信義光能控股有限公司

XINYI SOLAR HOLDINGS LIMITED

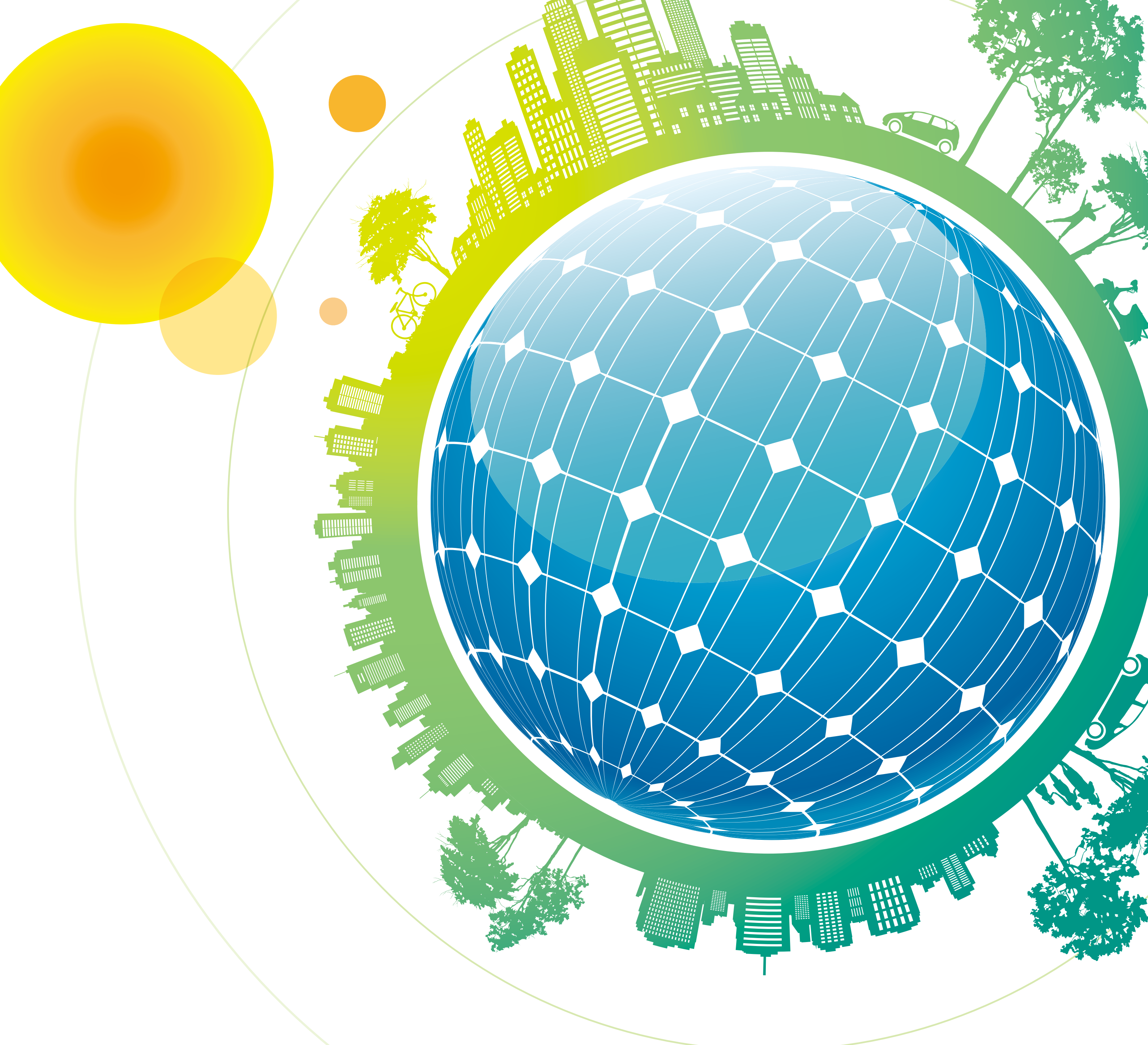
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00968

A GREEN LIFE WITH

XINYI SOLAR

ANNUAL REPORT 2017



Contents

Corporate Information

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

Agricultural Development Bank of China
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
Shop 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 annual report: HK$3.31
Market capitalisation as of the date of this annual report: Approximately HK$24,573 million

KEY DATES

Closure of register of members for the purpose of entitlements to attend and vote at the Annual General Meeting: Tuesday, 29 May 2018 to Friday, 1 June 2018 (both days inclusive)
Date of Annual General Meeting: Friday, 1 June 2018
Closure of register of members for the purpose of entitlements to the final dividend: Wednesday, 13 June 2018 to Friday, 15 June 2018 (both days inclusive)
Proposed final dividend payable date: On or before Wednesday, 4 July 2018

Chairman's Statement

On behalf of the Board (the "**Board**") of Directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**"), I am pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

Despite the rapidly changing and challenging business environment, the Group has continued to deliver encouraging results for the year ended 31 December 2017. As compared with 2016, revenue of the Group rose by 58.6% to HK$9,527.0 million and profit attributable to equity holders of the Company increased by 17.4% to HK$2,332.0 million in 2017. Basic earnings per share were 32.61 HK cents, as compared with 29.22 HK cents (restated) for 2016. A final dividend of 7.0 HK cents per share is proposed, subject to the approval by the shareholders ("**Shareholders**") of the Company at the forthcoming annual general meeting ("**Annual General Meeting**").

GLOBAL PV INSTALLATION EXPERIENCED UNPRECEDENTED GROWTH

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

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

EXPLOSIVE GROWTH OF DISTRIBUTED PV POWER GENERATION IN CHINA

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

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

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

SUCCESSFUL OVERSEAS EXPANSION AND CONTINUOUS UPGRADE OF PRODUCTION FACILITIES

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

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

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

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

Chairman's Statement

SOLAR GLASS PRICE TRENDING UPWARD AMID IMPROVING SUPPLY AND DEMAND DYNAMICS

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

ROBUST GROWTH FOR SOLAR FARM BUSINESS

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

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

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

EPC SERVICES – A SUPPLEMENTARY INCOME SOURCE

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

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

BUSINESS OUTLOOK

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

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

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

Chairman's Statement

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

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

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

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

CONCLUSION

As a leading enterprise in the industry, the Group will continue to leverage its advantages in scale, optimise operational efficiency and explore new markets to sustain growth through expansion and innovation. The successful operation of the first solar glass production line in Malaysia and the development of distributed PV projects in Canada has laid a strong foundation for the overseas expansion of the Group. Given the ongoing enhancement in PV technology, PV power development is expected to sustain further growth in different parts of the world during the coming years. The Group is strategically well-placed to take advantage of the favourable conditions and capture new business opportunities, rise above the rapidly changing and challenging market conditions and reinforce its leading position in the solar value chain.

LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 26 February 2018

Management's Discussion and Analysis

OVERVIEW

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

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

FINANCIAL REVIEW

Revenue

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

Revenue – by Product

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

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

Management's Discussion and Analysis

Solar Glass Revenue – By Geographical Markets

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

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

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

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

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

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

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

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

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

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

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

Gross Profit

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

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

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

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

Other Income

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

Other Gains, Net

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

Selling and Marketing Expenses

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

Administrative and Other Operating Expenses

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

Finance Costs

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

Share of Profit of a Joint Venture

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

Income Tax Expense

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

Management's Discussion and Analysis

EBITDA and Net Profit

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

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

Use of Proceeds of Rights Issue

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

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

FINANCIAL RESOURCES AND LIQUIDITY

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

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

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

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

CAPITAL EXPENDITURES AND COMMITMENTS

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

Management's Discussion and Analysis

PLEDGE OF ASSETS

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

Contingent Liabilities

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

Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2017, the Group completed the acquisition of 60% equity interest in Anhui Xinhao New Energy Construction Company ("**Xinhao**") for a consideration of RMB7,500,000 (equivalent to HK$8,466,000). Since then, Xinhao has become a non-wholly owned subsidiary of the Company. The principal activities of Xinhao are the construction of new energy systems, including design development, permit acquisition and installation and maintenance services of new energy systems. Except for this, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2017.

Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. LEE Yin Yee, B.B.S. (李賢義), aged 65, is a non-executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Mr. LEE Yin Yee, B.B.S. joined our Group in July 2006. Mr. LEE Yin Yee, B.B.S. has 29 years experience in the glass industry. Mr. LEE Yin Yee, B.B.S. is the founder of Xinyi Glass Holdings Limited ("**Xinyi Glass**") (stock code: 00868), a company listed on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"), and its subsidiaries ("**Xinyi Glass Group**") and is currently an executive director and the chairman of Xinyi Glass. Prior to establishing the Xinyi Glass Group, Mr. LEE Yin Yee, B.B.S. engaged in the trading of automobile parts. Mr. LEE Yin Yee, B.B.S. is a committee member of the 12th Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Mr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Shenzhen Fujian Corporate Association. Mr. LEE Yin Yee, B.B.S. is also the Life Honorary Chairman of the Hong Kong Quanzhou Clans United Association and the Fukienese Association Limited in Hong Kong. Mr. LEE Yin Yee, B.B.S. is the brother-in-law of Mr. TUNG Ching Sai, an executive Director, and an uncle of Mr. LEE Yau Ching, our Chief Executive Officer and an executive Director.

EXECUTIVE DIRECTOR

Mr. TUNG Ching Sai (董清世), aged 52, is an executive Director and our Vice Chairman and is responsible for the formulation of our Group's overall business strategy and overseeing the implementation of the business strategies. Mr. TUNG joined our Group in July 2006. Mr. TUNG has been working in Xinyi Glass Group for 29 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Mr. TUNG Ching Sai is a committee member of Fujian Provincial Committee of the Chinese People's Political Consultative Conference, a committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference, vice chairman of the China Architectural and Industrial Glass Association, a member of the executive committee of the twelve session of the All-China Federation of Industry and Commerce and the chairman of the fourth and fifth Shenzhen Federation of Young Entrepreneurs. Mr. TUNG obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hongkong 2006". Mr. TUNG graduated from the Sun Yat-Sen University with a senior executive master degree in business administration in 2007. Mr. TUNG is the brother-in-law of Mr. LEE Yin Yee, B.B.S., our Chairman and a non-executive Director. Mr. TUNG has also been the chairman and non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited ("**Xinyi Enterprises**") since November 2015. Xinyi Enterprises (stock code: 08328) was spun off from Xinyi Glass and became separately listed on the GEM of the Hong Kong Stock Exchange since July 2016.

Mr. LEE Yau Ching (李友情), aged 42, is an executive Director and our Chief Executive Officer. Mr. LEE Yau Ching is responsible for the daily operation of our business operations. Upon graduating from The Hong Kong University of Science and Technology in 1999 with a bachelor's degree in business administration majoring in finance, Mr. LEE Yau Ching joined the Xinyi Glass Group in June 1999. From June 1999 until February 2004, Mr. LEE Yau Ching worked in various functions within Xinyi Glass Group, including overseas sales, finance, production and sales of construction glass and production and sales of automobile OEM glass. From February 2004 to January 2006, Mr. LEE Yau Ching was the chief marketing officer of Xinyi Glass Group responsible for planning the overall marketing strategy and overseeing the marketing department. From February 2006 to February 2011, Mr. LEE Yau Ching was the chief operations officer of Xinyi Glass Group. Mr. LEE Yau Ching has since 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013. Mr. LEE Yau Ching started to involve in our business in mid-2006 and has since November 2010 been the Chief Executive Officer overseeing our business. Mr. LEE Yau Ching was awarded the "Young Industrialist Awards of Hong Kong 2014". Mr. LEE Yau Ching is a nephew of Mr. LEE Yin Yee, B.B.S., our Chairman and a non-executive Director, and a cousin of Mr. LEE Shing Put our non-executive Director. Mr. LEE Yau Ching is the son of Mr. LEE Sing Din, one of the controlling shareholders of Xinyi Glass and Xinyi Solar.

Mr. LI Man Yin (李文演), aged 63, is an executive Director and is responsible for overseeing the purchase and procurement functions of our business since December 2011. Mr. LI Man Yin was appointed as our executive Director on 20 September 2013. Mr. LI Man Yin has since June 2004 been an executive director of Xinyi Glass until the listing of the Company's shares on the Hong Kong Stock Exchange on 12 December 2013.

Mr. CHEN Xi (陳曦), aged 60, is an executive Director and is responsible for overseeing the new energy business. Mr. CHEN joined our Company in November 2010 as vice president of our TCO glass business. Mr. CHEN was appointed as our executive Director on 20 September 2013. Mr. CHEN obtained a bachelor's degree in machinery manufacturing technology, equipment and automation from Sichuan Industrial Institute (四川工業學院) in 1983. From December 1989 to February 1994, Mr. CHEN was an assistant engineer and engineer of Zhongshan Tractor Factory* (中山市拖拉機廠), responsible for machinery design and manufacture. From February 1994, Mr. CHEN started to work for Grand Engineering Glass Co., Ltd. (格蘭特工程玻璃(中山)有限公司) as production equipment manager. From September 1997 to April 2003, Mr. CHEN was the general manager of this company, overseeing its operation. Mr. CHEN joined Xinyi Glass Group in June 2003. From June 2003 to mid-2010, Mr. CHEN was principally responsible for the construction and operation of the construction glass production lines of Xinyi Glass Group in Dongguan.

* For identification purpose only.

Profile of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Put (李聖潑), aged 40, is our non-executive Director. Mr. LEE Shing Put joined our Company in September 2013 and was appointed as our non-executive Director on 20 September 2013. Prior to joining us, Mr. LEE Shing Put had been engaged in information technology and investment businesses in Hong Kong and China since 2001. Mr. LEE Shing Put graduated from the Hong Kong University of Science and Technology in 2000 with a bachelor degree in business administration majoring in finance and economics; and graduated from the Peking University in 2016 with a master degree in business administration. Mr. LEE Shing Put was the executive director of Xinyi Glass from June 2004 to October 2008. Mr. LEE Shing Put is currently a member of the standing committee of the 6th Shenzhen Municipal Committee of the Chinese People's Political Consultative Conference. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, B.B.S., our Chairman and a non-executive Director, a cousin of Mr. LEE Yau Ching, and a nephew of Mr. TUNG Ching Sai.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr. CHENG Kwok Kin, Paul (鄭國乾), aged 66, is an independent non-executive Director. Mr. Cheng has over 30 years of experience in the accounting and finance disciplines. Mr. CHENG joined Leach & Co., Chartered Accountants, of London, United Kingdom in 1972, and qualified as a Chartered Accountant in 1976. Mr. CHENG became a partner of the firm in 1978 and retired from the partnership in 1992. Mr. CHENG was with Mitsubishi UFJ Securities (HK) Holdings, Limited between April 2006 and December 2012. Mr. CHENG joined the company initially as a managing director, head of legal, compliance and company secretary. Mr. CHENG was appointed as a board director and deputy president of the company in November 2007 and held these positions until his retirement in December 2012. Mr. CHENG was admitted as an Associate of the Institute of Chartered Accountants in England and Wales ("**ICAEW**") and of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") in 1976 and 1982, respectively. He was made Fellow of ICAEW in 1982 and Fellow of HKICPA in 1990. Mr. CHENG was a member of Corporate Finance Committee of the HKICPA from 2006 to 2012. Currently, Mr. CHENG is a member of the Audit Profession Reform Working Group and the Professional Conduct Committee of HKICPA. Mr. Cheng was an independent non-executive director of Forterra Real Estate Pte. Ltd. from October 2013 to October 2015. Forterra Real Estate Pte. Ltd. was a trustee manager of Forterra Trust, a Singapore-based business trust formerly listed on the Singapore Exchange Securities Trading Limited. Mr. Cheng was also an independent non-executive director of RM Group Holdings Limited (stock code: 00932), a company listed on the Main Board of the Hong Kong Stock Exchange, from September 2013 to December 2016. Mr. CHENG serves as an independent non-executive director of Kin Yat Holdings Limited (stock code: 00638), a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Cheng has been appointed as an independent non-executive director of Bank of Shanghai (Hong Kong) Limited, a restricted licence bank in Hong Kong, since 29 June 2017.

