30 June | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| | Average exercise price in HK dollars per share | Options (thousands) | Average exercise price in HK dollars per share | Options (thousands) |
| At 1 January 2018 | 2.61 | 20,266 | 2.69 | 14,518 |
| Granted (Note (a)) | 3.18 | 7,805 | 2.50 | 7,381 |
| Adjustment on rights issue | | — | | 146 |
| Exercised | 2.35 | (3,313) | | — |
| Forfeited | 2.66 | (493) | 2.64 | (773) |
| **At 30 June 2018** (Note (b)) | 2.83 | 24,265 | 2.61 | 21,272 |

## 19 SHARE OPTIONS (Continued)

*Note:*

(a) In March 2018, a total of 7,805,000 share options were granted to a director of the Company and employees of the Group. 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.

The fair value of the options was determined using the Black-Scholes valuation model, which was performed by an independent professional valuer and were HK$0.70 per option. The significant inputs into the model are as follows:

| | |
|---|---|
| Weighted average share price, at the grant date (HK$) | 3.17 |
| Exercise price (HK$) | 3.18 |
| Volatility (%) | 42.58 |
| Dividend yield (%) | 5.37 |
| Expected share option life (years) | 3.5 |
| Annual risk-free interest rate (%) | 1.64 |

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the previous year.

(b) Details of the share options outstanding at 30 June 2018 and 31 December 2017 are as follows:

| | At 30 June 2018 (Unaudited) | | At 31 December 2017 (Audited) | |
|---|---|---|---|---|
| Expiry date | Exercise price in HK dollars per share | Options (thousands) | Exercise price in HK dollars per share | Options (thousands) |
| 23 July 2018 | 2.27 | 364 | 2.27 | 3,269 |
| 31 March 2019 | 2.84 | 4,032 | 2.84 | 4,574 |
| 31 March 2020 | 2.78 | 5,609 | 2.78 | 5,753 |
| 31 March 2021 | 2.48 | 6,455 | 2.48 | 6,670 |
| 31 March 2022 | 3.18 | 7,805 | — | — |
| | | 24,265 | | 20,266 |

## 20 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| Within 1 year | **4,280,175** | 3,145,260 |
| Between 1 and 2 years | **2,823,956** | 3,593,298 |
| Between 2 and 5 years | **1,365,324** | 1,194,130 |
| | **8,469,455** | 7,932,688 |
| Less: Non-current portion | **(4,189,280)** | (4,787,428) |
| Current portion | **4,280,175** | 3,145,260 |

As at 30 June 2018, all bank borrowings bore floating interest rates. These bank borrowings are repayable by installments up to 2021. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 30 June 2018. The effective interest rates at reporting date were as follows:

| | As at | |
|---|---|---|
| | 30 June 2018 (Unaudited) | 31 December 2017 (Audited) |
| Bank borrowings | **3.70%** | 2.92% |

The bank borrowings were secured by corporate guarantee provided by the Company and its subsidiaries.

## 21 COMMITMENTS

### (a) Operating Lease Commitments

As at 30 June 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| Not later than one year | 44,112 | 46,286 |
| Later than 1 year and not later than 5 years | 163,992 | 160,312 |
| More than 5 years | 958,166 | 967,943 |
| | 1,166,270 | 1,174,541 |

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings with lease terms as follows:

| | As at | |
|---|---|---|
| | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
| Not later than one year | 1,932 | 2,167 |
| Later than 1 year and not later than 5 years | 1,382 | 1,989 |
| | 3,314 | 4,156 |

### (b) Capital Commitments

Capital expenditures of HK$837,177,000 and HK$498,391,000 was contracted for at 30 June 2018 and 31 December 2017 respectively but not yet incurred.

## 22 RELATED PARTY TRANSACTIONS

### (a) Significant Related Party Transactions

Material related party transactions during the period are as follows:

| | | Six months ended 30 June | |
|---|---|---|---|
| | *Note* | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Rental expenses paid to: | | | |
| – Xinyi EnergySmart (Wuhu) Company Limited* | i, vi | 965 | 498 |
| – Xinyi Glass (Tianjin) Company Limited* | i,vi | 2,540 | 2,103 |
| – Cheer Wise Investments Limited* | v | 30 | — |
| | | 3,535 | 2,601 |
| Rental income received from: | | | |
| – Xinyi EnergySmart (Wuhu) Company Limited* | i, vi | 568 | 498 |
| Purchases of glass products from: | ii, vi | | |
| – Xinyi EnergySmart (Wuhu) Company Limited* | | 75,687 | 41,537 |
| – Xinyi Automobile Parts (Wuhu) Company Limited* | | 5 | 496 |
| – Xinyi Electronic Glass (Wuhu) Company Limited* | | 5,754 | 1,773 |
| – Xinyi Glass (Tianjin) Company Limited* | | 37,068 | — |
| – Xinyi Automobile Glass (Shenzhen) Company Limited* | | — | 1,925 |
| | | 118,514 | 45,731 |

