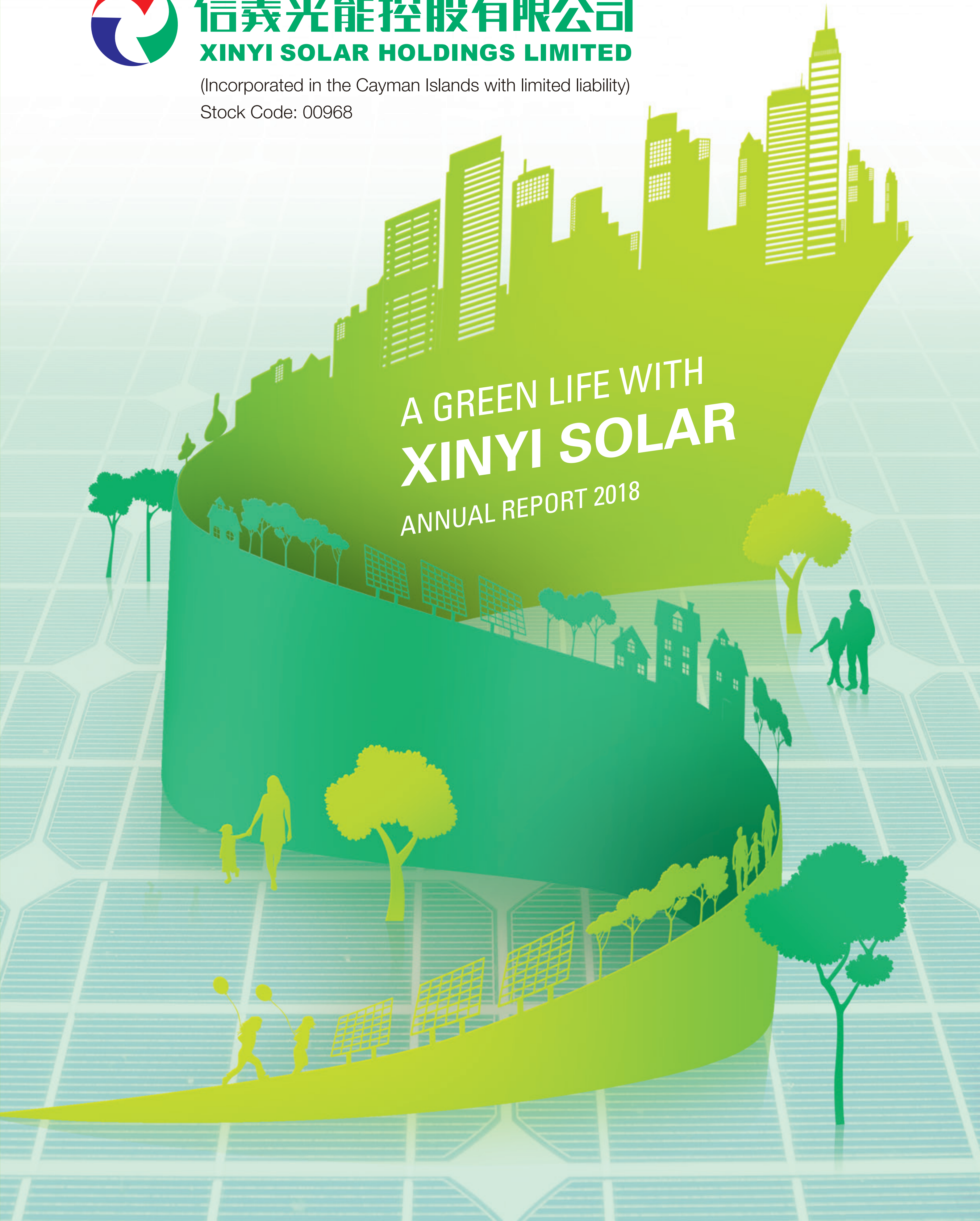
信義光能控股有限公司
XINYI SOLAR HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 00968



A GREEN LIFE WITH XINYI SOLAR

ANNUAL REPORT 2018

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

Dr. 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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

AUDITOR

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

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Bank of East Asia
Bank SinoPac
China Citic Bank
Chiyu Banking Corporation Ltd.
Citibank, N.A.
CMB Wing Lung Bank
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

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$3.90
Market capitalisation as of the date of this annual report: Approximately HK$29,882 million

KEY DATES

Closure of register of members for the purpose of determining the entitlements to attend and vote at the Annual General Meeting:
Thursday, 9 May 2019 to Wednesday, 15 May 2019 (both days inclusive)

Date of Annual General Meeting:
Wednesday, 15 May 2019

Closure of register of members for the purpose of determining the entitlements to the final dividend:
Tuesday, 21 May 2019 to Thursday, 23 May 2019 (both days inclusive)

Proposed final dividend payable date:
On or about Wednesday, 3 July 2019

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Xinyi Solar Holdings Limited (the "**Company**" or "**Xinyi Solar**"), I announce herewith the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2018.

As affected by the drop in contribution from the Group's engineering, procurement and construction ("**EPC**") service segment and the substantial decline in the selling price of solar glass products after the photovoltaic ("**PV**") policy change in China since 31 May 2018, the revenue of the Group decreased by 19.5% to HK$7,671.6 million and profit attributable to equity holders of the Company decreased by 20.1% to HK$1,863.1 million for the year ended 31 December 2018. Basic earnings per share were 24.87 HK cents for the year ended 31 December 2018, as compared with 32.61 HK cents for 2017. A final dividend of 4.2 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**").

MARKET CONTRACTION RESULTING FROM POLICY CHANGE IN CHINA

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

As a measure to contain industry development and mitigate pressure on the Renewable Energy Fund, the National Development and Reform Commission ("**NDRC**"), the Ministry of Finance ("**MoF**") and the National Energy Administration ("**NEA**") adjusted the country's PV subsidy policies starting in June 2018. They published the "2018 Photovoltaic Power Generation Notice (2018年光伏發電有關事項的通知) dated 31 May 2018 ("**531 Policy**"), pursuant to which all new subsidised solar capacity approvals (except for the Top Runner Programme and poverty-alleviation projects) were suspended and DG installation was set at around 10GW for 2018. The policy change put downstream demand into the freezer immediately, resulting in a sharp decline in prices along the entire solar value chain. Supply and demand were off balance. The market remained in a standstill in June and July and growth momentum continued to be stifled. Overseas customers also adopted a wait-and-see strategy in procurement and delayed ordering.

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

MORE DIVERSIFIED GLOBAL PV INSTALLATION

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

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

CAPACITY CHANGE TO ACCOMMODATE NEW MARKET CONDITIONS

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

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

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

SOLAR GLASS PRICE BOTTOMED OUT AND SUSTAINED A TEPID RECOVERY

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

Chairman's Statement

SUPPORTIVE POLICIES PROMOTE GRID PARITY – NEW OPPORTUNITIES FOR SOLAR FARM DEVELOPERS

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

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

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

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

INCREASED CONTRIBUTION FROM ELECTRICITY GENERATION OF SOLAR FARMS

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

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

EPC SERVICES – A SUPPLEMENTARY INCOME SOURCE

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

PROPOSED SPIN-OFF AND SEPARATE LISTING OF XINYI ENERGY

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

BUSINESS OUTLOOK

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

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

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

Chairman's Statement

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

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

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

CONCLUSION

Although some rebounds have already been seen in the second half of 2018 after the 531 Policy shift, the PV market of China remains highly competitive and challenging. In addition, industrial reform and consolidation is expected to continue in 2019. Given the PV technology still has room for improvement, the Directors are confident that the PV industry in China will continue its robust growth after market corrections.