Mr. LO Wan Sing, Vincent (盧溫勝), aged 70, is an independent non-executive Director. Mr. LO is a member of the Chinese People's Political Consultative Conference, with a Sliver Bauhinia Star (S.B.S.) awarded on 1 July 2017 by the Hong Kong Special Administrative Region Government. Mr. LO serves as an non-executive director of Good Resources Holdings Limited (Stock code: 00109) and an independent non-executive director of Ever Harvest Group Holdings Limited (Stock code: 01549), both companies listed on the Main Board of the Hong Kong Stock Exchange.

Mr. KAN E-ting, Martin (簡亦霆), aged 35, is an independent non-executive Director. Mr. KAN graduated from the University of Sydney with a bachelor's degree in engineering majoring in software engineering in 2005 and a bachelor's degree in laws in 2007. Mr. KAN joined Mallesons Stephen Jaques (now known as King & Wood Mallesons) in August 2008 as a trainee solicitor and left the firm as a solicitor in corporate finance and capital markets practice in February 2013. Mr. KAN was admitted as a lawyer of the Supreme Court of New South Wales, Australia, in July 2008. Mr. KAN was admitted as a solicitor of the High Court of Hong Kong in April 2011. From April 2013 to December 2016, he was the deputy general manager and general manager of Ming Hong Technology (Shenzhen) Limited and Shenzhen Ming Hong Technology Limited respectively, which are primarily engaged in the business relating to the design and production of consumer electronics products.

SENIOR MANAGEMENT

Mr. CHU Charn Fai (朱燦輝), aged 48, is our Financial Controller and our Company Secretary. Mr. CHU joined us in April 2011. Prior to joining us, Mr. CHU was the financial controller of Minmetals Resources Limited (a company listed on the Hong Kong Stock Exchange, now known as MMG Limited) (stock code: 01208) during the period between August 2002 and August 2010. Mr. CHU started working with Minmetals Resources Limited in February 1998 and held various positions in the finance department during the period up to July 2002. Before joining Minmetals Resources Limited, Mr. CHU worked in an international accounting firm for more than four years. Mr. CHU obtained a higher diploma in business studies from City Polytechnic of Hong Kong in 1992, a bachelor's degree in applied computing from The Open University of Hong Kong in 2001 and a master's degree in corporate finance from The Hong Kong Polytechnic University in 2006. Mr. CHU is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. LIU Xiao Rong (劉笑榮), aged 38, is our Vice President, responsible for overseeing our ultra-clear photovoltaic glass business. Mr. LIU obtained a bachelor's degree in inorganic non-metal materials from Northwest Institute of Light Industry* (西北輕工業學院) (now known as Shanxi University of Science & Technology (陝西科技大學)) in July 2002. Mr. LIU joined Xinyi Glass Group in July 2007 as a raw material engineer of our solar glass business. From February to June 2009, Mr. LIU was transferred to the group management office of Xinyi Glass as an assistant of the chief executive officer, focusing on the development of our solar glass business. Since October 2008, Mr. LIU has been working for us and worked as our vice general manager of production from October 2010 to December 2013. In December 2013, Mr. LIU was appointed as general manager of our ultra-clear photovoltaic glass business.

Mr. WEN Jie (文杰), aged 56, is our General Manager of Sales, responsible for overseeing the sales function of our photovoltaic glass business. Mr. WEN studied chemical technology at Tianjin Chemical Vocational University* (天津市化工職業大學) from 1980 to 1983. From 1997 to 2004, Mr. WEN worked in Tianjin Nippon Sheet Glass Co. Ltd.* (天津日板浮法玻璃有限公司) as a sales manager. From 2004 to 2009, Mr. WEN worked for Tianjin NFG Glass Fibre Co., Ltd. (天津日硝玻璃纖維有限公司). Mr. WEN joined us in May 2009 as the vice general manager of sales.

* For identification purpose only.

Corporate Governance Report

The Board recognises the importance of good corporate governance in the management structure and internal control procedures of the Group for the purpose of ensuring that all business activities of the Group and the decision-making process are properly regulated and are in full compliance with the applicable laws and regulations. For corporate governance purpose, the Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") throughout the year of 2017.

The Company has applied the principles and in the opinion of the Board, the Company has complied with the applicable principles and code provisions of the CG Code for the year ended 31 December 2017.

BOARD OF DIRECTORS

One of the responsibilities of the Board is to prevent fraud and non-compliance issues, safeguard the assets of the Group and formulate the overall business strategies for the Group. The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. Details of the Directors are set forth on pages 18 to 21 of this annual report.

The four executive Directors are Mr. TUNG Ching Sai, Mr. LEE Yau Ching, Mr. LI Man Yin, and Mr. CHEN Xi. Mr. TUNG Ching Sai is the brother-in-law of Mr. LEE Yin Yee, B.B.S. Mr. LEE Yau Ching is a nephew of Mr. LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Shing Put.

The two non-executive Directors are Mr. LEE Yin Yee, B.B.S. and Mr. LEE Shing Put. Mr. LEE Yin Yee, B.B.S. is the father of Mr. LEE Shing Put, and also the brother-in-law of Mr. TUNG Ching Sai, and an uncle of Mr. LEE Yau Ching. Mr. LEE Shing Put is the son of Mr. LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Yau Ching and a nephew of Mr. TUNG Ching Sai.

The three independent non-executive Directors are Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin.

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

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

The Company has adopted the board diversity policy (the "**Diversity Policy**") as required by the CG code. The policy aims to achieve diversity on the members of the Board. In designing the Board's composition, a number of aspects would be considered, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Nomination Committee will monitor the implementation of the Diversity Policy and review the same as appropriate.

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

The two non-executive Directors and the three independent non-executive Directors have been appointed for an initial term of three years commenced from 19 November 2013 and such terms of appointment have been renewed for three years from 19 November 2016. All of the independent non-executive Directors have satisfied the independence criteria and have made their confirmations on independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors have fulfilled the independence guidelines set forth under Rule 3.13 of the Listing Rules.

Attendance records of the Directors at board meetings and general meetings in 2017 are as follows:

	Meetings attended/held	
	Annual general meeting	Board meetings
Executive director		
TUNG Ching Sai	1/1	4/4
LEE Yau Ching	1/1	4/4
LI Man Yin	1/1	4/4
CHEN Xi	0/1	4/4
Non-executive director		
LEE Yin Yee	1/1	4/4
LEE Shing Put	1/1	4/4
Independent non-executive director		
CHENG Kwok Kin, Paul	1/1	4/4
LO Wan Sing, Vincent	1/1	4/4
KAN E-ting, Martin	1/1	4/4

At least four Board meetings are scheduled to be held during the year ending 31 December 2018.

In additions to board meetings, the Chairman also holds meetings from time to time with executive Directors and at least one meeting with non-executive Directors (including independent non-executive Directors) annually without the presence of executive Directors.

Corporate Governance Report

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2017 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. The chairman of the Remuneration Committee is Mr. LO Wan Sing, Vincent.

The primary duties of the Remuneration Committee include reviewing the terms of the remuneration packages of and determining the award of bonuses to Directors and senior management. The Remuneration Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Hong Kong Stock Exchange. During the year ended 31 December 2017, a meeting of the Remuneration Committee was held on 28 February 2017 and all the committee members attended this meeting.

Pursuant to code provision B1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors of the Company) by band for the year ended 31 December 2017 is set forth below:

In the band of:	Number of individuals
HK$1,000,001 to HK$1,500,000	2
HK$1,500,001 to HK$2,000,000	1

Details of the Directors' remuneration is set out in Note 38 to the consolidated financial statements of the Group on pages 145 to 147 in this annual report.

AUDIT COMMITTEE

The Audit Committee of the Board comprises three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. Mr. CHENG Kwok Kin, Paul is the chairman of the Audit Committee.

The Audit Committee assists the Board to review the financial reporting process, evaluate the effectiveness of internal control and risk management systems and oversee the auditing processes of the Group. The Audit Committee was established on 19 November 2013 and its terms of reference, which has been amended on 29 December 2016, are posted on the websites of the Company and the Hong Kong Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2017 on 28 February 2017, 31 July 2017 and 9 October 2017, respectively, for reviewing the annual and interim financial results and reports as well as the financial reporting and compliance procedures, internal control and risk management systems, scope of work and appointment of external auditors, and all the committee members attended these meetings.

NOMINATION COMMITTEE

The Nomination Committee of the Board consists of five members, namely Mr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai, Mr. CHENG Kwok Kin, Paul, Mr. LO Wan Sing, Vincent, Mr. KAN E-ting, Martin. The chairman of the Nomination Committee is Mr. LEE Yin Yee, B.B.S.

The primary duties of the Nomination Committee are to review the structure, size and diversity (including the skills, knowledge and experience) of the Board on a regular basis, assess the independence of independent non-executive Directors of the Company, and make recommendations to the Board regarding the appointment, retirement and re-election of Directors. The Nomination Committee was established on 19 November 2013 and its terms of reference are posted on the websites of the Company and the Hong Kong Stock Exchange. During the year ended 31 December 2017, a meeting of the Nomination Committee was held on 21 December 2017 and all the committee members attended this meeting.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibilities in (i) overseeing the preparation of the financial statements of the Group with a view to ensure that such financial statements give a true and fair view of the state of affairs of the Group, and (ii) selecting suitable accounting policies, applying the selected accounting policies consistently, and making prudent and reasonable judgments and estimates for the preparation of the financial statements of the Group. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 49 to 54 of this annual report.

AUDITORS' REMUNERATION

For the year under review, the professional fees charged by the external auditors of the Company, PricewaterhouseCoopers, in respect of the auditing services is disclosed in the notes to the financial statements of the Group during the year, which amounted to HK$1,480,000.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

– Well-defined organisational structure with appropriate segregation of duties, limit of authority, reporting lines and responsibilities to minimise risk of errors and abuse;

– Clear and written policies and procedures have been established and regularly reviewed for major functions and operations;

– Important business functions or activities are managed by experienced, qualified and suitably trained staff;

– Continuous monitoring of the key operating data and performance indicators, timely and up-to-date business and financial reporting, immediate corrective actions are taken where necessary; and

– Internal audit function to perform independent appraisal of major operations on an ongoing basis.

Through the Audit Committee and the internal audit team, the Board has conducted an annual review on the effectiveness of risk management and internal control systems of the Group for the year ended 31 December 2017.

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

Based on the results of the internal control review for the year ended 31 December 2017 and the assessment of the Audit Committee thereon, no significant deficiency in risk management and internal controls systems are noted. The Board therefore is satisfied that appropriate and effective risk management and internal control systems have been maintained for the year ended 31 December 2017.

INSIDE INFORMATION POLICY

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

We provide to all the Directors a comprehensive induction package which includes introduction on the business operations, internal procedures and general policy of the Company and a summary of statutory and regulatory obligations of directors under the Listing Rules and other relevant laws and regulations. During the year, the Directors are provided with regular updates on the Group's business, operations, risk management and corporate governance matters to enable the Board as a whole and each Director to discharge their duties. The Directors are also encouraged to attend both in-house training and training provided by independent service providers. Directors are continually updated on the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged where necessary.

COMPANY SECRETARY

The company secretary is Mr. CHU Charn Fai, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. CHU is also the financial controller of the Company. He assists the Board by ensuring good information flow within the Board and that the policy and procedures of the Board are followed. For the year ended 31 December 2017, Mr. CHU has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT TO CONVENE A SHAREHOLDERS' MEETING

Pursuant to Article 58 of the articles of association (the "**Articles**") of the Company, an extraordinary general meeting ("**EGM**") shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. In an effort to facilitate and enhance the relationships and communication, the Company has established the following channels:

(i) the Annual General Meeting provides a forum for the Shareholders of the Company to raise comments and exchange views with the Board. The Directors are available at the Annual General Meetings of the Company to address shareholders' queries;

(ii) the Company maintains a website at www.xinyisolar.com, where updated key information/news of the Group is available for public access;

(iii) interim and annual results are announced as early as possible, to keep the Shareholders of the Company informed of the Group's performance and operations;

(iv) investor, analyst and media briefing are held as early as practicable after the publication of the interim and annual results;

(v) the Company's management may meet with shareholders, potential investors and research analysts upon request and provide update of the latest business development of the Group and answer their queries in accordance with the Group's Inside Information Policy;

(vi) shareholders may at any time send their enquiries and concerns with sufficient contact details to the Board at the principal place of business of the Company for the attention of the company secretary or via e-mail to "ir@xinyisolar.com"; and

(vii) shareholders may direct their enquiries about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited.

A printed copy of the memorandum and articles of association of the Company has been published on the websites of the Company and the Hong Kong Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2017.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The activities of the subsidiaries are mainly production and sale of solar glass products, development and operation of solar farms and the provision of engineering, procurement and construction ("**EPC**") services. Particulars of the subsidiaries are set forth in Note 13 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities of the Group for the year ended 31 December 2017 and the future development are set out in the Chairman's Statement from pages 4 to 8 and Management Discussion and Analysis from pages 12 to 17 of this Annual Report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated income statement on page 55 in this annual report. During the year, an interim dividend of 8.0 HK cents per share, amounting to a total of cash dividend of approximately HK$593.9 million was paid to shareholders on 19 September 2017.

The Board proposes the payment of a final dividend of 7.0 HK cents per share to Shareholders whose names appear on the register of members of the Company at the close of business on Friday, 15 June 2018. Subject to approval by Shareholders at the Annual General Meeting, the final dividend will be paid on or before Wednesday, 4 July 2018.

The register of members of the Company will be closed for the purpose of entitlements to attend and vote at the Annual General Meeting from Tuesday, 29 May 2018 to Friday, 1 June 2018, both days inclusive, during which period, no transfer of Shares will be registered. In order to determine the entitlement to attend and vote at the Annual General Meeting, all Share certificates with completed transfer forms either overleaf or separately, must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 28 May 2018.

The register of members will be closed from Wednesday, 13 June 2018 to Friday, 15 June 2018, both days inclusive, during such period no transfer of the Shares will be registered for the purpose in order to determine the entitlement to receive the proposed final dividend. All transfer of the Shares accompanied by the relevant Share certificates must be lodged with the Registrar at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 12 June 2018 for such purpose.

Report of the Directors

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group's solar glass production may generate air pollutants, waste water and other industrial waste at different stages of the production process. To ensure compliance with the applicable PRC environmental protection laws and regulations, the Group has implemented the following environmental protection measures:

— *Energy* - Natural gas has been used as the principal energy source for the Group's glass melting furnaces.

— *Power generation from residual heat* – The Group's solar glass production plants have used the residual heat generated in the production processes for electricity generation.

— *Glass recycling* – Scraped and unused glass produced during the production process have been recycled to the glass melting furnaces for production of solar glass products.

Over the past few years, the Group has continuously invested in different types of solar farm projects, which can help to improve air quality and the environment by reducing the consumption of fossil fuels and emission of carbon dioxide.

COMPLIANCE WITH LAWS AND REGULATIONS

During year under review and to the best knowledge of the Company's directors, the Group had obtained and completed all material licenses, certifications, permits and registration necessary for its business operations, and that the Group had complied in all material aspects with all laws, rules and regulations that have a significant impact on the Group's business and operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The first Environmental, Social and Governance ("**ESG**") Report of the Group was published on 11 July 2017, which is available for download at the website of the Hong Kong Stock Exchange and the website of the Company. The Group is in the process of preparing its ESG report for the year ended 31 December 2017 and will publish it on the Hong Kong Stock Exchange's website and the Company's website on or before 20 July 2018.

RELATIONSHIP WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

The Group values relationships with, and have been maintaining good relationships with its customers, raw material and equipment suppliers, logistics service providers and the employees of the Group. During the year ended 31 December 2017, there were no material dispute between the Group and its customers, suppliers and employees.

DONATIONS

Donations by the Group for charitable and other purposes during the year ended 31 December 2017 amounted to HK$9,092,000 (2016: HK$9,325,000).