## 22 RELATED PARTY TRANSACTIONS (Continued)

### (a) Significant Related Party Transactions (Continued)

| | | Six months ended 30 June | |
|---|---|---|---|
| | Note | 2018<br>HK$'000<br>(Unaudited) | 2017<br>HK$'000<br>(Unaudited) |
| Purchases of machinery from: | | | |
| – Wuhu Jinsanshi Numerical Control Technology Company Limited* | iii, vi | 35,760 | 24,956 |
| – Anhui Xinyi Power Source Company Limited | v | 178 | — |
| – Xinyi Ultra-clear Photovoltaic Glass(Dongguan) Company Limited* | | — | 133 |
| | | 35,938 | 25,089 |
| Sales of glass products to: | v | | |
| – Xinyi EnergySmart (Wuhu) Company Limited* | | 2,254 | — |
| – Xinyi Glass (Tianjin) Company Limited* | | 533 | 34 |
| – Xinyi Automobile Parts (Wuhu) Company Limited* | | — | 361 |
| | | 2,787 | 395 |
| Consultancy fee paid to: | | | |
| – Xinyi Glass Japan Company Limited* | v | 431 | 412 |

## 22 RELATED PARTY TRANSACTIONS (Continued)

### (a) Significant Related Party Transactions (Continued)

| | *Note* | Six months ended 30 June 2018 HK$'000 (Unaudited) | 2017 HK$'000 (Unaudited) |
|---|---|---|---|
| Acquisition of land parcel from: | | | |
| – Xinyi Energy Smart (Malaysia) Sdni Bhd* | iv | 106,594 | — |
| Transportation fee paid to: | | | |
| – Wuhu Xinhe Logistics Company Limited Wuhu Branch* | v | 1,969 | 3,351 |
| – Wuhu Xincai Logistics Company Limited ^ | | — | 22,687 |
| – Wuhu Xinzhi Logistics Company Limited * | | — | 6,943 |
| | | 1,969 | 32,981 |
| Acquisition of Wuhu Xincai Logistics Company Limited^ from Wuhu Xinhe Logistics Company Limited* | | — | 1,136 |

* Companies under the control of Xinyi Group (Glass) Company Limited, a company which has a significant influence on the Group.

^ Ceased to be a related party since 6 February 2017 after becoming a wholly-owned subsidiary of the Group.

## 22 RELATED PARTY TRANSACTIONS (Continued)

### (a) Significant Related Party Transactions (Continued)

*Notes:*

(i) The leases of premises were charged at mutually agreed rental. Details of the transactions were disclosed in the Company's announcement dated 21 December 2017.

(ii) The purchases of glass products were charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 21 December 2017.

(iii) The purchases of machinery were charged at considerations based on mutually agreed terms. Details of the transactions were disclosed in the Company's announcement dated 21 December 2017.

(iv) The purchase of land parcel was charged at considerations based on mutually agreed terms. Details of this connected transaction were disclosed in the Company's announcement dated 4 May 2018.

(v) The transactions were de minimis transactions entered into in the ordinary course of business and under normal commercial terms. They are exempted from all the reporting, announcement and independent shareholders' approval requirements by virtue of rule 14A.76 of the Listing Rules.

(vi) The transactions constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(vii) Approximately 3,600 square meter office areas and a car park in Hong Kong is provided by Cheer Wise Investments Limited, an associate owned as to 40% by the Company, for the Group's occupation during the period without consideration paid.

Key management compensation amounted to HK$16,148,000 for the six month ended 30 June 2018 (2017: HK$16,493,000).