The Group will strive to seek parallel development of its solar glass and solar farm businesses. In order to reinforce its leading position in the industry, the Group will continue to leverage its advantages in scale, optimise operational efficiency and explore new markets to sustain growth through capacity expansion and product innovation.

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

Hong Kong, 25 February 2019

Management's Discussion and Analysis

OVERVIEW

The policy change pursuant to the 531 Policy issued by the NDRC, the MoF and the NEA has affected the operating performance of the Group's solar glass business. Since June 2018, downstream market demand has plummeted, causing a substantial drop in product prices across the entire value chain of the PV industry. The annual performance of the Group's solar glass business was thus largely impacted, notwithstanding the gradual recovery of the solar glass market in the last few months of the year. Although the profit contribution from solar farm business increased, the consolidated profit of the Group for 2018 still recorded a year-on-year decline, mainly because of the decrease in profit contribution from solar glass business and the supplementary business namely engineering, procurement and construction ("**EPC**") service.

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

FINANCIAL REVIEW

Revenue

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

Revenue – By Product

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

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

Solar Glass Revenue – By Geographical Market

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

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

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

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

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

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

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

	As at 31 December 2018 *MW*	As at 30 June 2018 *MW*	As at 31 December 2017 *MW*
Utility-scale ground-mounted solar farms			
Anhui province	**1,340**	1,230	1,160
Others (Hubei, Tianjin, Henan, Fujian, etc.)	**904**	604	574
Sub-total	**2,244**	1,834	1,734
Commercial DG projects	**38**	34	20
Total	**2,282**	1,868	1,754
Utility-scale ground-mounted solar farms enlisted in Catalogue			
– The 6th batch	**250**	250	250
– The 7th batch	**724**	724	—
Total	**974**	974	250
Total number of solar farms	**29**	26	20
Weighted average FiT * (RMB/kWh)	**0.90**	0.93	0.96

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

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

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

Management's Discussion and Analysis

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

Gross Profit

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

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

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

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

Other Income

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

Other Losses, Net

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

Selling and Marketing Expenses

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

Administrative and Other Operating Expenses

The Group's administrative expenses decreased by HK$19.9 million, or 4.6%, from HK$432.6 million in 2017 to HK$412.7 million in 2018. The decline was mainly attributable to: (i) decrease in research and development expenses of HK$34.9 million; (ii) the classification of land use tax, property levy and business tax, amounted to HK$32.1 million in 2017 and classified as administrative and other operating expenses in 2017, was changed to cost of sales in 2018 to suit the applicable reporting and presentation requirement; (iii) listing fee of HK$31.2 million incurred in 2018 for the proposed spin-off of Xinyi Energy Holdings Limited; and (iv) increase in staff cost and benefits of HK$11.6 million. Because of the decline in revenue and certain expenses are fixed, the ratio of administrative and other operating expenses to revenue increased from 4.5% in 2017 to 5.4% in 2018.

Finance Costs

The Group's finance costs increased from HK$178.6 million (or HK$212.9 million before capitalisation) in 2017 to HK$256.0 million (or HK$291.8 million before capitalisation) in 2018. The increase was mainly attributable to new bank borrowings made by the Group to finance the capital expenditures for its solar farm projects and solar glass production capacity expansion. During the year under review, interest expense of HK$35.8 million (2017: HK$34.3 million) was capitalised into the construction costs of different solar farm projects and solar glass production facilities. The capitalised amounts would depreciate together with the relevant assets over their estimated lifespans.

Share of Profit of a Joint Venture

For the year ended 31 December 2018, the Group recorded a share of profit of a joint venture of HK$33.6 million (2017: HK$36.4 million), attributable to the contribution from Xinyi Solar (Lu'an) Company Limited, a 50%-owned joint venture engaging in the management and operation of a 100 MW solar farm in Lu'an, Anhui Province, the PRC.

Income Tax Expense

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

Management's Discussion and Analysis

EBITDA and Net Profit

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

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

Financial Resources and Liquidity

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

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

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

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

Capital Expenditures and Commitments

The Group incurred capital expenditures of HK$3,058.6 million for the year ended 31 December 2018 which was primarily used in the development of the solar farm projects as well as the construction of new solar glass production capacities. Capital commitments contracted for but not incurred by the Group as at 31 December 2018 amounted to HK$674.3 million, which were mainly related to the development and construction of the solar farm projects and the addition of new solar glass production facilities.

Pledge of Assets

No assets of the Group were pledged as security for bank borrowings as of 31 December 2018.

Contingent Liabilities

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

Material Acquisitions and Disposal of Subsidiaries

During the year ended 31 December 2018, the Group acquired four solar farm projects with an aggregate capacity of approximately 64MW. Please refer to note 17 to the consolidated financial statements in this annual report for further details. Except for this, there was no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2018.

Treasury Policies and Exposure to Fluctuation in 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.

Management’s Discussion and Analysis

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

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

For the Group’s solar farm business, the revenue from solar power electricity generation is denominated in RMB whilst most of the bank borrowings are denominated in HKD. As part of the treasury policies, the Group would strike a balance to minimise the risk of currency mismatch between the source of revenue with bank borrowings and the advantage of the lower borrowing rates of HKD as compared to those of the RMB. As at 31 December 2018, all the bank borrowings of the Group were denominated in HKD.

The Group has not experienced any material difficulties and liquidity problems resulting from currency exchange fluctuations. During the year ended 31 December 2018, the Group did not use any financial instrument for hedging purpose.

Employees and Remuneration Policy

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

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

Profile of Directors and Senior Management

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Dr. LEE Yin Yee, B.B.S. (李賢義), aged 66, is a non-executive Director and our Chairman and is responsible for the formulation of our Group's overall business strategy. Dr. LEE Yin Yee, B.B.S. joined our Group in July 2006. Dr. LEE Yin Yee, B.B.S. has 30 years experience in the glass industry. Dr. 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, 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, Dr. LEE Yin Yee, B.B.S. engaged in the trading of automobile parts. Dr. LEE Yin Yee, B.B.S. obtained an honorable doctorate degree in engineering from the Universiti Teknikal Malaysia Melaka in November 2018. Dr. LEE Yin Yee, B.B.S. is a committee member of the 10th-13th Chinese People's Political Consultative Conference and an honorary citizen of Shenzhen in the PRC. Dr. LEE Yin Yee, B.B.S. was appointed in December 2003 as the first chairman of Fu Jian Chamber of commerce in Shenzhen (formerly known as "Shenzhen Fujian Corporate Association"). Dr. 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. Dr. 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 53, 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 30 years since its inception and is currently an executive director and the chief executive officer of Xinyi Glass. Mr. TUNG Ching Sai is a standing committee member of the twelve session of the Guangxi Zhuang Autonomous Regional Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣西壯族自治區委員會常委), vice chairman of the China Architectural and Industrial Glass Association (中國建築玻璃與工業玻璃協會), a member of the executive committee of the twelve session of the All-China Federation of Industry and Commerce (第十二屆全國工商聯執行委員會委員), chairman of the Happy Hong Kong Foundation, and the president of Hong Kong Industrial & Commercial Association. Mr. TUNG obtained the Third Shenzhen Municipal Ten Outstanding Young Entrepreneurs award in September 2001 and was awarded the "Young Industrialist Awards of Hong Kong 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 Dr. LEE Yin Yee, B.B.S., our Chairman and a non-executive Director. Mr. TUNG is also the chairman and non-executive director of Xinyi Automobile Glass Hong Kong Enterprises Limited (stock code: 08328), a company listed on the GEM of the Stock Exchange.

Profile of Directors and Senior Management

Mr. LEE Yau Ching (李友情), aged 43, 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 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 Dr. 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 64, 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 Stock Exchange on 12 December 2013.