PRINCIPAL RISKS AND UNCERTAINTIES

The business performance of the Group is subject to the following principal risks and uncertainties:

Solar glass business

- The levels of demand and supply of solar glass are not entirely within the Group's control and are generally affected by the solar energy industry, the overall macroeconomic factors in the principal solar energy markets, and the production capacity of other solar glass manufacturers.
- The Group may not be able to adjust its production levels promptly in response to the changing market environment and as a result, any unbalance between the demand and supply of solar glass could create significant pressure on the selling prices.
- As a solar glass manufacturer, the Group follows the technology development which may cause demand for its solar products to be reduced significantly.
- The Group also relies on a constant supply of energy and raw materials for its production requirement.

All of the above factors could adversely and materially affect the Group's operating results and profitability.

Solar farm business

- Climate change and unpredictable weather patterns can cause output shortfalls and volatile returns.
- Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. The delay in the collection of tariff adjustment receivables may affect the cash flow and liquidity of the Group.

Details of the Group's exposure to foreign exchange risk and other financial risks are set out in the section headed "Treasury Policies and Exposure to Fluctuations in Foreign Exchange Rates" in the Management Discussion and Analysis on page 16 to 17 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 82 to 86 of this Annual Report.

FINANCIAL SUMMARY

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

Report of the Directors

SHARE CAPITAL

Details of the movements in share capital of the Company during the year under review are set out in Note 25 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2017 and without taking into account the proposed final dividend of 7.0 HK cents per Share for the year then ended, share premium amounting to approximately HK$2,509.6 million (2016: HK$2,108.8 million) and retained earnings of HK$647.5 million (2016: Nil) was distributable to Shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

Save for disclosed above, the Company had no other distributable reserve available for distribution to Shareholders at 31 December 2017 and 2016.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

DIRECTORS

The Directors of the Company during the year and up to the date of this annual report were:

EXECUTIVE DIRECTORS

Mr. TUNG Ching Sai *(Vice Chairman)*
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)*
Mr. LEE Shing Put

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHENG Kwok Kin, Paul
Mr. LO Wan Sing, Vincent
Mr. KAN E-ting, Martin

In accordance with article 84 of the Company's articles of association, Mr. CHEN Xi, Mr. LEE Shing Put and Mr. CHENG Kwok Kin, Paul will retire by rotation and being eligible, will offer themselves for re-election at the Annual General Meeting.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from the independent non-executive Directors the confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Hong Kong Stock Exchange (the "**Listing Rules**"). The Company considers all the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, taking into account the Group's operating results, individual performance as well as market trends and practices. The Company's policies concerning remuneration of the executive Directors are:

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

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

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

(iv) annual director's fees are as follows:

Chairman of the Audit Committee	:	HK$300,000 per annum for the year ended 31 December 2017 and HK$300,000 per annum for the year ending 31 December 2018.
All other directors	:	HK$250,000 per annum for the year ended 31 December 2017 and HK$250,000 per annum for the year ending 31 December 2018.

During the year ended 31 December 2017, two directors waived emoluments of aggregate amount of HK$500,000. Details of the remuneration of the Directors are set out in note 38 to the consolidated financial statements in this annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Except for the continuing connected transaction disclosed on pages 43 to 47 of this report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2017.

SHARE OPTION SCHEME

The following table sets forth movements in the share options of the Company for the year ended 31 December 2017:

				Number of share options					
	Grant date	Exercise price# (HK$)	Exercisable period	At 1/1/2017	Granted	Adjustments for Rights Issue#	Exercised	Lapsed	At 31/12/2017
Executive director									
– Mr. CHEN Xi	24/7/2014	2.27	24/7/2017-23/7/2018	378,000	—	2,579	—	—	380,579
	12/5/2015	2.84	1/4/2018-31/3/2019	375,000	—	2,559	—	—	377,559
	23/3/2016	2.78	1/4/2019-31/3/2020	375,000	—	2,559	—	—	377,559
	31/3/2017	2.48	1/4/2020-31/3/2021	—	375,000	2,559	—	—	377,559
Continuous contract employees	24/7/2014	2.27	24/7/2017-23/7/2018	3,350,250	—	22,145	(277,035)	(206,984)	2,888,376
	12/5/2015	2.84	1/4/2018-31/3/2019	4,377,250	—	28,971	—	(209,817)	4,196,404
	23/3/2016	2.78	1/4/2019-31/3/2020	5,662,000	—	37,499	—	(324,132)	5,375,367
	31/3/2017	2.48	1/4/2020-31/3/2021	—	7,006,500	47,734	—	(761,159)	6,293,075
Total				14,517,500	7,381,500	146,605	(277,035)	(1,502,092)	20,266,478

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 Hong Kong Stock Exchange on 5 September 2005 regarding adjustment of share options under Rule 17.03(13) of the Listing Rules.

During the year ended 31 December 2017, 277,035 options (2016: Nil) were exercised. Taking the share options lapsed subsequent to 31 December 2017, as at 26 February 2018, a total of 19,480,128 options were still outstanding under the share option scheme of the Company which represents approximately 0.26% of the issued ordinary shares of the Company.

A summary of the principal terms of the share option scheme ("**Share Option Scheme**") adopted by the Company on 6 June 2014 is as follows:

(i) Purpose

The Share Option Scheme is established to recognise and acknowledge the contributions the eligible participants (the "**Participants**") had or may have made to the Group and to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(ii) Participants

The Participants include: (i) any employee (whether full time or part time) of the Company, any of its subsidiaries or any entity (the "**Invested Entity**") in which the Group holds any equity interest, including any executive director of the Company, any of such subsidiaries or any Invested Entity; (ii) any non-executive directors (including independent non-executive directors) of the Company, any subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any consultants, advisers, managers, officers who provide research, development, other technological support or services to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; and, for the purposes of the Share Option Scheme, shall include any company controlled by one or more persons belonging to any of the above classes of persons.

(iii) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of Shareholders' approval, in aggregate exceed 10 per cent. in nominal amount of the aggregate of shares in issue as at the date of approval of the Share Option Scheme (the "**Scheme Mandate Limit**"). The shares underlying any options granted under the Share Option Scheme or any other share option schemes of the Company which have been cancelled (but not options which have lapsed) will be counted for the purpose of the Scheme Mandate Limit.

Notwithstanding the above, the aggregate number of shares which may be issued upon exercise of all options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the shares in issue from time to time. No share options may be granted under the Share Option Scheme if this will result in the limit being exceeded.

(iv) Maximum entitlement of each eligible participant

Unless with the approval of the Shareholders in general meeting, the maximum number of shares issued and which may fall to be issued upon exercise of the share options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

(v) Option period

The period during which the share option may be exercised will be determined by the Board in its absolute discretion, save that no share option may be exercised more than 10 years after it has been granted. Save as determined by the Board and provided in the offer of the grant of the relevant share options, there is no minimum period for which a share option must be held before it can be exercised.

(vi) Acceptance and payment on acceptance

An offer for the grant of share options must be accepted within thirty days inclusive of the day on which such offer was made. The amount payable by the grantee of a share option to the Company on acceptance of the offer for the grant of a share option is HK$1.00.

(vii) Option price for subscription of shares

The subscription price of a share in respect of any particular share option granted under the Share Option Scheme will be such price as determined by the Board in its absolute discretion, but in any event will not be less than the higher of:

(a) the official closing price of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange on the date of grant, which must be a business day;

(b) the average of the official closing prices of the shares as stated in the daily quotation sheets issued by the Hong Kong Stock Exchange for the five business days immediately preceding the date of grant; and

(c) the nominal value of a Share.

(viii) Remaining life of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on 6 June 2014.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management are set out on pages 18 to 21 of this annual report.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required (a) to be notified to the Company and the Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") contained in the Listing Rules, were as follows:

THE COMPANY AND ASSOCIATED CORPORATIONS

(i) Long position 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
Mr. LEE Yin Yee, B.B.S. [1]	Interest in a controlled corporation[1]	Realbest (as defined below)	797,730,507	10.745%
	Interest in a controlled corporation[2]	Full Guang (as defined below)	73,190,000	0.986%
	Personal interest[1]		61,632,800	0.830%
	Interest in persons acting in concert [3]		2,459,913,364	33.135%
Mr. TUNG Ching Sai[3]	Interest in a controlled corporation[4]	Copark (as defined below)	271,625,837	3.659%
	Personal interest[4]		90,440,400	1.218%
	Interest in persons acting in concert [3]		2,459,913,364	33.135%
Mr. LI Man Yin[4]	Interest in a controlled corporation[5]	Perfect All (as defined below)	86,946,102	1.171%
	Personal interest[5]		4,356,000	0.059%
	Interest in persons acting in concert [3]		2,459,913,364	33.135%
Mr. LEE Yau Ching[5]	Interest in a controlled corporation[6]	Telerich (as defined below)	276,754,597	3.728%
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 61,632,800 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 75,280,200 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 86,946,102 Shares. Mr. LI Man Yin also has 2,200,000 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 British Virgin Islands (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 31 December 2017, there were a total of 1,513,256 outstanding share options of the Company granted to an executive director of the Company under the Share Option Scheme of the Company. Details of which are summarised as follows:

Name of Director	:	Mr. CHEN Xi	Mr. CHEN Xi	Mr. CHEN Xi	Mr. CHEN Xi
Date of grant	:	31 March 2017	23 March 2016	12 May 2015	24 July 2014
Number of share options granted	:	375,000	375,000	375,000	378,000
Number of share options outstanding at 31 December 2017	:	377,559#	377,559#	377,559#	380,579#
Exercise period	:	1 April 2020 to 31 March 2021	1 April 2019 to 31 March 2020	1 April 2018 to 31 March 2019	24 July 2017 to 23 July 2018
Exercise price per Share	:	HK$2.48#	HK$2.78#	HK$2.84#	HK$2.27#
Capacity in which interest is held	:	Beneficial owner	Beneficial owner	Beneficial owner	Beneficial owner
Approximate percentage of the Company's issued share capital	:	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 Hong Kong 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 31 December 2017:

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	671	9.65%
Mr. TUNG Ching Sai	Interest in a controlled corporation	Sharp Elite Holdings Limited	275	3.96%
Mr. LI Man Yin	Interest in a controlled corporation	Will Sail Limited	66	0.95%

Save as disclosed above, as at 31 December 2017, 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 Hong Kong 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 Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 31 December 2017, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

THE COMPANY

Long position in the Shares

Name of substantial Shareholder	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	26.355%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	1,956,580,231	26.355%
Xinyi Glass Holdings Limited	Beneficial owner	235,441,800	3.171%
	Interest in a controlled corporation	1,956,580,231	26.355%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	293,443,102	3.953%
	Personal interest(1)	35,990,000	0.485%
	Interest in persons acting in concert(2)	2,459,913,364	33.135%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	276,754,597	3.728%
	Personal interest(3)	36,785,000	0.495%
	Interest in persons acting in concert(2)	2,459,913,364	33.135%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	128,238,955	1.727%
	Interest in persons acting in concert(2)	2,459,913,364	33.135%
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	120,285,859	1.620%
	Personal interest	2,415,600	0.033%
	Interest in persons acting in concert(2)	2,459,913,364	33.135%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	85,639,303	1.154%
	Personal interest	2,420,000	0.033%
	Interest in persons acting in concert(2)	2,459,913,364	33.135%
Mr. LI Ching Leung	Interest in a controlled corporation(7)	85,639,302	1.154%
	Personal interest(7)	6,380,000	0.086%
	Interest in persons acting in concert(2)	2,459,913,364	33.135%

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 person 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 34,585,000 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 5,940,000 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 the Latest Practicable Date, 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 Hong Kong 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

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.	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

Saved 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 31 December 2017.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2017, none of the Directors and their respective associates (as defined in the Listing Rules) or the controlling shareholders (as defined in the Listing Rules) of the Company had any interest in a business, which competes or may compete with the business of the Group.

PERMITTED INDEMNITY PROVISIONS

During the year ended 31 December 2017, appropriate insurance covering for the Directors' and senior management's liabilities arising out of activities of the Group has been arranged by the Company. As of the date of this annual report, such insurance covering remained effective.

DEED OF NON-COMPETITION

The independent non-executive Directors have reviewed the compliance and the enforcement of the deed of non-competition 19 November 2013 entered by the Covenantors (as defined therein) in favour of the Company and have not noticed any material non-compliance of such deed by the Convenantors.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Sales	
– the largest customer	10.0%
– five largest customers in aggregate	39.4%
Purchases	
– the largest supplier	10.8%
– five largest suppliers in aggregate	31.6%

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

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2017 amounted to HK$7,932.7 million (2016: HK$6,665.9 million). Particulars of the bank borrowings are set out in Note 29 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2017, the Group had about 3,493 full-time employees of whom 3,032 were based in Mainland China and 461 were based in Hong Kong, Malaysia and other countries. Remuneration packages offered to the Group's employees are consistent with the prevailing market terms and reviewed on a regular basis. Discretionary bonuses may be rewarded to employees taking into consideration of the Group's performance and the performance of the individual employee. The Directors confirm that 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.

CONNECTED TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2017 are set out in Note 35 to the consolidated financial statements. Some of these transactions also constitute "Continuing Connected Transactions" under the Listing Rules, as identified below.

Report of the Directors

Continuing connected transactions

During the year ended 31 December 2017, the Group had the following continuing connected transactions, details of which are set out below:

1) *Lease of properties*

   a) From Xinyi EnergySmart (Wuhu)

   As disclosed in the Company's announcement dated 21 January 2016, Xinyi PV Products (Anhui) Holdings Limited ("**Xinyi Solar (Wuhu)**") has renewed a lease agreement with Xinyi EnergySmart (Wuhu) Company Limited ("**Xinyi EnergySmart (Wuhu)**"), pursuant to which Xinyi Solar (Wuhu) has agreed to lease factory premises with a gross floor area of approximately 11,000 square metre ("sq. m.") from Xinyi EnergySmart (Wuhu) at the then market rental of RMB924,000 per annum from 1 January 2016 to 31 December 2018.

   b) From Xinyi Glass (Tianjin)

   As disclosed in the Company's announcement dated 21 January 2016, Xinyi PV Products (Anhui) Holdings Limited Tianjin Branch Company ("**Xinyi Solar (Tianjin Branch)**") has renewed a lease agreement with Xinyi Glass (Tianjin) Company Limited ("**Xinyi Glass (Tianjin)**"), pursuant to which Xinyi Solar (Tianjin Branch) has agreed to lease factory premises with a gross floor area of approximately 28,680 sq. m. from Xinyi Glass (Tianjin) at the then market rental of RMB3,441,600 per annum from 1 January 2016 to 31 December 2018.

   c) To Xinyi EnergySmart (Wuhu)

   As disclosed in the Company's announcement dated 21 January 2016, Xinyi Solar (Wuhu) has renewed a lease agreement with Xinyi EnergySmart (Wuhu), pursuant to which Xinyi EnergySmart (Wuhu) has agreed to lease factory premises with a gross floor area of approximately 11,000 sq.m. from Xinyi Solar (Wuhu) at the then market rental of RMB924,000 per annum from 1 January 2016 to 31 December 2018.

   Xinyi EnergySmart (Wuhu) and Xinyi Glass (Tianjin) are connected persons of the Company by virtue of their being wholly-owned subsidiaries of Xinyi Group (Glass) Company Limited, a substantial shareholder of the Company. The above transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

   For the year ended 31 December 2017, the rent paid to Xinyi EnergySmart (Wuhu) in the amount of approximately HK$1,012,000 and the rent paid to Xinyi Glass (Tianjin) in the amount of approximately HK$4,280,000 pursuant to the relevant lease agreements, in aggregate amounted to approximately HK$5,292,000, which was within the annual cap of HK$5,946,000 as set forth in the Company's announcement dated on 21 January 2016.

   For the year ended 31 December 2017, the rent received from Xinyi EnergySmart (Wuhu) in the amount of approximately HK$1,012,000 pursuant to the relevant lease agreement was within the annual cap of HK$1,087,000 as set forth in the Company's announcement dated on 21 January 2016.