## 22 RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with Related Parties

| | As at 30 June 2018 HK$'000 (Unaudited) | As at 31 December 2017 HK$'000 (Audited) |
|---|---|---|
| Amount due to a joint venture | | |
| – Xinyi Solar (Lu'an) Company Limited | 18,146 | 13,036 |
| Amount due to an associate | | |
| – Cheer Wise Investments Limited | 60 | — |
| Amounts due to related companies | | |
| – Wuhu Jinsanshi Numerical Control Technology Company Limited | 77,226 | 53,709 |
| – Xinyi Glass Japan Company Limited | 85 | 69 |
| – Anhui Xinyi Power Source Company Limited | 91 | — |
| | 77,402 | 53,778 |

## INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved to declare an interim dividend of 8.0 HK cents per share for the six months ended 30 June 2018 (2017: 8.0 HK cents), totaling HK$594.2 million (2017: HK$593.9 million), to be paid to all shareholders (the "**Shareholders**") of the Company with their names recorded on the register of members of the Company at the close of business on Friday, 17 August 2018. The interim dividend is expected to be payable on or about Wednesday, 19 September 2018. The Company's register of members will be closed from Wednesday, 15 August 2018 to Friday, 17 August 2018 (both days inclusive), and during such period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfers of Shares 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration by 4:30 p.m. on Tuesday, 14 August 2018.

Shareholders will be given an option to receive the 2018 interim dividend in cash or wholly or partly in new and fully paid shares of the Company in lieu of cash by the Scrip Dividend Scheme. The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the shares to be allotted and issued under the Scrip Dividend Scheme. Details of the Scrip Dividend Scheme can be referred to the Company's announcement dated 22 August 2018.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

For the six months ended 30 June 2018, 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**") during the six months ended 30 June 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 during the six months ended 30 June 2018.

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

As at 30 June 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, the underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

## THE COMPANY AND ASSOCIATED CORPORATIONS

### (i) Long positions in the Shares of the Company

| Name of Director | Capacity | Name of the controlled corporations | Number of shares held | Approximate percentage of the Company's issued share capital |
|---|---|---|---|---|
| Mr. LEE Yin Yee, B.B.S.[1] | Interest in a controlled corporation[1] | Realbest (as defined below) | 797,730,507 | 10.741% |
| | Interest in a controlled corporation[2] | Full Guang (as defined below) | 73,190,000 | 0.985% |
| | Personal interest[1] | | 76,144,800 | 1.025% |
| | Interest in persons acting in concert[3] | | 2,527,689,364 | 34.033% |
| Mr. TUNG Ching Sai[4] | Interest in a controlled corporation[4] | Copark (as defined below) | 271,625,837 | 3.657% |
| | Personal interest[4] | | 92,430,400 | 1.244% |
| | Interest in persons acting in concert[3] | | 2,527,689,364 | 34.033% |
| Mr. LI Man Yin[5] | Interest in a controlled corporation[5] | Perfect All (as defined below) | 87,946,102 | 1.184% |
| | Personal interest[5] | | 5,356,000 | 0.072% |
| | Interest in persons acting in concert[3] | | 2,527,689,364 | 34.033% |
| Mr. LEE Yau Ching[6] | Interest in a controlled corporation[6] | Telerich (as defined below) | 276,754,597 | 3.726% |
| Mr. CHEN Xi[7] | Personal interest | | 221,779 | 0.003% |

*Notes:*

(1) Mr. LEE Yin Yee, B.B.S. is the beneficial owner of the entire issued share capital of Realbest Investment Limited ("**Realbest**") which in turn is the registered owner of 797,730,507 shares. Mr. LEE Yin Yee, B.B.S. also has 76,144,800 shares through his spouse, Madam TUNG Hai Chi.

(2) The interest in the shares are held through Full Guang Holdings Limited ("**Full Guang**"). Full Guang is owned by Mr. LEE Yin Yee, B.B.S. as to 33.98%, Mr. TUNG Ching Bor as to 16.21%, Mr. TUNG Ching Sai as to 16.21%, Mr. LEE Sing Din (father of Mr. LEE Yau Ching) as to 11.85%, Mr. LI Ching Wai as to 5.56%, Mr. NG Ngan Ho as to 3.70%, Mr. LI Man Yin as to 3.70%, Mr. SZE Nang Sze as to 5.09% and Mr. LI Ching Leung as to 3.70%.

(3) Pursuant to an agreement dated 31 May 2013 and entered into by Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their Shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.

(4) Mr. TUNG Ching Sai is the beneficial owner of the entire issued share capital of Copark Investment Limited ("**Copark**") which is the registered owner of 271,625,837 shares. Mr. TUNG Ching Sai also has 15,160,200 shares held in his own name and 77,270,200 shares through his spouse, Madam SZE Tang Hung.

(5) Mr. LI Man Yin is the beneficial owner of the entire issued share capital of Perfect All Investments Limited ("**Perfect All**") which is the registered owner of 87,946,102 shares. Mr. LI Man Yin also has 3,200,000 shares in his own name and 2,156,000 shares through his spouse, Madam LI Sau Suet.

(6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 276,754,597 shares.