Mr. CHEN Xi (陳曦), aged 61, 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.

NON-EXECUTIVE DIRECTOR

Mr. LEE Shing Put (李聖潑), aged 41, 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 6th Shenzhen of the Chinese People's Political Consultative Conference (政協深圳市第六屆委員會常委). Mr. LEE Shing Put is the son of Dr. 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 67, has been an independent non-executive Director since 19 November 2013. 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 also an independent non-executive director of RM Group Holdings Limited (stock code: 00932) (now known as Shunten International (Holdings) Limited), a company listed on the Main Board of the 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 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 71, has been an independent non-executive Director since 19 November 2013. Mr. LO is a member of the Chinese People's Political Consultative Conference, with a Silver 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 Stock Exchange.

Profile of Directors and Senior Management

Mr. KAN E-ting, Martin (簡亦霆), aged 36, has been an independent non-executive Director since 19 November 2013. 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 49, 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 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 39, 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 57, 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.

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 on the Stock Exchange (the "**Listing Rules**") throughout the year of 2018.

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 2018.

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 17 to 20 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 Dr. LEE Yin Yee, B.B.S. Mr. LEE Yau Ching is a nephew of Dr. LEE Yin Yee, B.B.S. and a cousin of Mr. LEE Shing Put.

The two non-executive Directors are Dr. LEE Yin Yee, B.B.S. and Mr. LEE Shing Put. Dr. 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 Dr. 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. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard for the benefits of diversity on 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.

Corporate Governance Report

Dr. 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. Dr. 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 18 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 2018 are as follows:

	Meetings attended/held	
Directors	General meeting	Board meetings
Executive		
TUNG Ching Sai	1/2	6/6
LEE Yau Ching	2/2	6/6
LI Man Yin	1/2	6/6
CHEN Xi	0/2	6/6
Non-executive		
LEE Yin Yee	2/2	6/6
LEE Shing Put	2/2	6/6
Independent non-executive		
CHENG Kwok Kin, Paul	1/2	6/6
LO Wan Sing, Vincent	2/2	6/6
KAN E-ting, Martin	2/2	6/6

At least four Board meetings are scheduled to be held during the year ending 31 December 2019.

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

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 Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year of 2018 and up to the date of this annual report.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board comprises five members, namely Dr. 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 Stock Exchange. During the year ended 31 December 2018, a meeting of the Remuneration Committee was held on 26 February 2018 and all the committee members attended this meeting.

During the year under review, the Remuneration Committee reviewed the remuneration package of the Directors and senior management of the Group as well as the proposal for the grant of share options under the share option scheme of the Company.

The Remuneration Committee has made recommendations to the board on the remuneration packages, including benefits in kind pension rights and compensation payments, of individual directors and senior management.

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 2018 is set forth below:

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

Details of the Directors' remuneration is set out in Note 40 to the consolidated financial statements of the Group on pages 158 to 161 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 Stock Exchange. The Audit Committee held three meetings during the year ended 31 December 2018 on 26 February 2018, 30 July 2018 and 26 September 2018, 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 Dr. 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 Dr. 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 Stock Exchange. During the year ended 31 December 2018, a meeting of the Nomination Committee was held on 26 February 2018 and all the committee members attended this meeting.

During the year under review, the Nomination Committee reviewed: (i) the composition, structure and diversity of the Board; (ii) the independence of independent non-executive Directors; and (iii) the Board Diversity Policy. The Nomination Committee has also made recommendations to the Board on the re-election of the retiring Directors at the forthcoming Annual General Meeting.

NOMINATION POLICY

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including without limitation the following in assessing the suitability of the proposed candidate:

– Reputation for integrity;

– Achieve board diversity, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

– Merit and contribution that candidate will bring to the Board;

– Compliance with the criteria of independence as prescribed under the Listing Rules for the appointment of an independent non-executive Director if the proposed candidate will be nominated as an independent non-executive Director; and

– Able to devote sufficient time and attention to the Company's business.

The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of Directors and succession planning for Directors is subject to the approval of the Board.

Procedures for shareholders' nomination of any proposed candidate for election as a director are stated in "Mechanisms available for shareholders to propose a person for election as a director of the Company" and disclosed in the Company's website.

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 50 to 54 of this annual report.

Corporate Governance Report

AUDITORS' REMUNERATION

For the year under review, the professional fees charged by the external auditors of the Company, PricewaterhouseCoopers, in respect of the audit and non-audit services is disclosed in the notes to the financial statements of the Group during the year, which are as follows:

Auditors remuneration	HK$'000
– Audit services	1,980
– Non-audit services	5,701

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 2018.

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 2018 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 2018.

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

The Company provides 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, all 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.

In compliance with the code provision A.6.5 of the CG Code, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills.

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 2018, 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 AND PUTTING FORWARD PROPOSALS AT 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 (the "**Shareholders**") 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 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 Stock Exchange. There has been no change in the Company's constitutional documents during the year ended 31 December 2018.

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 2018.

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 EPC services. Particulars of the subsidiaries are set forth in Note 13 to the consolidated financial statements in this annual report.

A business review of the Group and further discussion and analysis of these activities of the Group for the year ended 31 December 2018 and the future development are set out in the Chairman's Statement from pages 4 to 8 and Management Discussion and Analysis from pages 9 to 16 of this Annual Report. These discussions from part of this Report of Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 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 approximately HK$594.2 million, was paid to Shareholders in cash or wholly or partly in new and fully paid shares of the Company (the "**Shares**") in lieu of cash by scrip dividend on 19 September 2018.

The Board proposes the payment of a final dividend of 4.2 HK cents per Share to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 23 May 2019. Subject to approval by Shareholders at the forthcoming annual general meeting (the "**Annual General Meeting**"), the final dividend will be paid on or about Wednesday, 3 July 2019.

The register of members of the Company will be closed for the purpose of determining the entitlements to attend and vote at the Annual General Meeting from Thursday, 9 May 2019 to Wednesday, 15 May 2019, 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 8 May 2019.

The register of members of the Company will be closed from Tuesday, 21 May 2019 to Thursday, 23 May 2019, both days inclusive, during such period no transfer of the Shares will be registered 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 Monday, 20 May 2019 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Environmental, Social and Governance ("**ESG**") Report 2017 of the Group was published on 12 July 2018, which is available for download at the website of the 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 2018 and will publish it on the Stock Exchange's website and the Company's website on or before 8 July, 2019.

COMPLIANCE WITH LAWS AND REGULATIONS

During the 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.

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 2018, there were no material dispute between the Group and its customers, suppliers and employees.

Customers are the Company's greatest assets. Xinyi Solar is committed to the production of quality solar glass, with great emphasis on product quality and reputation. Over the years, the Company has already established a professional and reliable corporate image among the customers. Xinyi Solar has been maintaining the harmonious partnership of equal footing, honest cooperation and mutual benefits with suppliers. Supplier management has been standardised. Supplier assessment system has been improved through tendering and procurement. This is to create a fair and just competition environment for suppliers. Xinyi Solar adheres to the philosophy of "People-Oriented" and is committed to providing the employees with a safe and healthy work environment. The staff members are encouraged to show their creativity and potential, realising the co-development of the staff and the enterprise.

DONATIONS

Donations by the Group for charitable and other purposes during the year ended 31 December 2018 amounted to HK$4,935,000 (2017: HK$9,092,000).

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 15 to 16 and section headed "Financial Risk Management" in the Consolidated Financial Statements from pages 87 to 95 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 27 to the consolidated financial statements in this annual report.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, as at 31 December 2018 and without taking into account the proposed final dividend of 4.2 HK cents per Share for the year then ended, share premium amounting to approximately HK$1,856.6 million (2017: HK$2,509.6 million) and retained earnings of HK$641.9 million (2017: HK$647.5 million) 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 distributable reserve available for distribution to Shareholders at 31 December 2018 and 2017.