2) Purchase of glass products

As disclosed in the Company's announcement dated 20 December 2016, the Group entered into glass supply framework agreement ("**2017 Glass Supply Framework Agreement**") with Xinyi Glass Holdings Limited ("**Xinyi Glass**") in relation to the purchase of float glass and construction glass products by the Group from Xinyi Glass and its subsidiaries ("**Xinyi Glass Group**") for the year ended 31 December 2017. The purpose of the 2017 Glass Supply Framework Agreement was to secure a stable and reliable supply source of float glass and construction glass products with savings in transportation and handling costs.

The annual cap and the actual transaction amount of the transactions contemplated under the 2017 Glass Supply Framework Agreements for the year ended 31 December 2017 is HK$127,690,000 and HK$103,169,000 respectively.

Xinyi Glass is a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the 2017 Glass Supply Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) Transportation fees

As disclosed in the Company's announcement dated 20 December 2016, the Group entered into a glass transportation supplemental service framework agreement ("**2017 Supplemental Transportation Service Framework Agreement**") with Wuhu Xinhe Logistics Company Limited ("**Xinhe Logistics**") for the year ended 31 December 2017. The 2017 Supplemental Transportation Service Framework Agreement were entered into for cost saving purpose. Xinhe Logistics was in a better position in negotiating lower freight rates or higher discount percentages to the standard freight rates charged by the third-party transportation service providers. Administrative cost could be reduced amid the transportation services of both the Group and the Xinyi Glass Group were handled and arranged by Xinhe Logistics.

The annual cap and the actual transaction amount of the transactions contemplated under the 2017 Supplemental Transportation Service Framework Agreement for the year ended 31 December 2017 are HK$209,900,000 and HK$32,981,000 respectively.

4) Purchase of machineries

As disclosed in the Company's announcement dated 20 December 2016, the Group entered into equipment purchase framework agreement ("**Equipment Purchase Framework Agreement**") with Wuhu Jinsanshi Numerical Control Technology Company Limited ("**Wuhu Jinsanshi**") in relation to the purchase of automation equipment from Wuhu Jinsanshi by the Group for the year ended 31 December 2017. The purpose of entering into the Equipment Purchase Framework Agreement was to enable the Group to continue to purchase from Wuhu Jinsanshi the required automation equipment for production purpose.

The annual cap and the actual transaction amount of the transactions contemplated under the Equipment Purchase Framework Agreement for the year ended 31 December 2017 are HK$44,900,000 and HK$40,936,000 respectively.

Wuhu Jinsanshi is a non-wholly owned subsidiary of the substantial shareholder of the Company, Xinyi Glass, and is therefore a connected person of the Company under the Listing Rules. Accordingly, the Equipment Purchase Framework Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

5) Provision of corporate guarantees to connected subsidiaries not in proportion to the equity interest held by the Company or its subsidiaries

Prior to the equity investments ("**Equity Investments**") on 31 December 2015 by the controlling shareholders of the Company in Xinyi Energy, Xinyi Energy and its subsidiaries were wholly-owned subsidiaries of the Company. The Company and its subsidiaries, namely Xinyi Solar (Hong Kong) Limited, Xinyi Solar (BVI) Limited and Xinyi Power (BVI) Limited, have provided the following corporate guarantees to the subsidiaries of Xinyi Energy:

Borrowers	Guarantees provided	Available facilities	Facilities utilised at 31 December 2017	Maturity date
		HK$ million	*HK$ million*	
a) Wise Regal Investments Limited	Guarantee for HK$400 million by (a) the Company and (b) Xinyi Solar (Hong Kong) Limited.	400.0	57.1	February 2018
b) Xinyi Energy (BVI) Limited	Guarantee for HK$1,600 million by (a) the Company; (b) Xinyi Solar (BVI) Limited; and (c) Xinyi Power (BVI) Limited.	1,600.0	1,440.0	January 2019

Upon completion of the Equity Investment, Xinyi Energy and its subsidiaries have become non-wholly owned subsidiaries and connected subsidiaries of the Company. As such the corporate guarantees set forth in the above table constitutes continuing connected transactions of the Company. Further details of these transactions have been disclosed in the Company's circular dated 7 November 2015 and Company's announcement dated 31 December 2015.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

All independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the listed issuer as a whole.

In accordance with Rule 14A.56 of the Listing Rules, the Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 43 to 47 of this annual report in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Please see the section headed "Corporate Governance Report" set out in this annual report for details of our compliance with the Corporate Governance Code.

AUDIT COMMITTEE

The Company has established an audit committee, comprising three independent non-executive Directors, with written terms of reference in compliance with the requirements of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide comments and give advice to the Board. The audit committee has reviewed the audited financial statements of the Company and audited consolidated financial statements of the Group for the year ended 31 December 2017.

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

Report of the Directors

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday, 1 June 2018, at 21/F, Rykadan Capital Tower, No. 135 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, at 9:30 a.m. The notice convening the Annual General Meeting will be published on the website of the Hong Kong Stock Exchange at www.hkex.com.hk and on the website of the Company at www.xinyisolar.com, and will be dispatched to the shareholders in due course.

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

Hong Kong, 26 February 2018

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF XINYI SOLAR HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Xinyi Solar Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 147, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

OUR OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

INDEPENDENCE

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

KEY AUDIT MATTERS

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

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

- Estimation of construction contract revenue and costs
- Recoverability of overdue and long-aged trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of construction contract revenue and costs Refer to Notes 2.15, 5 and 21 to the consolidated financial statements Revenue and costs arising from construction contracts represent 24% and 28% of the Group's total revenue and cost of sales, respectively, for the year ended 31 December 2017. The Group uses the "percentage-of-completion method" to recognise revenue and costs for construction contracts. We focus on this area because significant management judgment and estimates are involved to determine the appropriate amount of revenue and costs to be recognised in a given period for each contract with reference to a percentage of work performed and certified up to date to the total contract value. The total contract costs for each contract are estimated based on management's budget on the cost of each component such as materials, wages and subcontractors' fees, etc., and are reviewed and revised, when necessary, by the management on a periodic basis to reflect the latest cost projection as the contract progresses.	We understood the controls designed and implemented by the Group over its process to recognise construction contract revenue and costs. Our audit procedures included an evaluation of the significant judgments and estimates made by management. Regarding the percentage-of-completion of the construction contracts, we examined, on a sample basis, the status certificates prepared and signed by the customers (and architects if applicable). We also obtained collaborating evidence on the percentage-of-completion by conducting interviews with the management, finance and operation staff. Regarding the estimated total costs of each construction contract, we tested the Group's budgetary process by comparing the budgeted cost and gross profit margin to the actual results of similar projects recently completed. For the cost of different components for the construction contracts, we checked against the source of information, on a sample basis, used by management in developing the budgeted cost such as quotation from subcontractors, vendors' invoices on raw materials and standard wages of labour.

Key Audit Matter	How our audit addressed the Key Audit Matter
	We performed recalculation of contract revenue and costs recognised, on a sample basis, based on the percentage-of-completion and the total contract revenue and costs. Based on the procedures described, we consider estimation of construction contract revenue and costs are supported by available evidence.
Recoverability of overdue and long-aged trade receivables Refer to Notes 2.11, 2.12, 2.14, 22 to the consolidated financial statements. Trade receivables amounted to HK$3,493,848,000 as at 31 December 2017. The Group had certain amounts of overdue and long-aged trade receivables which were exposed to a higher risk of collectability issue. In particular, the collection of tariff adjustment receivables, being the subsidy receivable in respect of the sales of renewable energy, is subject to the successful registration of the solar farm to the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue") issued by the government authority. The timing for settlement of the tariff adjustment receivables under normal operating cycle may be over 1 year. The Group makes provision on trade receivables based on an assessment of the recoverability of these balances, including the overdue and long-aged trade receivables, on individual customer basis. We focus on this area due to the size of the trade receivables as at year end date, and the identification of doubtful debts requires a high degree of judgment and estimates, including an assessment on the successfulness of the respective solar farm's registration to the Catalogue.	We understood and evaluated the controls procedures over management's recoverability assessment on the overdue and long-aged trade receivables. We tested management's assessment by comparing to supportable evidence about the collectability of the overdue and long-aged trade receivables balance such as subsequent settlement after year end date within ordinary settlement cycle of respective customers, credit history, business performance and financial capability of the customers. In relation to the tariff adjustment receivables, we assessed the status of the Catalogue registration process of individual solar plants by making enquiries with the management, checking the government publications and industry news and performing research on the settlement pattern of tariff adjustment receivables for other market participants. We also tested, on a sample basis, the accuracy of the ageing profile of the trade receivables for the purpose of identifying overdue trade receivables and their overdue period. Based on the procedures described, we consider management's assessment on recoverability of trade receivables is supportable by available and comparable market evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is Lai Pui Ling, Sandra.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 February 2018

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	9,527,031	6,007,081
Cost of sales	7	(6,122,410)	(3,257,198)
Gross profit		3,404,621	2,749,883
Other income	5	181,047	175,540
Other gains, net	6	211	8,264
Selling and marketing expenses	7	(239,318)	(164,310)
Administrative and other operating expenses	7	(432,598)	(321,056)
Operating profit		2,913,963	2,448,321
Finance income	9	14,098	9,338
Finance costs	9	(178,605)	(103,867)
Share of profits of a joint venture		36,407	31,125
Share of profits of associates		3,572	5,547
Profit before income tax		2,789,435	2,390,464
Income tax expense	10	(265,336)	(240,777)
Profit for the year		2,524,099	2,149,687
Profit for the year attributable to:			
– the equity holders of the Company		2,332,031	1,985,630
– non-controlling interests		192,068	164,057
		2,524,099	2,149,687
Earnings per share attributable to the equity holders of the Company			(Restated)
(Expressed in HK cents per share)			
– Basic and diluted	11	32.61	29.22

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

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

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**14,240,034**	11,078,655
Land use rights	19	**343,721**	326,821
Prepayments for property, plant and equipment, land use rights and operating leases	23	**260,965**	383,913
Interests in a joint venture	15	**387,842**	329,827
Investments in associates	16	**65,319**	61,747
Deferred income tax assets	30	**837**	197
Goodwill		**2,001**	1,066
Total non-current assets		**15,300,719**	12,182,226
Current assets			
Inventories	20	**373,942**	288,428
Amounts due from customers for construction work	21	**28,000**	211,739
Trade and bills receivables	22	**4,166,578**	2,020,372
Prepayments, deposits and other receivables	23	**1,517,433**	1,240,286
Cash and cash equivalents	24	**1,380,587**	843,332
Total current assets		**7,466,540**	4,604,157
Total assets		**22,767,259**	16,786,383
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	25	**742,396**	674,880
Other reserves	27	**3,591,132**	1,835,734
Retained earnings		**5,787,599**	3,705,011
		10,121,127	6,215,625
Non-controlling interests		**1,559,229**	1,212,163
Total equity		**11,680,356**	7,427,788

Consolidated Balance Sheet

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Bank borrowings	29	**4,787,428**	4,713,543
Other payables	28	**58,647**	53,901
Total non-current liabilities		**4,846,075**	4,767,444
Current liabilities			
Bank borrowings	29	**3,145,260**	1,952,388
Trade and other payables	28	**2,940,939**	2,538,635
Amounts due to related companies	35	**53,778**	16,028
Amount due to a joint venture	15	**13,036**	20,582
Current income tax liabilities		**87,815**	63,518
Total current liabilities		**6,240,828**	4,591,151
Total liabilities		**11,086,903**	9,358,595
Total equity and liabilities		**22,767,259**	16,786,383

The financial statements on pages 55 to 147 were approved by the Board of Directors on 26 February 2018 and were signed on its behalf.

TUNG Ching Sai
Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	For the year ended 31 December 2017						
	Attributable to owners of the Company						
	Share capital (Note 25) HK$'000	Share premium (Note 27) HK$'000	Other reserves (Note 27) 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 year	—	—	—	2,332,031	2,332,031	192,068	2,524,099
Other comprehensive income							
Currency translation differences	—	—	1,072,769	—	1,072,769	149,977	1,222,746
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	29,221	—	29,221	—	29,221
Total comprehensive income for the year	—	—	1,101,990	2,332,031	3,434,021	342,045	3,776,066
Transactions with owners							
Issuance of shares for rights issue, 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:							
– exercise of employees' share options	28	789	(189)	—	628	—	628
– value of employee services	—	—	3,333	—	3,333	—	3,333
– release of share option reserve upon exercise	—	—	(62)	62	—	—	—
Dividend paid to shareholders	—	(1,039,315)	—	—	(1,039,315)	—	(1,039,315)
Appropriation to statutory reserve	—	—	249,505	(249,505)	—	—	—
Balance at 31 December 2017	742,396	2,509,611	1,081,521	5,787,599	10,121,127	1,559,229	11,680,356

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	For the year ended 31 December 2016						
	Attributable to owners of the Company						
	Share capital (Note 25) HK$'000	Share premium (Note 27) HK$'000	Other reserves (Note 27) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	674,880	2,952,390	180,693	1,937,040	5,745,003	1,146,365	6,891,368
Comprehensive income							
Profit for the year	—	—	—	1,985,630	1,985,630	164,057	2,149,687
Other comprehensive income							
Currency translation differences	—	—	(662,387)	—	(662,387)	(103,525)	(765,912)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	(12,604)	—	(12,604)	—	(12,604)
Total comprehensive income for the year	—	—	(674,991)	1,985,630	1,310,639	60,532	1,371,171
Transactions with owners							
Acquisition of a subsidiary	—	—	—	—	—	5,266	5,266
Employees' share option scheme:							
– value of employee services	—	—	3,583	—	3,583	—	3,583
– release of share option reserve upon exercise	—	—	(2,073)	2,073	—	—	—
Dividend paid to shareholders	—	(843,600)	—	—	(843,600)	—	(843,600)
Appropriation to statutory reserve	—	—	219,732	(219,732)	—	—	—
Balance at 31 December 2016	674,880	2,108,790	(273,056)	3,705,011	6,215,625	1,212,163	7,427,788

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	1,726,868	1,081,708
Interest paid		(180,865)	(136,233)
Income tax paid		(247,795)	(264,657)
Net cash generated from operating activities		1,298,208	680,818
Cash flows from investing activities			
Purchases of and prepayment for purchases of land use rights		—	(188,162)
Purchases of and prepayment for purchase of property, plant and equipment		(2,511,097)	(4,621,865)
Government grants received and netted off with property, plant and equipment		—	111,309
Acquisition of a subsidiary, net of cash acquired		587	(997)
Repayment from/(advance) to a joint venture		5,566	(150,267)
Capital injections into associates		—	(56,200)
Proceeds from disposal of property, plant and equipment	31(b)	434	155
Interest received		14,098	9,338
Net cash used in investing activities		(2,490,412)	(4,896,689)
Cash flows from financing activities			
Net proceeds from rights issue		1,506,835	—
Proceeds from exercise of employees option		628	—
Proceeds from bank borrowings		3,225,062	3,549,953
Repayment of bank borrowings		(1,989,873)	(474,286)
Dividend paid to Company's shareholders		(1,039,315)	(843,600)
Net cash generated from financing activities		1,703,337	2,232,067
Net increase/(decrease) in cash and cash equivalents		511,133	(1,983,804)
Cash and cash equivalents at beginning of year		843,332	2,868,703
Effect of foreign exchange rate changes		26,122	(41,567)
Cash and cash equivalents at end of year	24	1,380,587	843,332

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

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, which are carried out internationally, through the production complexes located in Mainland China (the "PRC") and Malaysia. In addition, the Group is also engaged in the development and operation of solar farms in the PRC and the provision of engineering, procurement and construction ("EPC") services.

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

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

These consolidated financial statements are presented in thousands of Hong Kong dollar ("HK$'000"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 26 February 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

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

(a) Amended standards adopted by the Group

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

Amendments to HKAS 7, 'Statement of cash flows'

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

1) HKFRS 9 "Financial instruments"

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

2) HKFRS 15 "Revenue from contracts with customers"

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

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

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

(b) Identify the performance obligations in the contract;

(c) Determine the transaction price;

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

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

3) HKFRS 16 "Leases"

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES

2.2.1 Consolidation

A subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or the present ownership interest's proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES (Continued)

2.2.1 Consolidation (Continued)

(b) Changes in ownership interests in subsidiaries without loss of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of a subsidiary

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as a joint venture. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 ASSOCIATES

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

2.3 ASSOCIATES (Continued)

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

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

2.4 JOINT ARRANGEMENTS

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the entities now comprising the Group that make strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements is presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 PROPERTY, PLANT AND EQUIPMENT

Freehold land is stated at historical cost less subsequent accumulated impairment losses.