(7) Mr. CHEN Xi has 221,779 shares held through his spouse, Madam MAO Ke.

## (ii) Share options of the Company

As at 30 June 2018, there were a total of 1,507,677 outstanding share options of the Company granted to Mr. CHEN Xi, an executive director of the Company, under the share option scheme of the Company. Details of which are summarised as follows:

| | | | | | |
|---|---|---|---|---|---|
| Date of grant | : | 29 March 2018 | 31 March 2017 | 23 March 2016 | 12 May 2015 |
| Number of share options granted | : | 375,000 | 375,000 | 375,000 | 375,000 |
| Number of share options outstanding at 30 June 2018 | : | 375,000 | 377,559# | 377,559# | 377,559# |
| Exercise period | : | 1 April 2021 to 31 March 2022 | 1 April 2020 to 31 March 2021 | 1 April 2019 to 31 March 2020 | 1 April 2018 to 31 March 2019 |
| Exercise price per Share | : | HK$3.18 | HK$2.48# | HK$2.78# | HK$2.84# |
| Capacity in which interest is held | : | Beneficial owner | Beneficial owner | Beneficial owner | Beneficial owner |
| Approximate percentage of the Company's issued share capital at 30 June 2018 | : | 0.005% | 0.005% | 0.005% | 0.005% |

# Adjusted in June 2017 upon the completion date of the rights issue of the Company. The adjustments were made in accordance with the terms of the share option scheme of the Company and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules.

### (iii) Long positions in an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy Holdings Limited ("**Xinyi Energy**"), a non-wholly owned subsidiary of the Company, as at 30 June 2018:

| Name of Director | Capacity | Name of the controlled corporations | Number of shares held in Xinyi Energy | Approximate percentage of Xinyi Energy's issued shares |
|---|---|---|---|---|
| Mr. LEE Yin Yee, B.B.S. | Interest in a controlled corporation | Charm Dazzle Limited | 523,380 | 9.65% |
| Mr. TUNG Ching Sai | Interest in a controlled corporation | Sharp Elite Holdings Limited | 214,500 | 3.96% |
| Mr. LI Man Yin | Interest in a controlled corporation | Will Sail Limited | 51,480 | 0.95% |

Save as disclosed above, as at 30 June 2018, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2018, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the shares and the underlying shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

| Name of substantial shareholders | Nature of interest and capacity | Number of shares held | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Xinyi Group (Glass) Company Limited | Beneficial owner | 1,956,580,231 | 26.343% |
| Xinyi Automobile Glass (BVI) Company Limited | Interest in a controlled corporation | 1,956,580,231 | 26.343% |
| Xinyi Glass Holdings Limited | Beneficial owner | 235,441,800 | 3.170% |
| | Interest in a controlled corporation | 1,956,580,231 | 26.343% |
| Mr. TUNG Ching Bor | Interest in a controlled corporation(1) | 293,443,102 | 3.951% |
| | Personal interest(1) | 46,444,000 | 0.625% |
| | Interest in persons acting in concert(2) | 2,527,689,364 | 34.033% |
| Mr. LEE Sing Din | Interest in a controlled corporation(3) | 276,754,597 | 3.726% |
| | Personal interest(3) | 68,785,000 | 0.926% |
| | Interest in persons acting in concert(2) | 2,527,689,364 | 34.033% |

| Name of substantial shareholders | Nature of interest and capacity | Number of shares held | Approximate percentage of the Company's issued share capital |
|---|---|---|---|
| Mr. LI Ching Wai | Interest in a controlled corporation(4) | 128,238,955 | 1.727% |
| | Personal interest | 3,460,000 | 0.047% |
| | Interest in persons acting in concert(2) | 2,527,689,364 | 34.033% |
| Mr. SZE Nang Sze | Interest in a controlled corporation(5) | 121,785,859 | 1.640% |
| | Personal interest | 2,415,600 | 0.033% |
| | Interest in persons acting in concert(2) | 2,527,689,364 | 34.033% |
| Mr. NG Ngan Ho | Interest in a controlled corporation(6) | 85,979,303 | 1.158% |
| | Personal interest | 2,420,000 | 0.033% |
| | Interest in persons acting in concert(2) | 2,527,689,364 | 34.033% |
| Mr. LI Ching Leung | Interest in a controlled corporation(7) | 85,639,302 | 1.153% |
| | Personal interest(7) | 7,900,000 | 0.106% |
| | Interest in persons acting in concert(2) | 2,527,689,364 | 34.033% |

*Notes:*

(1) Mr. TUNG Ching Bor's interests in the shares are held through High Park Technology Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. TUNG Ching Bor. Mr. TUNG Ching Bor's personal interest in the shares is held through a joint account with his spouse, Madam KUNG Sau Wai.