DIVIDEND POLICY

In considering the payment of dividends, the Board shall maintain adequate cash reserves for meeting its working capital requirements and strike a proper balance between future business growth and rewarding the Shareholders of the Company.

Provided that the daily working capital needs of the Group can be satisfied and funding has been reserved for future development, the Company intends to maintain a relatively stable dividend distribution ratio. However, the Company's dividend distribution record in the past does not necessarily imply that the same level of dividends may be declared or paid by the Company in the future.

In proposing any dividend payout, the Board shall take into account the financial performance and cash flow situation of the Group, future expansion plans and capital requirements, interests of Shareholders, contractual restrictions on payment of dividends, taxation considerations, statutory and regulatory restrictions, general economic conditions, business cycle of the Group's business and any other factors that the Board may consider relevant.

The Company may declare and pay dividends by way of cash or scrip or by other means that the Board considers appropriate. Any dividend unclaimed shall be forfeited and shall revert to the Company in accordance with the Company's Memorandum and Articles of Association.

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

Dr. 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. LI Man Yin, Mr. LO Wan Sing, Vincent and Mr. KAN E-ting, Martin 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 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, options pursuant to the share option 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 2018 and HK$300,000 per annum for the year ending 31 December 2019.
All other Directors	:	HK$250,000 per annum for the year ended 31 December 2018 and HK$250,000 per annum for the year ending 31 December 2019.

During the year ended 31 December 2018, two Directors waived the Director's fees of aggregate amount of HK$500,000 to be received by them from the Company. Details of the remuneration of the Directors are set out in note 40 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 connected transaction and continuing connected transaction disclosed on pages 44 to 48 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 or an entity connected with 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 2018.

SHARE OPTION SCHEME

The following table sets forth movements in the share options of the Company (the "**Share Option Schemes**") for the year ended 31 December 2018:

Name or category of participants	Grant date	Exercise price (HK$)	Exercisable period	Number of share options At 1/1/2018	Granted	Exercised	Lapsed	At 31/12/2018
Executive director								
– Mr. CHEN Xi	24/7/2014	2.27#	24/7/2017-23/7/2018	380,579	—	(380,579)	—	—
	12/5/2015	2.84#	1/4/2018-31/3/2019	377,559	—	—	—	377,559
	23/3/2016	2.78#	1/4/2019-31/3/2020	377,559	—	—	—	377,559
	31/3/2017	2.48#	1/4/2020-31/3/2021	377,559	—	—	—	377,559
	29/3/2018	3.18	1/4/2021-31/3/2022	—	375,000	—	—	375,000
Continuous contract employees	24/7/2014	2.27#	24/7/2017-23/7/2018	2,888,376	—	(2,810,495)	(77,881)	—
	12/5/2015	2.84#	1/4/2018-31/3/2019	4,196,404	—	(548,683)	(140,956)	3,506,765
	23/3/2016	2.78#	1/4/2019-31/3/2020	5,375,367	—	—	(177,198)	5,198,169
	31/3/2017	2.48#	1/4/2020-31/3/2021	6,293,075	—	—	(284,928)	6,008,147
	29/3/2018	3.18	1/4/2021-31/3/2022	—	7,430,000	—	—	7,430,000
Total				20,266,478	7,805,000	(3,739,757)	(680,963)	23,650,758

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

During the year ended 31 December 2018, 3,739,757 options (2017: 277,035 options) were exercised. Taking in account the share options exercised or lapsed subsequent to 31 December 2018, as at 25 February 2019, a total of 21,397,333 options were still outstanding under the Share Option Scheme which represents approximately 0.28% of the issued Shares of the Company.

A summary of the principal terms of the Share Option Scheme 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 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 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 17 to 20 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 2018, 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code 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
Dr. LEE Yin Yee, B.B.S. [1]	Interest in a controlled corporation[1]	Realbest (as defined below)	829,014,056	10.823%
	Interest in a controlled corporation[2]	Full Guang (as defined below)	76,060,196	0.993%
	Personal interest[1]		79,130,869	1.033%
	Interest in persons acting in concert[3]		2,626,814,426	34.295%
Mr. TUNG Ching Sai[4]	Interest in a controlled corporation[4]	Copark(as defined below)	282,277,830	3.685%
	Personal interest[4]		96,055,120	1.254%
	Interest in persons acting in concert[3]		2,626,814,426	34.295%
Mr. LI Man Yin[5]	Interest in a controlled corporation[5]	Perfect All (as defined below)	91,394,968	1.193%
	Personal interest[5]		5,566,039	0.073%
	Interest in persons acting in concert[3]		2,626,814,426	34.295%
Mr. LEE Yau Ching[6]	Interest in a controlled corporation[6]	Telerich (as defined below)	287,607,718	3.755%
Mr. CHEN Xi[7]	Personal interest		230,476	0.003%

Notes:

(1) Dr. 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 829,014,056 Shares. Dr. LEE Yin Yee, B.B.S. also has 79,130,869 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 Dr. 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 Dr. 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 282,277,830 Shares. Mr. TUNG Ching Sai also has 15,754,717 Shares held in his own name and 80,300,403 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 91,394,968 Shares. Mr. LI Man Yin also has 3,325,490 Shares in his own name and 2,240,549 Shares through his spouse, Madam LI Sau Suet.

(6) Mr. LEE Yau Ching is one of the two directors of Telerich Investment Limited ("**Telerich**"), a company incorporated in the BVI with limited liability and wholly-owned by Mr. LEE Sing Din, the father of Mr. LEE Yau Ching. Telerich is the registered owner of 287,607,718 Shares.

(7) Mr. CHEN Xi has 230,476 Shares held through his spouse, Madam MAO Ke.

(ii) Share options of the Company

As at 31 December 2018, there were a total of 1,507,677 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	:	29 March 2018	31 March 2017	23 March 2016	12 May 2015
Number of share options granted	:	375,000	375,000	375,000	375,000
Number of share options outstanding at 31 December 2018	:	375,000	377,559#	377,559#	377,559#
Exercise period	:	1 April 2021 to 31 March 2022	1 April 2020 to 31 March 2021	1 April 2019 to 31 March 2020	1 April 2018 to 31 March 2019
Exercise price per Share	:	HK$3.18	HK$2.48#	HK$2.78#	HK$2.84#
Capacity in which interest is held	:	Beneficial owner	Beneficial owner	Beneficial owner	Beneficial owner
Approximate percentage of the Company's issued share capital	:	0.005%	0.005%	0.005%	0.005%

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

(iii) Long positions in shares of an associated corporation

The following table sets forth the interests of the Directors in Xinyi Energy, a non-wholly owned subsidiary of the Company, as at 31 December 2018:

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

Save as disclosed above, as at 31 December 2018, to the knowledge of the Company, none of the Directors or chief executive of the Company had or was deemed under the SFO to have any interests or short positions in any of the shares or the underlying share and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2018, the interests and short positions of the persons, other than Directors and chief executive of the Company, in the Shares and the underlying Shares of the Company, as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, were as follows:

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	2,033,308,867	26.546%
Xinyi Automobile Glass (BVI) Company Limited	Interest in a controlled corporation	2,033,308,867	26.546%
Xinyi Glass Holdings Limited	Beneficial owner	244,674,811	3.194%
	Interest in a controlled corporation	2,033,308,867	26.546%
Mr. TUNG Ching Bor	Interest in a controlled corporation(1)	304,950,674	3.981%
	Personal interest(1)	48,265,333	0.630%
	Interest in persons acting in concert(2)	2,626,814,426	34.295%
Mr. LEE Sing Din	Interest in a controlled corporation(3)	287,607,718	3.755%
	Personal interest(3)	71,482,450	0.933%
	Interest in persons acting in concert(2)	2,626,814,426	34.295%
Mr. LI Ching Wai	Interest in a controlled corporation(4)	133,267,933	1.740%
	Personal interest	3,595,686	0.047%
	Interest in persons acting in concert(2)	2,626,814,426	34.295%
Mr. SZE Nang Sze	Interest in a controlled corporation(5)	126,561,775	1.652%
	Personal interest	2,510,329	0.033%
	Interest in persons acting in concert(2)	2,626,814,426	34.295%
Mr. NG Ngan Ho	Interest in a controlled corporation(6)	89,351,040	1.167%
	Personal interest	2,514,901	0.033%
	Interest in persons acting in concert(2)	2,626,814,426	34.295%
Mr. LI Ching Leung	Interest in a controlled corporation(7)	88,997,706	1.162%
	Personal interest(7)	8,209,803	0.107%
	Interest in persons acting in concert(2)	2,626,814,426	34.295%

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 Dr. 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 2,286,274 Shares held in his own name and 69,196,176 Shares through a joint account with his spouse, Madam LI Kam Ha.

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

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

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

(7) Mr. LI Ching Leung's interests in the Shares are held through Herosmart Holdings Limited, a company incorporated in the BVI with limited liability and wholly-owned by Mr. LI Ching Leung. Mr. LI Ching Leung also has 7,752,549 Shares held in his own name and 457,254 Shares through his spouse, Madam DY Maria Lumin.

Saved as disclosed above, the Directors are not aware of any persons, other than Directors and chief executive of the Company, who had an 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 2018.

DETAILS OF DIRECTORSHIPS OF THE DIRECTORS IN EACH OF THOSE COMPANIES WHICH HAS AN INTEREST OR SHORT POSITION IN SHARES AND UNDERLYING SHARES WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

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 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 held within such companies
Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai	Xinyi Group (Glass) Company Limited	Director
Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai	Xinyi Automobile Glass (BVI) Company Limited	Director

Name of Directors	Name of companies which had such discloseable interest or short positions	Position within such companies
Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai	Xinyi Glass Holdings Limited	Director
Dr. 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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

As at 31 December 2018, 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 2018, 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 dated 19 November 2013 entered into 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.

Report of the Directors

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	15.9%
– five largest customers in aggregate	39.2%
Purchases	
– the largest supplier	10.4%
– five largest suppliers in aggregate	25.5%

None of the Directors, their close 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 beneficial interest in any of the Group's five largest customers and five largest suppliers.

BANK BORROWINGS

The total bank borrowings of the Group as at 31 December 2018 amounted to HK$8,769.5 million (2017: HK$7,932.7 million). Particulars of the bank borrowings are set out in Note 31 to the consolidated financial statements in this annual report.

REWARD FOR EMPLOYEES

As at 31 December 2018, the Group had about 3,308 full-time employees of whom 2,723 were based in Mainland China and 585 were based in Hong Kong, Malaysia and other countries. 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 2018 are set out in Note 37 to the consolidated financial statements. Some of these transactions also constitute "Connected Transactions" and "Continuing Connected Transactions" under the Listing Rules, as identified below.

During the year ended 31 December 2018, the Group had the following connected transactions and continuing connected transactions, details of which are set out below:

Connected Transaction - Acquisition of land parcel

On 4 May 2018, Xinyi Solar (Malaysia) Sdn. Bhd. ("**Xinyi Solar Malaysia**"), a wholly-owned subsidiary of Xinyi Solar, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with Xinyi Energy Smart (Malaysia) Sdn. Bhd. ("**Xinyi Energy Smart**"), a wholly-owned subsidiary of Xinyi Glass. Pursuant to the sale and purchase agreement, Xinyi Solar Malaysia agreed to acquire, and Xinyi Energy Smart agreed to sell, a land parcel of 68.602 acres (or approximately 2,988,303 square feet) in Malaysia (the "**Malaysia Land Parcel**") at an aggregate consideration of MYR73,213,423.50 (equivalent to approximately HK$148,696,463).

The Malaysia Land Parcel, which is located adjacent to the Group's existing manufacturing site in Malacca, Malaysia, provides an opportunity for the Group to construct and equip new manufacturing facilities, which in turn will enable the Group to expand its manufacturing capacity, and achieve synergy and operational efficiency.

Xinyi Glass and its subsidiaries (including Xinyi Energy Smart) are connected persons at issuer level of the Company pursuant to Rule 14A.07(1) of the Listing Rules and the sale and purchase of Malaysia Land Parcel contemplated under the Sale and Purchase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Continuing connected transactions

1) *Lease of properties*

a) From Xinyi Energy Smart (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 Energy Smart (Wuhu) Company Limited ("**Xinyi Energy Smart (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 Energy Smart (Wuhu) at the then market rental of RMB924,000 per annum from 1 January 2016 to 31 December 2018 ("**Lease #1**").

As disclosed in the Company's announcement dated 21 December 2017, Xinyi Solar (Wuhu) has entered a lease agreement with Xinyi Energy Smart (Wuhu), pursuant to which Xinyi Solar (Wuhu) has agreed to lease office premises with a gross floor area of 895.16 sq.m. from Xinyi Energy Smart (Wuhu) at the then market rental of RMB32,226 per month from 1 January 2018 to 31 December 2020 ("**Lease #2**").

As disclosed in the Company's announcement dated 21 December 2017, Xinyi Energy (Hong Kong) Limited ("**Xinyi Energy (Hong Kong)**") has entered a lease agreement with Xinyi Energy Smart (Wuhu), pursuant to which Xinyi Energy (Hong Kong) has agreed to lease office premises with a gross floor area of 600 sq.m. from Xinyi Energy Smart (Wuhu) at the then market rental of RMB21,600 per month from 1 January 2018 to 31 December 2020 ("**Lease #3**").

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 RMB344,160 per month from 1 January 2016 to 31 December 2018 ("**Lease #4**").

c) To Xinyi Energy Smart (Wuhu)

As disclosed in the Company's announcement dated 21 January 2016, Xinyi Solar (Wuhu) has renewed a lease agreement with Xinyi Energy Smart (Wuhu), pursuant to which Xinyi Energy Smart (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 ("**Lease #5**").

Xinyi Energy Smart (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.

In respect of Lease #1 and Lease #4, the rent paid to Xinyi Energy Smart (Wuhu) and Xinyi Glass (Tianjin) in aggregate amounted to approximately HK$5,946,000 for the year ended 31 December 2018, which was within the annual cap of HK$5,946,000 as set forth in the Company's announcement dated on 21 January 2016.

In respect of Lease #2 and Lease #3, the rent paid to Xinyi Energy Smart (Wuhu) amounted to approximately HK$455,000 and HK$305,000 respectively for the year ended 31 December 2018, which was within the annual cap of HK$457,000 and HK$306,200 respectively as set forth in the Company's announcement dated on 21 December 2017.

In respect of Lease #5, the rent received from Xinyi Energy Smart (Wuhu) amounted to approximately HK$1,087,000 for the year ended 31 December 2018, which 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 21 December 2017, the Group entered into glass supply framework agreement ("**Glass Supply Framework Agreement**") with Xinyi Glass in relation to the purchase of float glass and architectural glass products by the Group from Xinyi Glass and its subsidiaries ("**Xinyi Glass Group**") for the year ended 31 December 2018. The purpose of the Glass Supply Framework Agreement was to secure a stable and reliable supply source of float glass and architectural glass products with savings in transportation and handling costs.