Buildings comprise mainly factories and offices. Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and subsequent accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced parts are derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Construction in progress represents buildings, solar power electricity generating equipment and plants ("Solar Farms") and other equipment on which construction work has not been completed and which, upon completion, management intends to hold for generation of electricity income or solar glass production purposes. Construction in progress is carried at cost which includes development and construction expenditures incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, construction in progress is transferred to appropriate categories of property, plant and equipment.

Depreciation of completed Solar Farms commences when the Solar Farms are successfully connected to grids and completed trial operation. Depreciation of completed other property, plant and equipment commences when the assets are ready for use.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	30 years
– Plant and machinery	5-20 years
– Solar farms	25 years
– Office equipment	3-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 LAND USE RIGHTS

All land in the PRC is state-owned or collectively-owned with no individual land ownership right exists. The Group acquired the rights to use certain land. The premiums paid for such rights are treated as prepayments for operating leases and recorded as land use rights, which are amortised over the lease period using the straight-line method.

2.9 GOODWILL

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.11 FINANCIAL ASSETS

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amount that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" (Note 2.14) and "cash and cash equivalents" (Note 2.16) in the consolidated balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 FINANCIAL ASSETS (Continued)

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.12 IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 INVENTORIES

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

2.14 TRADE AND OTHER RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.15 CONSTRUCTION CONTRACTS

A construction contract is defined by HKAS 11, "Construction contracts", as a contract specifically negotiated for the construction of an asset.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to work performed up to date as a percentage of the total contract value to the end of the reporting period for each contract.

2.16 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 TRADE AND OTHER PAYABLES

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 SHARE CAPITAL

Ordinary shares are classified as equity.

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

2.19 BORROWINGS

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

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

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

2.20 BORROWING COSTS

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 GOVERNMENT GRANT

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

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

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

2.22 PROVISIONS

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

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

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

2.23 CURRENT AND DEFERRED INCOME TAX

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 CURRENT AND DEFERRED INCOME TAX (Continued)

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax liabilities are provided on taxable temporary differences arising from investment in a joint venture, including the taxable temporary differences arising from undistributed profits, as the timing of the reversal of the temporary difference is not controlled by the Group.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, a joint venture and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 REVENUE RECOGNITION

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

(a) Sales of goods

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

(b) Sales of electricity

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

(c) 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 where there is a reasonable assurance that additional tariff will be received and the Group will comply with all attached conditions, if any.

(d) Revenue from construction contracts (EPC services)

Revenue from construction contracts (EPC services) is recognised based on the stage of completion of the contracts as detailed in Note 2.15 above.

(e) Interest income

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

(f) Rental income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 EMPLOYEE BENEFITS

(a) Pension obligations

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

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

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

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

(c) Bonus plans

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

2.26 SHARE-BASED PAYMENTS

(a) Equity-based share-based payment transactions

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 SHARE-BASED PAYMENTS (Continued)

(a) Equity-based share-based payment transactions (Continued)

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

At the end of each reporting period, the entities revise their estimates of the number of options that are expected to vest based on the non-market marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

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

(b) Share-based payment transaction among group entities

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

2.27 LEASES

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

2.28 FINANCIAL GUARANTEE

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 FINANCIAL GUARANTEE (Continued)

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

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

2.29 DIVIDEND DISTRIBUTION

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

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates internationally and is exposed to foreign exchange risk primarily arising from Chinese Renminbi ("RMB"), HK$, US dollar ("US$") and Malaysian Ringgit ("MYR"), some of which are not the functional currencies of respective operating subsidiaries within the Group. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group manages its foreign exchange risks by performing regular reviews when considered necessary.

As at 31 December 2017, if US$ had strengthened/weakened by 5% (2016: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$17,109,000 (2016: HK$5,426,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade and other receivables and cash and cash equivalents.

As at 31 December 2017, if HK$ had strengthened/weakened by 5% (2016: 5%) against the RMB, which is the functional currency of the PRC subsidiaries, with all other variables held constant, profit after income tax for the year would have been approximately HK$15,137,000 (2016: HK$6,849,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ denominated intercompany balances and cash and cash equivalents.

As at 31 December 2017, if HK$ had strengthened/weakened by 5% (2016: 5%) against the MYR, which is the functional currency of a Malaysia subsidiary, with all other variables held constant, profit after income tax for the year would have been approximately HK$5,807,000 (2016: HK$116,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of MYR denominated trade and other receivables and cash and cash equivalents.

Details of the Group's trade and bills receivables and cash and cash equivalents are disclosed in Note 22 and Note 24.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk is mainly attributable to its cash and cash equivalents and bank borrowings. Except for bank borrowings with variable interest, the Group has no other significant interest-bearing assets or liabilities. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. Other financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 24 and Note 29 to the consolidated financial statements.

As at 31 December 2017, if interest rates on cash and cash equivalents and bank borrowings had been 25 basis points higher/lower with all other variables held constant, profit after income tax for the year would have been approximately HK$ 13,678,000 (2016: HK$12,155,000) lower/higher mainly as a result of higher/lower net interest expense being incurred.

(b) *Credit risk*

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

	2017 HK$'000	2016 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	**3,663,282**	2,046,235
Bills receivables (Note 22)	**672,730**	125,094
Cash at bank (Note 24)	**1,379,951**	842,278
Maximum exposure to credit risk	**5,715,963**	3,013,607

As at 31 December 2017 and 2016, most of the bank deposits are deposited with reputable banks in the PRC and Hong Kong. Most of the bills receivables are issued from state-owned banks in the PRC. The credit quality of cash at bank and bills receivables has been assessed by reference to external credit ratings or to historical information about the counterparty default rates. The existing counterparties do not have defaults in the past.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(b) *Credit risk* (Continued)

In respect of trade and other receivables arising from sales of solar glass, the Group has policies in place to ensure that the sales of products are made to customers with appropriate credit history and the Group performs credit evaluations of these counterparties and customers. The credit periods of the majority of these trade receivables are within 90 days and largely comprise amounts receivable from business customers.

Trade and tariff adjustment receivables arising from sales of electricity were all due from state-owned enterprises. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Renewable Energy Tariff Subsidy Catalogue (the "Catalogue"). The Group has submitted applications for eight ground-mounted solar farms with an aggregate capacity of 724 MW for enlisting in the seventh batch of the Catalogue. The Group has another eight ground-mounted solar farms with aggregate approved grid-connection capacity of 760 MW ready for applying the Catalogue when the registration period open. Given the track record of regular repayment of receivables from sales of electricity and the collection of tariff adjustment receivables is well supported by the government policy, the directors are of the opinion that the risk of default by these customers is not significant.

Trade receivables arising from EPC services construction contract revenue were due from third parties and a joint venture. Given the track record of regular repayment of receivables from EPC services, the directors are of the opinion that the risk of default by these customers is not significant.

The Group's sales are made to several major customers and there is some concentration of credit risks. Sales to the top five customers constituted approximately 39% (2016: 38%) of the Group's total sales. They accounted for approximately 49% (2016: 44%) of the gross trade receivable balances as at 31 December 2017.

In order to minimise the credit risks, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provision for impairment losses are made for irrecoverable amounts. Depending on the customer's credit worthiness and historical relationship with us, the Group may require cash payment before delivery of products, and record such receipts as advances from customers.

The Group grants extended credit terms to customers with overall creditworthiness, as determined by its credit assessment. For customers to whom credit terms are extended, the Group assesses a number of factors to determine whether collection from them is reasonably assured, including past transaction history with them and their credit-worthiness. In this regard, the directors consider that the Group's credit risk is significantly reduced.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 FINANCIAL RISK FACTORS (Continued)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

The Group maintains liquidity by a number of means including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and other credit lines available. The Group monitors rolling forecasts of its working capital which comprises cash and cash equivalents and borrowing facilities on the basis of expected cash flow.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. The maturity analysis for other borrowings is prepared based on the scheduled repayment dates. Balances due within 12 months approximate their carrying balances as the impact of discounting is not significant.

	On demand or less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
At 31 December 2017				
Trade and other payables excluding accruals, provision and advance payment	2,663,215	58,647	—	2,721,862
Bank borrowings	3,311,802	3,706,341	1,220,152	8,238,295
Total	5,975,017	3,764,988	1,220,152	10,960,157
At 31 December 2016				
Trade and other payables excluding accruals, provision and advance payment	2,442,091	53,901	—	2,495,992
Bank borrowings	2,068,924	2,741,993	2,115,216	6,926,133
Total	4,511,015	2,795,894	2,115,216	9,422,125

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group will consider the macro economic conditions, prevailing borrowing rate in the market and adequacy of cash flows generating from operations.

The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings, and repurchase its own shares when the Company's shares are trading at a discount to the expected net assets value per share, as necessary.

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

The gearing ratios at 31 December 2017 and 2016 were as follows:

	2017 HK$'000	2016 HK$'000
Total borrowings (Note 29)	7,932,688	6,665,931
Less: Cash and cash equivalents (Note 24)	(1,380,587)	(843,332)
Net debt	6,552,101	5,822,599
Total equity	11,680,356	7,427,788
Gearing ratio	56.1%	78.4%

The decrease in the gearing ratio during 2017 resulted primarily from proceeds from issuance of shares for rights issue, and net-off by additional bank borrowings for construction of solar farms as well as expansion of solar glass production capacity during the year.

3.3 FAIR VALUE ESTIMATION

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) IMPAIRMENT OF TRADE AND OTHER RECEIVABLES

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

(b) CONSTRUCTION CONTRACTS

The Group recognised its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period.

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

(c) USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Contniued)

(d) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(e) CURRENT AND DEFERRED INCOME TAX

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

Deferred income tax is provided in full, using the liability methods, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities of the Group mainly arise from the unremitted earnings of its PRC subsidiaries. The realisability of the deferred income tax liabilities mainly depend on its subsidiary's dividend pay-out ratio. In cases where the actual dividend pay-out ratio is more than expected, such difference will impact the income taxes in the periods in which such estimates has been changed.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION

Revenue and other income recognised during the year are as follows:

	2017 HK$'000	2016 HK$'000
Revenue		
Sales of solar glass	5,746,142	4,276,494
Solar farm business		
– Sales of electricity	554,921	391,213
– Tariff adjustment	918,583	658,632
	1,473,504	1,049,845
Construction contracts revenue		
– EPC services	2,307,385	680,742
Total revenue	9,527,031	6,007,081
Other income		
Rental income	1,559	1,478
Government grants (Note (a))	144,199	137,042
Others (Note b)	35,289	37,020
	181,047	175,540

Notes:

(a) Government grants mainly represent grants received from the PRC government in subsidising the Group's general operations and certain tax payments. There are no government grants received in respect of assets for the year ended 31 December 2017 (2016:HK$111,309,000).

(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 at the Group's production complex.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION

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

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

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

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

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

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

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

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

	Other segment information				
	Solar glass	Solar farm business	EPC services	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2017					
Depreciation charge of property, plant and equipment	223,943	317,417	676	—	542,036
Amortisation charge of land use rights	7,289	—	—	—	7,289
Additions to non-current assets (other than deferred income tax assets)	643,932	2,116,780	4,750	32,366	2,797,828

	Other segment information				
	Solar glass	Solar farm business	EPC services	Unallocated	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2016					
Depreciation charge of property, plant and equipment	154,622	241,675	65	—	396,362
Amortisation charge of land use rights	4,013	—	—	—	4,013
Additions to non-current assets (other than deferred income tax assets)	1,556,030	3,628,702	2,409	217,377	5,404,518

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

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

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

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

SEGMENT INFORMATION (Continued)

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

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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

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:

The analysis of revenue by category is as follows:

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

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

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

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

Notes to the Consolidated Financial Statements

6 OTHER GAINS, NET

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

7 EXPENSES BY NATURE

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

	2017 HK$'000	2016 HK$'000
Auditor's remuneration		
– Audit services	1,480	1,400
Depreciation charge of property, plant and equipment (Note 18)	542,036	396,362
Amortisation charge of land use rights (Note 19)	7,289	4,013
Employee benefit expenses (including directors' emoluments) (Note 8)	324,910	252,234
Raw material and consumables used	3,499,570	2,076,852
Changes in inventories	85,514	89,350
Cost of inventories sold (Note 20)	3,585,084	2,166,202
Construction contracts costs	1,739,784	513,978
Impairment of trade receivables	1,104	—
Operating lease payments in respect of land and buildings	41,631	29,993
Transportation costs	215,306	133,135
Research and development expenditures	204,440	154,170
Other expenses	131,262	91,077
	6,794,326	3,742,564

8 EMPLOYEE BENEFIT EXPENSES

	2017 HK$'000	2016 HK$'000
Wages and salaries	**288,890**	217,439
Retirement benefit - defined contribution plans (Note (i))	**32,687**	31,212
Share options granted to employees (Note 26)	**3,333**	3,583
	324,910	252,234

Note (i):

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

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

(a) PENSIONS - DEFINED CONTRIBUTION PLANS

There are no forfeited contributions for the year ended 31 December 2017 and 2016.

No contributions (2016: HK$Nil) were payable to the fund at the year-end.

8 EMPLOYEE BENEFIT EXPENSES (Continued)

(b) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group include three (2016: three) directors whose emoluments are reflected in the analysis shown in Note 38. The emoluments payable to the remaining two (2016: two) individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, bonus, other allowances and benefits	4,082	3,453
Retirement benefits - defined contribution scheme	36	33
Share options granted	97	109
	4,215	3,595

The emoluments fell within the following bands:

	Number of individuals 2017	2016
Emolument bands		
HK$1,500,001 - HK$2,000,000	1	2
HK$2,000,001 - HK$2,500,000	1	—
	2	2

9 FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Finance income		
Interest income from bank deposits	14,098	9,338
Finance costs		
Interest on bank borrowings	212,920	137,906
Less: Amounts capitalised on qualifying assets (Note 18)	(34,315)	(34,039)
	178,605	103,867

10 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current income tax		
– Hong Kong profits tax (Note (ii))	1,506	—
– PRC corporate income tax ("CIT") (Note (iii))	264,448	256,872
– Malaysia corporate income tax (Note (iv))	22	—
	265,976	256,872
Deferred income tax (Note 30)	(640)	(16,095)
Income tax expense	265,336	240,777

Notes:

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

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

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

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

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

Notes to the Consolidated Financial Statements

10 INCOME TAX EXPENSE (Continued)

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	**2,789,435**	2,390,464
Calculated at weighted average tax rate of 20.3% (2016: 19.5%)	**531,133**	465,661
Tax impact on share of a joint venture's and associates' profits	**(8,124)**	(7,144)
Preferential tax rates on income of certain PRC subsidiaries	**(303,085)**	(235,518)
Income not subject to tax	**(10,192)**	(15,654)
Expenses not deductible for tax purposes	**55,604**	49,527
Deferred income tax assets written back	**—**	1,245
Deferred income tax liabilities written back	**—**	(17,340)
Income tax expense	**265,336**	240,777

11 EARNINGS PER SHARE

(a) BASIC

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

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

11 EARNINGS PER SHARE (Continued)

(b) DILUTED

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

	2017	2016 (Restated)
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	2,332,031	1,985,630
Weighted average number of ordinary shares in issue (thousands)	7,151,533	6,794,848
Adjustment for share options (thousands)	247	645
	7,151,780	6,795,493
Diluted earnings per share (HK cents)	32.61	29.22

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

Notes to the Consolidated Financial Statements

12 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim dividend paid of 8.0 HK cents (2016: 8.0 HK cents) per share (Note a)	**593,894**	539,904
Proposed final dividend of 7.0 HK cents (2016: Final dividend of 6.0 HK cents) per share (Note b)	**519,677**	445,421

Notes:

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

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

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

13 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2017 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Solar (Hong Kong) Limited ("Xinyi Solar (Hong Kong)")	Hong Kong, limited liability company	Trading of solar glass products	200 ordinary shares of HK$1 each	100%	—
Xinyi PV Products (Anhui) Holdings Limited ("Xinyi PV")	The PRC, limited liability company	Manufacturing of solar glass in the PRC	Registered and paid up capital of US$438,000,000	100%	—
Xinyi Solar (Malaysia) Sdn Bhd	Malaysia, limited liability company	Manufacturing of solar glass in the Malaysia	Authorised and paid up capital of 20,000,000 ordinary shares of MYR1 each	100%	—
Tianjin Xinyi Renewable Energy Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB10,000,000	100%	—
Xinyi Energy Holdings Limited ("Xinyi Energy") (Note (i))	The British Virgin Islands, limited liability company	Investment holding	6,952 ordinary shares of US$1 each	75%	25%
Wuhu Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	75%	25%
Lu'an Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB300,000,000	75%	25%
Nanping Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD18,000,000	75%	25%

Notes to the Consolidated Financial Statements

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2017 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Hongan Xinyi Renewable Energy Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	75%	25%
Xinyi Solar (Wuhu) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	75%	25%
Xinyi Renewable Energy (Bozhou) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	75%	25%
Xinyi Solar (Fanchang) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB75,000,000	75%	25%
Xinyi Solar (Tianjin) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD53,000,000 and paid up capital of USD47,888,355	75%	25%
Xinyi Solar (Shouxian) Limited (Note (i))	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB215,000,000	75%	25%
Xinyi Solar (Wangjiang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB75,000,000 and paid up capital of RMB63,000,000	100%	—
Xinyi Solar (Xiaochang) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD35,000,000 and paid up capital of USD32,722,198	100%	—

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2017 are as follows: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interest (%)
Xinyi Solar (Suiping) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB210,000,000	100%	—
Xinyi Renewable Energy (Shouxian) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD35,000,000	100%	—
Xinyi Solar (Huainan) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of USD12,000,000	100%	—
Xinyi Solar (Wuwei) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD25,000,000 and paid up capital of USD8,996,726	100%	—
Polaron Solartech Corporation	Canada, limited liability company	Provision of solar power systems in Canada	353,000 common shares	60%	40%

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

Note:

(i) Companies are Xinyi Energy and subsidiaries of Xinyi Energy (together, the "Xinyi Energy Group").