(2) Pursuant to an agreement dated 31 May 2013 and entered into by Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Bor, Mr. TUNG Ching Sai, Mr. LEE Sing Din, Mr. LI Ching Wai, Mr. LI Man Yin, Mr. SZE Nang Sze, Mr. NG Ngan Ho, and Mr. LI Ching Leung, the parties have agreed to grant a right of first offer to the other parties to the agreement if they want to sell their shares allotted to them under a conditional distribution in specie, by way of special interim dividend declared on 19 November 2013 of such number of shares to them representing approximately 67.6% of the issued share capital of the Company as of that date.

(3) Mr. LEE Sing Din's interests in the shares are held through Telerich Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din. Mr. LEE Sing Din also has 2,200,000 shares held in his own name and 66,585,000 shares through a joint account with his spouse, Madam LI Kam Ha.

(4) Mr. LI Ching Wai's interests in the shares are held through Goldbo International Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Wai.

(5) Mr. SZE Nang Sze's interests in the shares are held through Goldpine Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. SZE Nang Sze.

(6) Mr. NG Ngan Ho's interests in the shares are held through Linkall Investment Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. NG Ngan Ho.

(7) Mr. LI Ching Leung's interests in the shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 7,460,000 shares held in his own name and 440,000 shares through his spouse, Madam DY Maria Lumin.

## PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive, as at 30 June 2018, the following Directors is a director or employee of the following entities which had, or was deemed to have, interests or short positions in the Shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Directors | Name of companies which had such discloseable interest or short positions | Position within such companies |
|---|---|---|
| Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai | Xinyi Group (Glass) Company Limited | Director |
| Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai | Xinyi Automobile Glass (BVI) Company Limited | Director |
| Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai | Xinyi Glass Holdings Limited | Director |
| Mr. LEE Yin Yee, B.B.S. | Realbest Investment Limited | Director |
| Mr. TUNG Ching Sai | Copark Investment Limited | Director |
| Mr. LI Man Yin | Perfect All Investments Limited | Director |
| Mr. LEE Yau Ching | Telerich Investment Limited | Director |

Save as disclosed above, the Directors are not aware of any persons who were directly or indirectly interested in 10% or more of the shares then in issue, or equity interest in any member of the Group representing 10% or more of the equity interest in such company, or who had any interests or short positions in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2018.

## REVIEW OF THE INTERIM RESULTS

The Company's interim results for the six months ended 30 June 2018 have not been audited but have been reviewed by the Company's audit committee, comprising the three independent non-executive Directors.

## EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai
*(Vice Chairman)* ø<
Mr. LEE Yau Ching
*(Chief Executive Officer)*
Mr. LI Man Yin
Mr. CHEN Xi

## NON- EXECUTIVE DIRECTORS

Mr. LEE Yin Yee, B.B.S. *(Chairman)* ø~
Mr. LEE Shing Put

## INDEPENDENT NON- EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul *ø<
Mr. LO Wan Sing, Vincent #+<
Mr. KAN E-ting, Martin #ø<

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

## COMPANY SECRETARY

Mr. CHU Charn Fai, FCCA, CPA

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Xinyi PV Glass Industrial Zone
2 Xinyi Road
Wuhu Economic and Technology
Development Zone
Wuhu City, Anhui Province, China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2109-2115, 21/F
Rykadan Capital Tower
No. 135 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

## LEGAL ADVISERS AS TO HONG KONG LAW

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

## AUDITOR

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

## PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of East Asia
Bank SinoPac
China Citic Bank
Chiyu Banking Corporation Ltd.
Citibank, N.A.
DBS Bank
First Abu Dhabi Bank
Hang Seng Bank
HSBC
Huaxia Bank
Huishang Bank
Malayan Banking Berhad
Nanyang Commercial Bank
OCBC Wing Hang
Sumitomo Mitsui Banking Corporation
Wing Lung Bank

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

## WEBSITE

http://www.xinyisolar.com

## SHARE INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 00968
Listing date: 12 December 2013
Board lot: 2,000 ordinary shares
Financial year end: 31 December
Share price as of the date of this interim report: HK$2.41
Market capitalisation as of the date of this interim report:
Approximately HK$17.9 billion

## KEY DATES

Closure of register of members:
Wednesday, 15 August 2018 to Friday, 17 August 2018
(both days inclusive)

Proposed interim dividend payable date:
On or before Wednesday, 19 September 2018