The annual cap and the actual transaction amount of the transactions contemplated under the Glass Supply Framework Agreements for the year ended 31 December 2018 is HK$211,100,000 and HK$199,194,000 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 Glass Supply Framework Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

3) Purchase of machineries

As disclosed in the Company's announcement dated 21 December 2017, 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 2018. 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 2018 are HK$73,700,000 and HK$66,650,000 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.

4) Processing of lithium battery energy storage equipment

As disclosed in the Company's announcement dated 26 February 2018, Xinyi Solar (Hong Kong) Limited entered into processing framework agreement ("**Processing Framework Agreement**") with Xinyi Automobile Glass Hong Kong Enterprises Limited ("**Xinyi Hong Kong**") in relation to the processing of lithium battery energy storage equipment by Xinyi Hong Kong for the year ended 31 December 2018. The purpose of entering into the Processing Framework Agreement was to enable the Group to maintain lithium battery energy storage equipment which can reduce electricity costs attribute to the load shifting in power grid and ensure stability in power supply.

The annual cap and the actual transaction amount of the transactions contemplated under the Processing Framework Agreement for the year ended 31 December 2018 are HK$12,300,000 and HK$2,976,000 respectively.

Directors of Xinyi Solar, namely Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai and Mr. LI Man Yin and their respective associates are interested in more than 30% in aggregate of the issued share capital of Xinyi Hong Kong, 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.

Report of the Directors

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 44 to 48 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 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 and risk management systems 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 2018.

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

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

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.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 15 May 2019, 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 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
Dr. LEE Yin Yee, B.B.S.
Chairman

Hong Kong, 25 February 2019

Independent Auditor's Report

pwc 羅兵咸永道

To the Shareholders of Xinyi Solar Holdings Limited
(incorporated in the 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 161, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- 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 2018, 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

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 matter identified in our audit is related to recoverability of overdue and long-aged trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of overdue and long-aged trade receivables	
Refer to notes 2.2(b)(ii), 2.12, 2.14, 2.16, 23 to the consolidated financial statements. Trade receivables amounted to HK$3,452,905,000 as at 31 December 2018. 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 is expected in normal operating cycle.	We understood and evaluated the controls procedures over management's recoverability assessment on the overdue and long-aged trade receivables and assessment on the lifetime expected credit loss allowance. We tested 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. We also understood and tested management's assessment of the lifetime expected credit loss allowance by comparing to supportable evidence about the past settlement profiles of sales and the corresponding historical credit losses and tested the input of the forward-looking information, if any.

Key Audit Matter	How our audit addressed the Key Audit Matter
The Group grouped trade receivables based on shared credit risk characteristics and ageing profiles and made provisions for loss allowance on trade receivables based on an assessment of the recoverability of overdue and long-aged trade receivables on individual customer basis and the lifetime expected credit loss allowance on each group of trade receivables. The lifetime expected credit loss allowance is measured based on past settlement profiles of sales over a period of 12 months and the corresponding historical credit losses experience within this period adjusted with current and forward-looking information on macroeconomic factors that affecting the ability of the customers to settle the receivables. We focus on this area due to the size of the trade receivables as at year end date, the identification of doubtful debts and the measurement of lifetime expected credit loss allowance requires a high degree of judgment and estimates, including an assessment on the successfulness of the respective solar farm's registration to the Catalogue.	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 the information included in Corporate Information, Chairman's Statement, Management's Discussion and Analysis, Profile of Directors and Senior Management, Report of the Directors, Corporate Governance Report and Financial Summary (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Environmental, Social and Governance Report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Environmental, Social and Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and take appropriate action considering our legal rights and obligations.

RESPONSIBILITIES OF DIRECTORS AND THE 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.

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, 25 February 2019

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	7,671,632	9,527,031
Cost of sales	7	(4,711,194)	(6,122,410)
Gross profit		2,960,438	3,404,621
Other income	5	176,433	181,047
Other (losses)/gains, net	6	(7,952)	211
Selling and marketing expenses	7	(271,169)	(239,318)
Administrative and other operating expenses	7	(412,690)	(432,598)
Impairment losses on trade receivables	3.1(b), 7	(1,584)	—
Operating profit		2,443,476	2,913,963
Bargain purchase arising from business combinations	17	5,839	—
Finance income	9	9,567	14,098
Finance costs	9	(255,959)	(178,605)
Share of profits of a joint venture		33,613	36,407
Share of profits of associates		9,804	3,572
Profit before income tax		2,246,340	2,789,435
Income tax expense	10	(204,662)	(265,336)
Profit for the year		2,041,678	2,524,099
Profit for the year attributable to:			
– the equity holders of the Company		1,863,146	2,332,031
– non-controlling interests		178,532	192,068
		2,041,678	2,524,099
Earnings per share attributable to the equity holders of the Company			
(Expressed in HK cents per share)			
– Basic	11	24.87	32.61
– Diluted	11	24.86	32.61

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

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

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	18	**15,804,382**	14,240,034
Land use rights	19	**319,877**	343,721
Prepayments for property, plant and equipment, land use rights and operating leases	24	**335,224**	260,965
Finance lease receivables	25	**187,806**	—
Interests in a joint venture	15	**358,296**	387,842
Investments in associates	16	**75,123**	65,319
Deferred income tax assets	32	**4,107**	837
Goodwill		**4,485**	2,001
Total non-current assets		**17,089,300**	15,300,719
Current assets			
Inventories	20	**429,576**	373,942
Amounts due from customers for construction work	21	**—**	28,000
Contract assets	22	**56,122**	—
Trade and bills receivables	23	**4,153,804**	4,166,578
Prepayments, deposits and other receivables	24	**1,370,339**	1,517,433
Finance lease receivables	25	**5,355**	—
Amount due from a joint venture	15	**4,131**	—
Cash and cash equivalents	26	**783,873**	1,380,587
Total current assets		**6,803,200**	7,466,540
Total assets		**23,892,500**	22,767,259
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	**765,969**	742,396
Other reserves	29	**2,232,726**	3,591,132
Retained earnings		**7,435,114**	5,787,599
		10,433,809	10,121,127
Non-controlling interests		**1,625,109**	1,559,229
Total equity		**12,058,918**	11,680,356

Consolidated Balance Sheet

As at 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	32	**10,608**	—
Bank borrowings	31	**4,996,500**	4,787,428
Other payables	30	**89,125**	58,647
Total non-current liabilities		**5,096,233**	4,846,075
Current liabilities			
Bank borrowings	31	**3,773,009**	3,145,260
Trade and other payables	30	**2,780,434**	2,940,939
Contract liabilities	22	**33,978**	—
Amounts due to related companies	37	**101,687**	53,778
Amount due to a joint venture	15	**—**	13,036
Current income tax liabilities		**48,241**	87,815
Total current liabilities		**6,737,349**	6,240,828
Total liabilities		**11,833,582**	11,086,903
Total equity and liabilities		**23,892,500**	22,767,259

The financial statements on pages 55 to 161 were approved by the Board of Directors on 25 February 2019 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 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	For the year ended 31 December 2018						
	Attributable to owners of the Company						
	Share capital (Note 27) HK$'000	Share premium (Note 29) HK$'000	Other reserves (Note 29) HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2018	742,396	2,509,611	1,081,521	5,787,599	10,121,127	1,559,229	11,680,356
Comprehensive income							
Profit for the year	—	—	—	1,863,146	1,863,146	178,532	2,041,678
Other comprehensive loss							
Currency translation differences	—	—	(899,449)	—	(899,449)	(112,652)	(1,012,101)
Share of other comprehensive loss of a joint venture accounted for under equity method	—	—	(23,435)	—	(23,435)	—	(23,435)
Total comprehensive income for the year	—	—	(922,884)	1,863,146	940,262	65,880	1,006,142
Transactions with owners							
Employees' share option scheme:							
– exercise of employees' share options	374	11,056	(2,628)	—	8,802	—	8,802
– value of employee services			4,458		4,458	—	4,458
– release of share option reserve for share options lapsed	—	—	(48)	48	—	—	—
Issuance of shares in respect of scrip dividend of 2018 interim dividend	23,199	450,064	—	—	473,263	—	473,263
Dividend:							
– 2017 final dividend	—	(519,898)	—	—	(519,898)	—	(519,898)
– 2018 interim dividend	—	(594,205)	—	—	(594,205)	—	(594,205)
Appropriation to statutory reserve	—	—	215,679	(215,679)	—	—	—
Balance at 31 December 2018	765,969	1,856,628	376,098	7,435,114	10,433,809	1,625,109	12,058,918