(ii) All subsidiaries listed in above table are indirectly held by the Company.

13 SUBSIDIARIES (Continued)

(a) MATERIAL NON-CONTROLLING INTERESTS

The total non-controlling interest as at 31 December 2017 is HK$1,559,229,000 (2016: HK$1,212,163,000), of which HK$1,539,015,000 (2016: HK$1,208,095,000) is for Xinyi Energy Group, HK$ 15,028,000 (2016: HK$4,068,000) is attributed to Polaron Solartech Corporation and its subsidiary ("Polaron Solartech") and HK$ 5,186,000 (2016: Nil) is for Anhui Xinhao New Energy Construction Company ("Xinhao").

Significant restrictions

Cash and short-term deposits of HK$293,190,000 (2016: HK$98,883,000) and HK$14,513,000 (2016: Nil) are held by Xinyi Energy Group and Xinhao in the PRC and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Xinyi Energy Group that has non-controlling interests that are material to the Group. See Note 14 for transactions with non-controlling interests.

Summarised balance sheet

	2017 HK$'000	2016 HK$'000
Current		
Assets	**2,583,256**	2,113,015
Liabilities	**(1,800,564)**	(917,526)
Total current net assets	**782,692**	1,195,489
Non-current		
Assets	**6,683,209**	6,280,706
Liabilities	**(1,309,840)**	(2,643,815)
Total non-current net assets	**5,373,369**	3,636,891
Net assets	**6,156,061**	4,832,380

13 SUBSIDIARIES (Continued)

(a) MATERIAL NON-CONTROLLING INTERESTS (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised income statement

	2017 HK$'000	2016 HK$'000
Revenue	1,116,044	968,291
Profit before income tax	735,444	659,647
Income tax expense	(7,449)	(62)
Profit after income tax	727,995	659,585
Currency translation difference	595,686	(417,109)
Total comprehensive income for the year	1,323,681	242,476
Total comprehensive income allocated to non-controlling interests	330,920	60,619
Dividends paid to non-controlling interests	—	—

Summarised cash flow statement

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Cash generated from operations	824,445	394,209
Interest paid	(71,013)	(41,860)
Income tax paid	(3,478)	(11,449)
Net cash generated from operating activities	749,954	340,900
Net cash used in investing activities	(386,010)	(2,552,804)
Net cash (used in)/generated from financing activities	(367,142)	2,266,956
Net (decrease)/increase in cash and cash equivalents	(3,198)	55,052
Cash and cash equivalents at beginning of year	468,066	427,435
Effect of foreign exchange rate changes	7,375	(14,421)
Cash and cash equivalents at end of year	472,243	468,066

The information above is the amount before intercompany eliminations.

14 TRANSACTION WITH NON-CONTROLLING INTERESTS

The Company provided corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries.

	2017 HK$'000	2016 HK$'000
Corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries:		
– Wise Regal Investments Limited	528,571	835,714
– Xinyi Energy (BVI) Limited	2,200,000	2,260,000
	2,728,571	3,095,714

15 INTERESTS IN A JOINT VENTURE AND BALANCES WITH A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Interests in a joint venture		
At 31 December	387,842	329,827
Balance with a joint venture		
Amount due to a joint venture (Note (ii))	13,036	20,582

Notes:

(i) Interests in a joint venture

The equity interest in the joint venture listed below is held directly by the Group.

The following is the joint venture at 31 December 2017 and 2016:

Name of entity	Place of business/ country of incorporation	Principal activities and place of operation	% of ownership interest	Measurement method
Xinyi Solar (Lu'an) Company Limited ("Xinyi Solar (Lu'an)")	The PRC	Management and operation of solar farm in Lu'an, Anhui Province, the PRC	50	Equity accounting

15 INTERESTS IN A JOINT VENTURE AND BALANCES WITH A JOINT VENTURE (Continued)

Notes (Continued):

(i) Interests in a joint venture (Continued)

Xinyi Solar (Lu'an) is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in the investment in the joint venture.

During the year ended 31 December 2017, the Group received cash of RMB5,000,000 (equivalent to HK$5,566,000) from the joint venture as repayment of investment to finance its construction of a solar farm.

(ii) Amount due to a joint venture

The amount due to a joint venture is unsecured, interest free and repayable on demand.

The balance approximates its fair value and is denominated in RMB.

SUMMARISED FINANCIAL INFORMATION FOR THE JOINT VENTURE

Set out below are the summarised financial information for Xinyi Solar (Lu'an) which is accounted for using the equity method.

Summarised balance sheet

	2017 HK$'000	2016 HK$'000
Current		
Cash and cash equivalents	691	1,077
Other current assets (excluding cash)	207,779	140,948
Total current assets	208,470	142,025
Financial liabilities	(4,460)	(3,453)
Current liabilities	(4,460)	(3,453)
Non-current		
Assets	665,454	610,768
Net assets	869,464	749,340

15 INTERESTS IN AND BALANCE WITH A JOINT VENTURE (Continued)

SUMMARISED FINANCIAL INFORMATION FOR THE JOINT VENTURE (Continued)

Summarised statement of comprehensive income

	2017 HK$'000	2016 HK$'000
Revenue	102,539	83,701
Depreciation	(22,375)	(17,159)
Interest income	12	24
Profit before income tax	72,843	62,250
Income tax expense	(29)	—
Profit after income tax	72,814	62,250
Currency translation differences	58,442	(25,208)
Total comprehensive income for the year	131,256	37,042
Dividends received from the joint venture	—	—

The information above reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	2017 HK$'000	2016 HK$'000
Opening net assets at 1 January	749,340	411,764
(Repayment to)/advance from shareholders	(11,132)	300,534
Total comprehensive income for the year	131,256	37,042
Closing net assets at 31 December	869,464	749,340
The Group's ownership interest	50%	50%
Carrying value before elimination of unrealised profit	434,732	374,670
Elimination of unrealised profit	(46,890)	(44,843)
Carrying value	387,842	329,827

16 INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
At 31 December	65,319	61,747

Notes:

(i) *Interests in associates*

The equity interests in associates listed below is held indirectly by the Group.

The following are the associates as at 31 December 2017 and 2016:

Name of entity	Place of business/country of incorporation	Principal activities and place of operation	% of ownership interest held indirectly by the Group	Measurement method
Ultimate Luck Global Limited	British Virgin Islands	Investment holding	40%	Equity accounting
Cheer Wise Investments Limited ("Cheer Wise")	Hong Kong	Property and car parks holding in Hong Kong	40%	Equity accounting

On 26 April 2016, Ultimate Luck Global Limited was incorporated as an associate of the Company, with registered capital of USD50,000. Cheer Wise is a wholly owned subsidiary of Ultimate Luck Global Limited.

The associates are private companies and there are no quoted market price available for their shares.

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

Notes to the Consolidated Financial Statements

16 INTERESTS IN ASSOCIATES (Continued)

SUMMARISED FINANCIAL INFORMATION FOR THE ASSOCIATES

Set out below are the summarised financial information for Ultimate Luck Global Limited and its subsidiary which is accounted for using the equity method.

Summarised balance sheet

	2017 HK$'000	2016 HK$'000
Current		
Cash and cash equivalents	—	—
Other current assets (excluding cash)	150	199
Total current assets	150	199
Financial liabilities	(4,275)	(4,288)
Total current liabilities	(4,275)	(4,288)
Non-current		
Assets	167,422	158,456
Net assets	163,297	154,367

Summarised statement of comprehensive income

	2017 HK$'000	2016 HK$'000
Gross rental income from an investment property	120	40
Valuation gain on an investment property	9,600	14,500
Depreciation	(751)	(247)
Interest income	—	—
Profit before income tax	8,930	13,867
Income tax expense	—	—
Profit after income tax	8,930	13,867
Other comprehensive income	—	—
Total comprehensive income for the year	8,930	13,867
Dividends received from the associates	—	—

The information above reflects the amounts presented in the financial statements of the associates, adjusted for differences in accounting policies between the Group and the associates, and not the Group's share of those amounts.

16 INTERESTS IN ASSOCIATES (Continued)

RECONCILIATION OF SUMMARISED FINANCIAL INFORMATION

Reconciliation of the summarised financial information presented to the carrying amount of its interests in the associates.

	2017 HK$'000	2016 HK$'000
Opening net assets at 1 January	**154,367**	—
Capital injections from owners	—	140,500
Total comprehensive income for the year	**8,930**	13,867
Closing net assets at 31 December	**163,297**	154,367
The Group's ownership interest	**40%**	40%
Carrying value	**65,319**	61,747

17 BUSINESS COMBINATION

Details of material business combination are as follows:

On 30 April 2016, the Group completed the acquisition of 60% equity interest in Polaron Solartech for a consideration of Canadian dollars ("CAD") 1,500,000 (equivalent to HK$8,964,000). Since then, Polaron Solartech has become a non-wholly owned subsidiary of the Company. The principal activities of Polaron Solartech are the provision of solar power systems in Canada, including design development, financial planning, permit acquisition and installation and maintenance services for solar energy systems, for both residential and commercial customers.

On 27 February 2017, the Group completed the acquisition of 60% equity interest in Anhui Xinhao New Energy Construction Company ("Xinhao") for a consideration of RMB7,500,000 (equivalent to HK$8,465,967). Since then, Xinhao has become a non-wholly owned subsidiary of the Company. The principal activities of Xinhao are the construction of new energy systems, including design development, permit acquisition and installation and maintenance services of new energy systems.

17 BUSINESS COMBINATION (Continued)

The following table summarises the consideration paid for the acquisition, the identifiable assets acquired and liabilities assumed and the non-controlling interest at the acquisition date.

	2017 HK$'000	2016 HK$'000
Cash consideration for 60% equity interest in Xinhao/Polaron Solartech	8,466	8,964
Identifiable assets acquired and liabilities assumed		
Property, plant and equipment	133	308
Amounts due from customers for construction work	—	5,217
Trade and other receivables	10,450	14,493
Cash and cash equivalents	9,837	7,967
Trade and bills payables, accruals and other payables	(7,868)	(14,821)
Total identifiable net assets	12,552	13,164
Non-controlling interest	(5,021)	(5,266)
Goodwill	935	1,066
	8,466	8,964

For the year ended 31 December 2016, the revenue included in the consolidated income statement since 1 May 2016 contributed by Polaron was HK$21,561,000. Polaron also recorded losses of HK$2,097,000 over the same period.

For the year ended 31 December 2017, the revenue included in the consolidated income statement since 28 February 2017 contributed by Xinhao was HK$3,788,000. Xinhao also recorded losses of HK$271,000 over the same period.

18 PROPERTY, PLANT AND EQUIPMENT

	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
At 1 January 2016							
Cost	—	390,406	2,377,938	3,952,674	4,409	897,167	7,622,594
Accumulated depreciation	—	(26,808)	(412,962)	(76,586)	(2,177)	—	(518,533)
Net book amount	—	363,598	1,964,976	3,876,088	2,232	897,167	7,104,061
Year ended 31 December 2016							
Opening net book amount	—	363,598	1,964,976	3,876,088	2,232	897,167	7,104,061
Additions	—	3,433	42,925	1,671,661	371	3,295,735	5,014,125
Transfers	—	173,265	128,148	2,464,255	56	(2,765,724)	—
Acquisition of a subsidiary (Note 17)	—	—	—	—	308	—	308
Disposals	—	—	(1,056)	—	—	—	(1,056)
Depreciation charge	—	(14,835)	(147,574)	(239,452)	(529)	—	(402,390)
Currency translation differences	—	(28,564)	(108,119)	(414,980)	(121)	(84,609)	(636,393)
Closing net book amount	—	496,897	1,879,300	7,357,572	2,317	1,342,569	11,078,655
At 31 December 2016							
Cost	—	536,424	2,410,585	7,659,897	4,889	1,342,569	11,954,364
Accumulated depreciation	—	(39,527)	(531,285)	(302,325)	(2,572)	—	(875,709)
Net book amount	—	496,897	1,879,300	7,357,572	2,317	1,342,569	11,078,655
Year ended 31 December 2017							
Opening net book amount	—	496,897	1,879,300	7,357,572	2,317	1,342,569	11,078,655
Additions	59,931	21,347	24,732	27,881	4,236	2,622,163	2,760,290
Transfers	—	434,298	1,204,561	2,039,459	—	(3,678,318)	—
Acquisitions of subsidiaries	—	—	4,237	—	—	—	4,237
Disposals	—	—	(712)	—	—	—	(712)
Depreciation charge	—	(26,145)	(205,206)	(311,653)	(915)	—	(543,919)
Currency translation differences	4,125	59,547	197,005	618,449	302	62,055	941,483
Closing net book amount	64,056	985,944	3,103,917	9,731,708	5,940	348,469	14,240,034
At 31 December 2017							
Cost	64,056	1,055,743	3,887,731	10,378,351	9,654	348,469	15,744,004
Accumulated depreciation	—	(69,799)	(783,814)	(646,643)	(3,714)	—	(1,503,970)
Net book amount	64,056	985,944	3,103,917	9,731,708	5,940	348,469	14,240,034

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2017 HK$'000	2016 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	526,026	380,929
– Administrative and other operating expenses	16,010	15,433
	542,036	396,362
Depreciation charges capitalised in inventories	12,345	10,462

No government grants were received from the PRC government in relation to the construction of factory buildings and production facilities (2016: HK$111,309,000). The grants received in prior year were netted off with the cost of the related assets.

During the year, the Group capitalised borrowing costs amounted to HK$34,315,000 (2016: HK$34,039,000) on qualifying assets (Note 9). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 2.83% (2016: 2.25%).

19 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their movements are analysed as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	326,821	180,372
Additions	—	169,252
Amortisation charge	(7,289)	(5,402)
Currency translation differences	24,189	(17,401)
At 31 December	343,721	326,821

All of the Group's land use rights are located in the PRC and are held on leases between 10 to 50 years.

During the year, no amortisation charge (2016: HK$1,389,000) was capitalised as direct cost of construction in progress when the buildings thereon were not yet ready for production purposes. Amortisation of the Group's land use rights amounted to HK$7,289,000 (2016: HK$4,013,000) was charged to the consolidated income statement.

20 INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	218,321	141,374
Work in progress	43,282	23,978
Finished goods	112,339	123,076
	373,942	288,428

The cost of inventories included in cost of sales amounted to approximately HK$3,585,084,000 (2016: HK$2,166,202,000).

21 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

	2017 HK$'000	2016 HK$'000
Contract costs incurred plus attributable profits less foreseeable losses to date	213,362	618,139
Progress billings to date	(185,362)	(406,400)
	28,000	211,739
Included in current assets are the following:		
Due from customers for contract work	28,000	211,739

22 TRADE AND BILLS RECEIVABLES

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

22 TRADE AND BILLS RECEIVABLES (Continued)

(a) TRADE AND BILLS RECEIVABLES

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

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

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

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

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

22 TRADE AND BILLS RECEIVABLES (Continued)

(a) TRADE AND BILLS RECEIVABLES (Continued)

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

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

The maturity of the bills receivables is within 1 year.

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

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

22 TRADE AND BILLS RECEIVABLES (Continued)

(b) PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

Sales of solar glass

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

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

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

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

The ageing of the impaired receivable is as follows:

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

22 TRADE AND BILLS RECEIVABLES (Continued)

(b) PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES (Continued)

Sales of electricity

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

The expected period of recovery of the tariff adjustment receivables is shown in the table below. The Ministry of Finance does not set out a rigid timetable for the settlement of tariff adjustment receivables. The actual period of settlement may differ from the expected period of recovery.

	2017 HK$'000	2016 HK$'000
Tariff adjustment receivables:		
Expected to be recover after more than 12 months	**1,518,406**	576,906
Expected to be recover within 12 months	**210,301**	303,074
	1,728,707	879,980

Construction contracts revenue from EPC services

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

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

23 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

(a) Deposits and other receivables were all expected to be recoverable and therefore no provision was made. The carrying amounts of the Group's deposits and other receivables are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
RMB	168,048	150,386
HK$	67	—
Others	1,319	571
	169,434	150,957

(b) Other tax receivables mainly represent value added tax recoverable.

(c) Prepayments, deposits and other receivables approximate their fair values and do not contain impaired assets.

24 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank	1,379,951	842,278
Cash on hand	636	1,054
	1,380,587	843,332

As at 31 December 2017, funds of the Group amounting to HK$852,092,000 and HK$142,187,000 (2016: HK$253,611,000 and HK$53,840,000) were deposited in bank accounts opened with banks in the PRC and Malaysia, respectively, where the remittance of funds is subject to foreign exchange control. The remaining funds of HK$385,672,000 (2016: HK$534,827,000) as at 31 December 2017 were deposited in reputable banks in Hong Kong and Canada.

24 CASH AND CASH EQUIVALENTS (Continued)

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	2017 HK$'000	2016 HK$'000
HK$	**112,207**	548,777
RMB	**945,862**	195,010
US$	**240,172**	78,656
CAD	**15,106**	8,187
MYR	**62,182**	7,886
Other currencies	**5,058**	4,816
	1,380,587	843,332

25 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2016, 31 December 2016 and 2017	80,000,000	8,000,000
Issued:		
At 31 December 2016 and 1 January 2017	6,748,800	674,880
Issuance of shares for rights issue (Note)	674,880	67,488
Issuance of shares under employee's share option scheme	277	28
At 31 December 2017	**7,423,957**	**742,396**

Note: On 16 May 2017, the Company invited its shareholders to subscribe to a rights issue of 674,880,000 shares at an issue price of HK$2.24 per share on the basis of 1 share for every 10 existing shares held on 15 May 2017, with such shares to be issued on, and rank for dividends which are declared, made or paid on or after the date of issue and allotment of the rights shares. The issue was fully subscribed. Proceeds of approximately HK$1,511,731,000 were received and the related transaction costs of approximately HK$4,896,000 were netted off with the proceeds. These shares rank pari passu in all respect with the then existing shares in issue. The excess over the par value of the shares were credited to the share premium account.

26 SHARE-BASED PAYMENTS

(a) SHARE OPTION SCHEME ESTABLISHED IN 2014

In June 2014, the Company adopted a share option scheme ("Share Option Scheme"). Under the Share Option Scheme, the Company's directors may, at their sole discretion, grant options to any employee of the Group to subscribe for shares of the Company at the highest of (i) the closing price of shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

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

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

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

	2017		2016	
	Average exercise price in HK$ per share	**Options ('000)**	Average exercise price in HK$ per share	Options ('000)
At 1 January	**2.69**	**14,518**	2.61	8,930
Granted	**2.50**	**7,381**	2.80	6,070
Adjustment for right issue	**2.61**	**146**	—	—
Forfeited	**2.58**	**(1,502)**	2.64	(482)
Exercised	**2.27**	**(277)**	—	—
At 31 December	**2.61**	**20,266**	2.69	14,518

26 SHARE-BASED PAYMENTS (Continued)

(a) SHARE OPTION SCHEME ESTABLISHED IN 2014 (Continued)

In July 2014, 4,039,500 share options were granted to the Company's selected employees and an executive director. The exercise price is HK$2.29 per share, which is equal to the closing price of the Company's share on the date of grant. The share options are conditional on the employee completing three years' service (the vesting period) and exercisable starting three years from the grant date. The expiry date of these share options is 23 July 2018.

In May 2015, 5,087,500 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.86 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 12 May 2015 to 31 March 2019. One third of the Options will vest on each of the year-end date of 2015, 2016 and 2017 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2019.

In March 2016, 6,070,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.80 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 23 March 2016 to 31 March 2020. One third of the options will vest on each of the year-end date of 2016, 2017 and 2018 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2020.

In March 2017, 7,381,500 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$2.50 per share, which is equal to the closing price of the Company's share on the date of grant. The validity period of the options is from 31 March 2017 to 31 March 2021. One third of the options will vest on each of the year-end date of 2017, 2018 and 2019 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2021.

During the year ended 31 December 2017, a total of 277,035 options (2016: Nil) were exercised and a total of 1,502,092 options (2016: 482,500) were forfeited.

Out of the above outstanding share options, 3,268,955 options were exercisable at 31 December 2017 (2016: Nil).

These outstanding share options at the end of the year after adjustments of the exercise prices and the number of share options as a result of the rights issue completed in June 2017 have the following expiry dates and exercise prices:

	Adjusted exercise price in HK$ per share	Options ('000) 2017	2016
Expiry date			
23 July 2018	2.27	**3,269**	3,729
31 March 2019	2.84	**4,574**	4,752
31 March 2020	2.78	**5,753**	6,037
31 March 2021	2.48	**6,670**	—
		20,266	14,518

26 SHARE-BASED PAYMENTS (Continued)

(a) SHARE OPTION SCHEME ESTABLISHED IN 2014 (Continued)

The weighted average fair value of the share options granted during the year determined using the Black-Scholes valuation model, which was performed by an independent valuer, Greater China Appraisal Limited, was approximately HK$0.72 (2016: HK$0.69) per option. The significant inputs into the model are as follows:

	2017	2016
Weighted average share price, at the grant date (HK$)	**2.48**	2.80
Exercise price (HK$)	**2.50**	2.80
Volatility (%)	**53.14**	41.08
Dividend yield (%)	**4.83**	3.09
Expected share option life (years)	**3.5**	3.5
Annual risk-free interest rate (%)	**1.14**	0.96

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. See Note 8 for the total expense recognised in the consolidated income statement for share options granted to employees of the Group.

(b) SHARE OPTION SCHEME ESTABLISHED IN 2005

Xinyi Glass Holdings Limited ("Xinyi Glass"), the former ultimate holding company, adopted a share option scheme ("Share Option Scheme 2005") in 2005. Under the Share Option Scheme 2005, Xinyi Glass's directors may, at their sole discretion, grant options to any employee of Xinyi Glass and its subsidiaries to subscribe for shares of Xinyi Glass at the highest of (i) the closing price of shares of Xinyi Glass as stated in the daily quotation sheet of the Stock Exchange on the day of the offer of grant; (ii) the average closing price of the shares of Xinyi Glass as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of Xinyi Glass must not, in aggregate, exceed 10% of the shares in issue on the date of commencement of dealings in the shares of Xinyi Glass on the Stock Exchange, unless Xinyi Glass obtains further approval from the shareholders.

Notwithstanding the above, the maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Xinyi Glass must not, in aggregate, exceed 30% of the relevant shares or securities of Xinyi Glass in issue from time to time.

26 SHARE-BASED PAYMENTS (Continued)

(b) SHARE OPTION SCHEME ESTABLISHED IN 2005 (Continued)

Movements in the number of share options granted by Xinyi Glass to the employees of the Group and their related weighted average exercise prices are as follows:

	2017		2016	
	Average exercise price in HK$ per share HK$'000	**Options ('000)**	Average exercise price in HK$ per share HK$'000	Options ('000)
At 1 January	**5.55**	**635**	4.84	4,208
Exercised	**5.55**	**(635)**	4.72	(3,570)
Lapsed		**—**	5.55	(3)
At 31 December		**—**	5.55	635

Out of the above outstanding share options, no share options (2016: 635,000) were exercisable at 31 December 2017. During 2017, options exercised resulted in 635,000 (2016: 3,570,000) shares being issued at weighted average price at the time of exercise of HK$5.55 (2016: HK$4.72) each. The related weighted average share price at the time of exercise was HK$7.61 (2016: HK$5.68) per share.

These outstanding share options at the end of the year have the following expiry dates and exercise prices:

		Options ('000)	
	Exercise price in HK$ per share	**2017**	2016
Expiry date			
31 March 2017	5.55	**—**	635
		—	635

Notes to the Consolidated Financial Statements

27 OTHER RESERVES

	Share premium (Note (a)) HK$'000	Merger reserve (Note (b)) HK$'000	Capital reserve (Note (c)) HK$'000	Statutory reserve (Note (d)) HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Total HK$'000
At 1 January 2017	2,108,790	(209,495)	438,111	500,063	5,170	(1,006,905)	1,835,734
Currency translation differences	—	—	—	—	—	1,072,769	1,072,769
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	29,221	29,221
Issuance of shares for rights issue, net of transaction costs	1,439,347	—	—	—	—	—	1,439,347
Employees' share option scheme:							
– proceeds from exercise of employees' share options	789	—	—	—	(189)	—	600
– value of employee services	—	—	—	—	3,333		3,333
– release of share option reserve upon exercise	—	—	—	—	(62)	—	(62)
Appropriation to statutory reserve	—	—	—	249,505	—	—	249,505
Dividend paid to shareholders	(1,039,315)	—	—	—	—	—	(1,039,315)
At 31 December 2017	2,509,611	(209,495)	438,111	749,568	8,252	95,085	3,591,132
At 1 January 2016	2,952,390	(209,495)	438,111	280,331	3,660	(331,914)	3,133,083
Currency translation differences	—	—	—	—	—	(662,387)	(662,387)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	(12,604)	(12,604)
Employees' share option scheme:							
– value of employee services	—	—	—	—	3,583	—	3,583
– release of share option reserve upon exercise	—	—	—	—	(2,073)	—	(2,073)
Appropriation to statutory reserve	—	—	—	219,732	—	—	219,732
Dividend paid to shareholders	(843,600)	—	—	—	—	—	(843,600)
At 31 December 2016	2,108,790	(209,495)	438,111	500,063	5,170	(1,006,905)	1,835,734

27 OTHER RESERVES (Continued)

(a) SHARE PREMIUM

Share premium of the Company is available for distributions or paying dividends to the Shareholders, according to the provisions of the Articles of Association and the Companies Law of the Cayman Islands. When the Company issues shares, excess of net proceeds received over the par value of the shares are credited to the share premium.

During the year ended 31 December 2017, the 2016 final dividend of HK$445,421,000 and the 2017 interim dividend of HK$593,894,000 were paid out from share premium. Net proceeds received from rights issue and exercise of share options exceeded the par value of the issued shares by approximately HK$1,439,347,000 and HK$789,000 respectively, which were credited to the share premium.

(b) MERGER RESERVE

For the purpose of preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Group undertook a reorganisation (the "Reorganisation") in 2011. Merger reserve represents the difference between the share capital and share premium issued by the Company for acquisition of the subsidiaries pursuant to the Reorganisation and the aggregate capital of the subsidiaries being acquired at the time of the Reorganisation.

(c) CAPITAL RESERVE

In 2011, the Group's PRC subsidiary declared dividends of RMB421,826,000 (equivalent to HK$514,423,000). The related withholding tax of HK$26,744,000 arising from the dividends distribution was paid on behalf by Xinyi Glass and Xinyi Glass has not recharged back the Group. Such amount was accounted for as capital reserve within equity.

In 2015, changes in ownership interests in Xinyi Energy from a wholly-owned subsidiary to a 75% partially-owned subsidiary resulted in an increase of capital reserve of HK$411,367,000.

(d) STATUTORY RESERVE

The PRC companies are required to allocate 10% of the companies' net profits to the statutory reserves fund until such fund reaches 50% of the companies' registered capitals. The statutory reserves fund can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the companies, provided that such fund is maintained at a minimum of 25% of the companies' registered capitals.

During the year ended 31 December 2017, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$249,505,000 (2016: HK$219,732,000) from retained earnings to statutory reserve.

Notes to the Consolidated Financial Statements

28 TRADE AND OTHER PAYABLES

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

Notes:

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

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

The maturity of the bills payables is within 6 months.

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

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

28 TRADE AND OTHER PAYABLES (Continued)

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

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

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

29 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

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

In the consolidated balance sheet, bank borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities. Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank borrowings, which contain repayment on demand clause, is within one year.

As at 31 December 2017, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2021. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2017, as the impact of discounting is not significant. The fair values are based on cash flows discounted using the effective interest rate and are within level 2 of the fair value hierarchy.

The effective interest rate per annum at reporting date were as follows:

	2017	2016
Bank borrowings	**2.92%**	2.67%

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are 6 months or less.

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

30 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred income liabilities is as follows:

	2017 HK$'000	2016 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	837	197
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	—	—
Deferred income tax assets, net	837	197

The gross movement on the deferred income tax account is as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	(197)	15,898
Credited to the consolidated income statement (Note 10)	(640)	(16,095)
At 31 December	(837)	(197)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting balances within the same tax jurisdiction are as follows:

	Provisions	
	2017 HK$'000	2016 HK$'000
Deferred income tax assets		
At 1 January	197	1,442
Credited/(charged) to the consolidated income statement	640	(1,245)
At 31 December	837	197

30 DEFERRED INCOME TAX (Continued)

	Undistributed profits of subsidiaries	
	2017	2016
	HK$'000	HK$'000
Deferred income tax liabilities		
At 1 January	—	17,340
Credited to the consolidated income statement	—	(17,340)
At 31 December	—	—

Withholding tax is levied on dividends declared to foreign investors by the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. The Group's subsidiaries in the PRC that held by intermediate holding companies incorporated in Hong Kong, is subject to 5% to 10% withholding tax.

As at 31 December 2017, deferred income tax liabilities of approximately HK$306,162,000 (2016: HK$190,797,000) were not recognised for withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries in the PRC, using a 5% withholding tax rate. Deferred income tax liability is not recognised where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. The related total unremitted earnings for which deferred withholding tax liabilities had not been recognised amounted to approximately HK$6,123,246,000 (2016: HK$3,815,936,000).

Deferred tax assets are recognised for tax loss carrying-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2017, there was no significant unrecognised tax losses (2016: Nil).