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	For the year ended 31 December 2017						
	Attributable to owners of the Company						
	Share capital (Note 27) HK$'000	Share premium (Note 29) HK$'000	Other reserves (Note 29) 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 for share options lapsed	—	—	(62)	62	—	—	—
Dividend:							
– 2016 final dividend	—	(445,421)	—	—	(445,421)	—	(445,421)
– 2017 interim dividend	—	(593,894)	—	—	(593,894)	—	(593,894)
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

The notes on pages 62 to 161 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**2,800,824**	1,726,868
Interest paid		**(257,161)**	(180,865)
Income tax paid		**(233,306)**	(247,795)
Net cash generated from operating activities		**2,310,357**	1,298,208
Cash flows from investing activities			
Prepayment for purchases of land use rights		**(24,701)**	—
Purchases of and prepayment for purchase of property, plant and equipment		**(3,033,882)**	(2,511,097)
(Payment for)/acquisition of subsidiaries, net of cash acquired		**(14,854)**	587
Repayment from a joint venture		**27,829**	5,566
Proceeds from disposal of property, plant and equipment	33(b)	**888**	434
Interest received		**9,567**	14,098
Net cash used in investing activities		**(3,035,153)**	(2,490,412)
Cash flows from financing activities			
Net proceeds from rights issue		**—**	1,506,835
Proceeds from exercise of employees option		**8,802**	628
Proceeds from bank borrowings		**4,961,636**	3,225,062
Repayment of bank borrowings		**(4,155,576)**	(1,989,873)
Dividend paid to Company's shareholders		**(640,840)**	(1,039,315)
Net cash generated from financing activities		**174,022**	1,703,337
Net (decrease)/increase in cash and cash equivalents		**(550,774)**	511,133
Cash and cash equivalents at beginning of year		**1,380,587**	843,332
Effect of foreign exchange rate changes		**(45,940)**	26,122
Cash and cash equivalents at end of year	26	**783,873**	1,380,587

The notes on pages 62 to 161 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 25 February 2019.

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 and the disclosure requirements of the Hong Kong Companies Ordinance Cap.622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. 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) New standards, amendments to standards and interpretation adopted by the Group

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

- Amendments to HKFRS 1 and HKAS 28, "Annual Improvements 2014–2016 Cycle"
- Amendments to HKFRS 2, "Classification and Measurement of Share-based Payment Transactions"
- Amendments to HKFRS 4, "Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts"

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) *New standards, amendments to standards and interpretation adopted by the Group* (Continued)

- HKFRS 9, "Financial Instruments" ("HKFRS 9")
- HKFRS 15, "Revenue from Contracts with Customers" ("HKFRS 15")
- Amendments to HKFRS 15, "Clarifications to HKFRS 15"
- Amendments to HKAS 40, "Transfers of Investment Property"
- HK(IFRIC)-Int 22, "Foreign Currency Transactions and Advance Consideration"

The impacts of the adoption of HKFRS 9 and HKFRS 15 are disclosed in Note 2.2 below.

Apart from aforementioned HKFRS 9 and HKFRS 15, the adoption of the above new standards, amendments to standards and interpretation does not have any significant impact to the results and financial position of the Group.

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

		Effective for accounting periods beginning on or after
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1 January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance Contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKFRS 3	Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of Material	1 January 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

HKFRS 16 "Leases"

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

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

HKFRS 16 will primarily affect the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of HK$1,199,862,000, see Note 34. The Group expects to recognise right-of-use assets of approximately HK$610,292,000 on 1 January 2019, lease liabilities of HK$549,383,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). As at 1 January 2019, overall net assets will be remained unchanged, and net current assets will be lower due to the presentation of a portion of the liability as a current liability.

The Group expects that impact on gross profit used to measure segment results, net profit after tax, operating cash flows and financing cash flows for 2019 are immaterial as a result of adopting the new rules.

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

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

2.2 Changes in accounting policies

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

(a) *Impact on the financial statements*

The following explains the impact of the adoption of HKFRS 9 and HKFRS 15 on the Group's financial statements.

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

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

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

(b) *HKFRS 9 Financial Instruments*

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

The adoption of HKFRS 9 from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in Notes 2.12 and 2.14 below. In accordance with the transitional provisions in HKFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(b) *HKFRS 9 Financial Instruments* (Continued)

(i) *Classification and measurement*

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

The financial assets currently held by the Group include debt instruments previously classified as loans and receivables which continue to be measured at amortised cost under HKFRS 9. Accordingly, there is no impact on the classification and measurement of its financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the HKFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 and have not been changed.

(ii) *Impairment of financial assets*

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Changes in accounting policies (Continued)

(c) *HKFRS 15 Revenue from Contracts with Customers*

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

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

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

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

- Contract assets recognised in relation to EPC services were previously presented as amounts due from customers for construction work (HK$28,000,000 as at 1 January 2018).
- Contract liabilities in relation to receipt in advance from customers for sales of goods not yet delivered to customers, were previously included in trade and other payables (HK$44,986,000 as at 1 January 2018).

(ii) *Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018*

By comparing the amounts reported under HKFRS 15 in the Group's consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 as if those superseded standards had continued to apply in 2018 instead of HKFRS 15, the impact of the adoption of HKFRS 15 on the Group's consolidated balance sheet as at 31 December 2018 would be the similar to that of 1 January 2018 disclosed above. Contract assets, rather than amounts due from customers for construction work, of HK$56,122,000 and contract liabilities, rather than trade and other payables, of HK$2,814,412,000 are recognised in the Group's consolidated balance sheet as at 31 December 2018, respectively. On the other hand, there is no impact of adoption of HKFRS 15 on the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Subsidiaries

2.3.1 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 acquire 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, 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)

2.3 Subsidiaries (Continued)

2.3.1 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 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 or an associate. 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.

2.3.2 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.

2.4 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Associates (Continued)

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, 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 consolidated income statement.

2.5 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.

2.6 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)

2.7 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 hyperinflationary 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)

2.8 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 2.11).

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)

2.9 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.

2.10 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.

2.11 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets

2.12.1 Accounting policies applied from 1 January 2018

(a) *Classification*

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Finance lease receivables are regarded as financial assets for the purpose of derecognition and impairment.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(c) *Measurement* (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Financial assets (Continued)

2.12.1 Accounting policies applied from 1 January 2018 (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

2.12.2 Accounting policies applied until 1 January 2018

(a) Classification

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 2.16) and "cash and cash equivalents" (Note 2.18) in the consolidated balance sheet.

(b) Recognition and derecognition

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. 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.

(c) Measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Offsetting financial instruments

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.

2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Impairment on other receivables (excluding prepayments) and receivables from related parties is measured at either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

For finance lease receivables, the amount of loss impairment is measured as the difference between the carrying amount of the receivables and the present value of the estimated future cash flows, discounted at the implicit effective interest rate used on initial recognition.