31 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to cash generated from operations:

	2017 HK$'000	2016 HK$'000
Profit before income tax	2,789,435	2,390,464
Adjustments for:		
Share options granted to employees (Note 8)	3,333	3,583
Interest income (Note 9)	(14,098)	(9,338)
Interest expense (Note 9)	178,605	103,867
Depreciation of property, plant and equipment (Note 7)	542,036	396,362
Amortisation of land use rights (Note 7)	7,289	4,013
Loss on disposal of property, plant and equipment (Note 6)	278	901
Share of profits of associates	(3,572)	(5,547)
Share of profits of a joint venture	(36,407)	(31,125)
	3,466,899	2,853,180
Changes in working capital:		
Inventories	(83,631)	(83,322)
Trade and other receivables	(2,389,473)	(1,612,424)
Trade payables, accruals and other payables	517,083	(107,282)
Amount due to a joint venture	(7,546)	179,052
Amounts due to related companies	37,750	11,756
Amounts due from customers for construction work	185,786	(159,252)
Cash generated from operations	1,726,868	1,081,708

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

	2017 HK$'000	2016 HK$'000
Net book amount (Note 18)	712	1,056
Loss on disposal of property, plant and equipment (Note 6)	(278)	(901)
Proceeds from disposal of property, plant and equipment	434	155

Notes to the Consolidated Financial Statements

31 CASH GENERATED FROM OPERATIONS (Continued)

(c) Major non-cash transactions

As at 31 December 2017, purchases of property, plant and equipment amounting to HK$1,626,808,000 (2016: HK$1,540,492,000) was made without any cash paid (Note 28(b)).

(d) Net debt reconciliation

Analysis of net debt for year of 2017 and 2016 and the movements in net debt for year of 2017 are as follows:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	1,380,587	843,332
Borrowings – repayable within one year	(3,145,260)	(1,952,388)
Borrowings – repayable after one year	(4,787,428)	(4,713,543)
Net debt	(6,552,101)	(5,822,599)
Cash and cash equivalents	1,380,587	843,332
Gross debt – variable interest rates	(7,932,688)	(6,665,931)
Net debt	(6,552,101)	(5,822,599)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents HK$'000	Borrowings due within 1 year HK$'000	Borrowings due after 1 year HK$'000	Total HK$'000
Net debt as at 1 January 2017	843,332	(1,952,388)	(4,713,543)	(5,822,599)
Cash flows	511,133	(1,161,304)	(73,885)	(724,056)
Foreign exchange adjustments	26,122	—	—	26,122
Other non-cash movements	—	(31,568)	—	(31,568)
Net debt as at 31 December 2017	1,380,587	(3,145,260)	(4,787,428)	(6,552,101)

32 OPERATING LEASE COMMITMENTS

The Group leases certain of its factory and office premises under non-cancellable operating lease agreements. As at 31 December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2017 HK$'000	2016 HK$'000
Not later than one year	46,286	29,152
Later than 1 year and not later than 5 years	160,312	101,314
More than 5 years	967,943	574,895
	1,174,541	705,361

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

	2017 HK$'000	2016 HK$'000
Not later than one year	2,167	1,799
Later than 1 year and not later than 5 years	1,989	4,253
	4,156	6,052

33 CAPITAL COMMITMENTS

Capital expenditures of HK$498,391,000 (2016: HK$1,481,150,000) was contracted for at the end of the year but not yet incurred.

34 BANKING FACILITIES AND GUARANTEES

The banking facilities made available to subsidiaries of the Group are as follows:

	2017		2016	
	Available facilities HK$'000	Facilities utilised HK$'000	Available facilities HK$'000	Facilities utilised HK$'000
Banking facilities granted to subsidiaries of the Group without securities	10,102,181	8,183,990	7,723,057	7,212,287

Notes to the Consolidated Financial Statements

35 RELATED PARTY TRANSACTIONS

As at 31 December 2017, the Group is controlled 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 (together, the "Controlling Shareholders"), which in aggregate owns 33.14% (2016: 32.70%) of the Company's shares. 29.53% (2016: 29.53%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 37.33% (2016: 37.77%) of the shares are widely held.

(a) NAME AND RELATIONSHIP WITH RELATED PARTIES

Name of related parties	Relationship
Xinyi Glass	Note (i)
Xinyi Ultra-clear Photovoltaic Glass (Dongguan) Company Limited ("Xinyi Ultra-clear (Dongguan)")	Note (ii)
Xinyi EnergySmart (Wuhu) Company Limited ("Xinyi EnergySmart (Wuhu)")	Note (ii)
Xinyi Automobile Parts (Wuhu) Company Limited ("Xinyi Automobile Parts (Wuhu)")	Note (ii)
Xinyi Automobile Glass (Shenzhen) Company Limited ("Xinyi Automobile Glass (Shenzhen)")	Note (ii)
Xinyi Electronic Glass (Wuhu) Company Limited ("Xinyi Electronic Glass (Wuhu)")	Note (ii)
Xinyi Glass (Tianjin) Company Limited ("Xinyi Glass (Tianjin)")	Note (ii)
Xinyi Glass Japan Company Limited	Note (ii)
Wuhu Jinsanshi Numerical Control Technology Company Limited ("Wuhu Jinsanshi")	Note (ii)
Wuhu Xinhe Logistics Company Limited ("Xinhe Logistics")	Note (ii)
Wuhu Xinhe Logistics Company Limited Wuhu Branch ("Xinhe Logistics Wuhu Branch")	Note (ii)
Wuhu Xincai Logistics Company Limited ("Xincai Logistics")	Note (ii)
Wuhu Xinzhi Logistics Company Limited ("Xinzhi Logistics")	Note (ii)
Xinyi Solar (Lu'an)	Joint venture
Cheer Wise	Associate

Notes:

(i) Ultimate holding company of a company which has a significant influence on the Group.

(ii) Companies under control of a company which has a significant influence on the Group.

35 RELATED PARTY TRANSACTIONS (Continued)

(b) SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to those disclosed elsewhere in the consolidated financial statements, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the year.

	Note	2017 HK$'000	2016 HK$'000
Purchases of glass products from:	i, viii		
– Xinyi EnergySmart (Wuhu)		92,195	37,381
– Xinyi Automobile Parts (Wuhu)		1,758	1,216
– Xinyi Electronic Glass (Wuhu)		7,291	35,293
– Xinyi Glass (Tianjin)		—	16,296
– Xinyi Automobile Glass (Shenzhen)		1,925	—
		103,169	90,186
Rental expenses paid to:	ii, viii		
– Xinyi EnergySmart (Wuhu)		1,012	1,053
– Xinyi Glass (Tianjin)		4,280	4,504
		5,292	5,557
Rental income received from:	ii, viii		
– Xinyi EnergySmart (Wuhu)		1,012	1,053
Purchases of machinery from:			
– Wuhu Jinsanshi	iii, viii	40,936	37,286
– Xinyi Ultra-clear (Dongguan)	vii, ix	258	808
		41,194	38,094
Transportation fee paid to:	iv, viii		
– Xinhe Logistics		—	146,736
– Xinhe Logistics Wuhu Branch		3,351	41,041
– Xincai Logistics		22,687	11,351
– Xinzhi Logistics		6,943	6,972
		32,981	206,100

Notes to the Consolidated Financial Statements

35 RELATED PARTY TRANSACTIONS (Continued)

(b) SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

	Note	2017 HK$'000	2016 HK$'000
Sales of glass products to:	v, ix		
– Xinyi Glass (Tianjin)		34	854
– Xinyi EnergySmart (Wuhu)		—	995
– Xinyi Automobile Parts (Wuhu)		361	560
		395	2,409
Consultancy fee paid to:	vi, ix		
– Xinyi Glass Japan Company Limited		831	724
Acquisition of Xincai Logistics from Xinhe Logistics	vii, ix	1,136	—
EPC services income received from:			
– Xinyi Solar (Lu'an)	x	15,474	127,814

Notes:

(i) 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 20 December 2016.

(ii) The leases of premises were charged at mutually agreed rental. Details of the transactions were disclosed in the Company's announcement dated 21 January 2016.

(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 20 December 2016.

(iv) The transportation fee paid was charged at mutually agreed fee. Details of the transactions were disclosed in the Company's announcement dated 20 December 2016.

(v) The sales of glass products were charged at mutually agreed prices and terms.

(vi) The consultancy fee paid was charged at mutually agreed fee.

(vii) The purchases of machinery from Xinyi Ultra-Clear (Dongguan) and the acquisition of Xincai Logistics were transacted at mutually agreed prices and terms.

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

(ix) 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.

(x) The EPC services income received were charged at considerations based on mutually agreed terms. Xinyi Solar (Lu'an) was not a connected person of the Company and the transactions did not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(xi) Approximately 3,600 sq. meter office areas and a car park in Hong Kong is provided by Cheer Wise, an associate owned as to 40% by the Company, for the Group's occupation starting 30 September 2016 without consideration paid.

35 RELATED PARTY TRANSACTIONS (Continued)

(c) BALANCES WITH RELATED PARTIES

	2017 HK$'000	2016 HK$'000
Amounts due to a joint venture		
– Xinyi Solar (Lu'an)	**13,036**	20,582
Amounts due to related companies		
– Wuhu Jinsanshi	**53,709**	15,961
– Xinyi Glass Japan Company Limited	**69**	67
	53,778	16,028

The amounts due to a joint venture and due to related companies are unsecured, interest free and repayable on demand. The amounts approximate their fair values and are denominated in RMB.

(d) KEY MANAGEMENT COMPENSATION

Key management includes executive and non-executive directors as well as senior management. The compensation paid or payable to key management for employee services is shown below:

	2017 HK$'000	2016 HK$'000
Basic salaries, bonus, other allowances and benefits	**35,420**	24,908
Retirement benefits - defined contribution scheme	**90**	110
Share options granted	**674**	783
	36,184	25,801

Details of directors' and the chief executive's emoluments are disclosed in Note 38.

Notes to the Consolidated Financial Statements

36 FINANCIAL INSTRUMENTS BY CATEGORY

	2017 HK$'000	2016 HK$'000
Assets - loans and receivables		
Trade and other receivables excluding prepayments and other tax receivables	3,663,282	2,046,235
Bills receivables	672,730	125,094
Cash and cash equivalents (Note 24)	1,380,587	843,332
	5,716,599	3,014,661
Liabilities - other financial liabilities at amortised cost		
Trade and other payables excluding accruals, provision and advance receipt	2,541,395	2,029,749
Bills payables	180,467	466,243
Bank borrowings (Note 29)	7,932,688	6,665,931
	10,654,550	9,161,923

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		1,619,602	899,852
Current assets			
Amounts due from subsidiaries		2,283,460	1,824,036
Prepayments and other receivables		608	—
Cash and cash equivalents		4,064	113
Total current assets		2,288,132	1,824,149
Total assets		3,907,734	2,724,001
EQUITY			
Capital and reserves attributable to the equity holders ofthe Company			
Share capital	25	742,396	674,880
Share premium	(a)	2,509,611	2,108,790
Share option reserve	(a)	8,252	—
Retained earnings/(accumulated losses)	(a)	647,461	(59,671)
Total equity		3,907,720	2,723,999
LIABILITIES			
Current liabilities			
Accruals and other payables		14	2
Total current liabilities		14	2
Total equity and liabilities		3,907,734	2,724,001

The balance sheet of the Company was approved by the Board of Directors on 26 February 2018 and was signed on its behalf.

TUNG Ching Sai
Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

37 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

Note:

(a) Movement of share premium and retained earnings/(accumulated losses) of the Company

	Share premium HK$'000	Share option reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000
At 1 January 2016	2,952,390	—	(56,237)
Loss for the year	—	—	(3,434)
Dividend paid to shareholders	(843,600)	—	—
At 31 December 2016	2,108,790	—	(59,671)
At 1 January 2017	2,108,790	—	(59,671)
Profit for the year	—	—	707,132
Issuance of shares for rights issue, net of transaction cost	1,439,347	—	—
Exercise of share options	789	(189)	—
Share-based compensation	—	8,441	—
Dividend paid to shareholders	(1,039,315)	—	—
At 31 December 2017	2,509,611	8,252	647,461

The Cayman Islands law permits dividends or other distributions to be paid out of share premium.

38 BENEFITS AND INTERESTS OF DIRECTORS

(a) DIRECTORS' EMOLUMENTS

The remuneration of every director is set out below:

For the year ended 31 December 2017:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary Bonus (Note(ii)) HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Other benefits HK$'000	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—	—	—	—
LEE Yau Ching	250	—	14,868	—	18	—	5,300	—	—	20,436
LI Man Yin	250	—	5,947	—	18	—	2,105	—	—	8,320
CHEN Xi	250	—	908	—	—	—	573	65	241	2,037
LEE Shing Put	250	—	—	—	—	—	—	—	—	250
CHENG Kwok Kin, Paul	300	—	—	—	—	—	—	—	—	300
LO Wan Sing, Vincent	250	—	—	—	—	—	—	—	—	250
KAN E-ting, Martin	250	—	—	—	—	—	—	—	—	250
Total	1,800	—	21,723	—	36	—	7,978	65	241	31,843

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of every director is set out below: (Continued)

For the year ended 31 December 2016:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary Bonus (Note(ii)) HK$'000	Housing allowance HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Other benefits HK$'000	Share options granted HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—	—	—	—
LEE Yau Ching	200	—	9,268	—	18	—	4,066	—	—	13,552
LI Man Yin	200	—	3,707	—	18	—	1,647	—	—	5,572
CHEN Xi	200	—	—	—	16	—	564	69	292	1,141
LEE Shing Put	200	—	—	—	—	—	—	—	—	200
CHENG Kwok Kin, Paul	250	—	—	—	—	—	—	—	—	250
LO Wan Sing, Vincent	200	—	—	—	—	—	—	—	—	200
KAN E-ting, Martin	200	—	—	—	—	—	—	—	—	200
Total	1,450	—	12,975	—	52	—	6,277	69	292	21,115

38 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of every director is set out below: (Continued)

Notes:

(i) The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the companies now comprising the Group.

(ii) The discretionary bonus is determined with reference to the operating results of the Group, individual performance and comparable market statistics during the respective years.

(iii) No director of the Company was appointed/resigned during the year (2016: Same).

(iv) Mr. LEE Yin Yee, B.B.S. and Mr. TUNG Ching Sai waived emoluments of HK$ 250,000 (2016: HK$200,000) and HK$ 250,000 (2016: HK$200,000) respectively for the year. Except these, no other directors waived or agreed to waive any emoluments for the year ended 31 December 2017 and 2016. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any directors during the years ended 31 December 2017 and 2016.

(v) Mr. LEE Yau Ching is also the Chief Executive Officer of the Group and his remuneration disclosed above include those for services rendered by him as the Chief Executive Officer.

(vi) During the year ended 31 December 2017, none of the directors of the Company received any salary or housing allowance (2016: same).

(b) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Financial Summary

	Year ended 31 December				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Result					
Revenue	**9,527,031**	6,007,081	4,750,410	2,410,004	1,967,507
Cost of sales	**(6,122,410)**	(3,257,198)	(3,040,159)	(1,649,067)	(1,375,161)
Gross profit	**3,404,621**	2,749,883	1,710,251	760,937	592,346
Profit before income tax	**2,789,435**	2,390,464	1,393,986	571,648	370,458
Income tax expense	**(265,336)**	(240,777)	(188,389)	(78,676)	(66,659)
Profit for the year	**2,524,099**	2,149,687	1,205,597	492,972	303,799
Profit attributable to:					
– the equity holders of the Company	**2,332,031**	1,985,630	1,205,597	492,972	303,799
– non-controlling interests	**192,068**	164,057	—	—	—
	2,524,099	2,149,687	1,205,597	492,972	303,799

	As at 31 December				
	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Assets and Liabilities					
Total assets	**22,767,259**	16,786,383	12,734,633	5,763,967	2,686,995
Total liabilities	**11,086,903**	9,358,595	5,843,265	2,458,079	376,560
	11,680,356	7,427,788	6,891,368	3,305,888	2,310,435
Equity attributable to equity holders of the Company	**10,121,127**	6,215,625	5,745,003	3,305,888	2,310,435
Non-controlling interests	**1,559,229**	1,212,163	1,146,365	—	—
	11,680,356	7,427,788	6,891,368	3,305,888	2,310,435