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

2.15 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.

2.16 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Contract assets and contract liabilities

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. A contract asset becomes a receivable when the entity's right to consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. The impairment of contract assets is measured, presented and disclosed on the same basis set out in Note 2.14. A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2.18 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.

2.19 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.

2.20 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.

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Current and deferred income tax (Continued)

(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.

2.26 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.

Revenue is recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The Group bases its estimates of return on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement. Revenue is recognised as follows:

(a) Sales of goods

The Group manufactures and sells solar glass. Revenue from sales of solar glass are recognised when control of the products has transferred, being when the products are delivered to the customers, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers, and either the customers has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract. No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(a) Sales of goods (Continued)

No contract liability and right to the returned goods are recognised as insignificant amount of returns are expected based on previous experience.

As receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Sales of electricity

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

The revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government of the PRC (the "PRC government"). It is currently settled by state grid companies for the electricity generated by the solar farms on a monthly basis.

(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 a point in time 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.

The revenue from tariff adjustment is based on the difference between the feed-in-tariff regime implemented by the PRC government for the provision of subsidy to the solar farm operators in the PRC and the revenue from sales of electricity.

(d) Revenue from construction contracts (EPC services)

Revenues from EPC services are recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(d) Revenue from construction contracts (EPC services) (Continued)

All performance obligations that do not meet the criteria for being satisfied over time should be accounted for as performance obligations satisfied at a point in time. The performance obligation is satisfied at the point in time when control of the goods or services transfers to the customer.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. If control of the asset transfers at a point in time, revenue is recognised at the point in time when satisfaction of performance obligation is completed.

(e) Rental income

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

2.27 Interest income

Interest income on financial assets at amortised cost (2017: receivables) calculated using the effective interest method is recognised in the consolidated income statement. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, details are disclosed in Note 9.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.28 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 Employee benefits (Continued)

(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.

2.29 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).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.29 Share-based payments (Continued)

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

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.

2.30 Leases

(a) Where the Group is the lessor

Finance lease

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivables by the Group as a finance lease receivables and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the balance sheet as finance lease receivables – net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

Initial direct costs, such as commissions, legal fees and internal costs that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivables and reduce the amount of income recognised over the lease term. See Notes 2.12 and 2.14 for accounting policies for derecognition and impairment of finance lease receivables.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.30 Leases (Continued)

(b) Where the Group is the lessee

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.

2.31 Financial guarantee

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates 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.

2.32 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.

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 2018, if US$ had strengthened/weakened by 5% (2017: 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$1,069,000 (2017: HK$2,085,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables and cash and cash equivalents.

As at 31 December 2018, if HK$ had strengthened/weakened by 5% (2017: 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$2,380,000 (2017: HK$1,965,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of HK$ denominated trade receivables and cash and cash equivalents.

As at 31 December 2018, if US$ had strengthened/weakened by 5% (2017: 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$6,527,000 (2017: HK$8,007,000) higher/lower mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables and cash and cash equivalents.

Details of the Group's trade receivables and cash and cash equivalents are disclosed in Note 23 and Note 26.

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 26 and Note 31 to the consolidated financial statements.

As at 31 December 2018, 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$ 20,097,000 (2017: HK$16,587,000) 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, finance lease receivables and amount due from a joint venture. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing 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:

	2018 HK$'000	2017 HK$'000
Trade and other receivables excluding prepayments and other tax receivables	**3,649,964**	3,663,282
Bills receivables (Note 23)	**701,254**	672,730
Contract assets	**56,122**	—
Finance lease receivables (Note 25)	**193,161**	—
Amount due from a joint venture (Note 15)	**4,131**	—
Cash at bank (Note 26)	**778,639**	1,379,951
Maximum exposure to credit risk	**5,383,271**	5,715,963

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(i) *Risk management*

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an on-going basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets at the reporting date with risk of default as of the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that expected to cause a significant change to the customer's ability to meeting its obligations;
- actual or expected significant changes in the operating results of the debtor/customer;
- significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customer and changes in the operating results of the customer; and
- actual or expected significant adverse changes in the government policies and incentives.

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 receivables 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)

(b) *Credit risk* (Continued)

(ii) *Impairment of financial assets*

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

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

Bills receivables and cash at bank

As at 31 December 2018 and 2017, 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. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as at 31 December 2018 and 2017.

Trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 month and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period beyond normal operating cycle.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

In respect of trade receivables arising from sales of solar glass and EPC services, the Group has policies in place to ensure that the sales of solar glass and EPC services 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 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. Therefore, expected credit loss rate of trade receivables arising from sales of solar glass and EPC services and contract assets is assessed to be close to zero.

As at 31 December 2018, 2017 and 1 January 2018 (on adoption of HKFRS 9), the loss allowances for trade receivables were HK$355,000, Nil and Nil, respectively.

In respect of 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"). In June 2018, the Group has another eight ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality with an aggregate capacity of 724 MW, successfully enlisted on the seventh batch of the Catalogue. The Group has another twelve ground-mounted solar farms with aggregate approved grid connection capacity of 1,250 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 and does not expect any losses from non-performance by the customers. Therefore, expected credit loss rate of trade and tariff adjustment receivables is assessed to be close to zero and no provision was made as at 31 December 2018 and 2017 and 1 January 2018.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables and contract assets (Continued)

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% (2017: 39%) of the Group's total sales. They accounted for approximately 50% (2017: 49%) of the gross trade receivables balances as at 31 December 2018.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- default or delinquency in interest or principal payments;
- probability that the debtor will enter bankruptcy or other financial reorganisation; and
- observable data indicating a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other financial assets at amortised costs

Other financial assets at amortised cost include the amount due from a joint venture and other receivables excluding prepayments and other tax receivables.

The credit quality of other financial assets at amortised cost has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. Given the track record of repayment in full, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the other financial assets at amortised cost is assessed to be close to zero and no provision was made as at 31 December 2018 and 2017 and 1 January 2018.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk* (Continued)

(ii) *Impairment of financial assets* (Continued)

Finance lease receivables

The Group applies the simplified approach to recognise lifetime expected credit loss for finance lease receivables that results from transactions that are within the scope of HKAS 17. Given the track record of regular cash flow received by the Group, the directors are of the opinion that the risk of default by these counterparties is not significant and does not expect any losses from non-performance by the counterparties. Therefore, expected credit loss rate of the finance lease receivables is assessed to be close to zero and no provision was made as at 31 December 2018 and 2017 and 1 January 2018.

Net impairment losses trade receivables recognised in profit or loss

Of the net impairment losses on financial and contract assets recognised in profit or loss, HK$1,584,000 (2017: HK$1,104,000) relate to receivables arising from contracts with customers.

(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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	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 2018				
Trade, bills and other payables excluding accruals of staff cost, other taxes payable and contract liabilities	2,683,615	89,125	—	2,772,740
Bank borrowings	3,983,907	2,512,217	2,773,430	9,269,554
Total	6,667,522	2,601,342	2,773,430	12,042,294
At 31 December 2017				
Trade, bills and other payables excluding accruals of staff cost, other taxes payable and receipt in advance	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

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018 HK$'000	2017 HK$'000
Total borrowings (Note 31)	**8,769,509**	7,932,688
Less: Cash and cash equivalents (Note 26)	**(783,873)**	(1,380,587)
Net debt	**7,985,636**	6,552,101
Total equity	**12,058,918**	11,680,356
Gearing ratio	**66.2%**	56.1%

The increase in the gearing ratio during 2018 resulted primarily from usage of cash and cash equivalent and 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

Fair value measurement by level of hierarchy is not disclosed as the Group has no financial instruments measured on such basis in the consolidated balance sheets as of 31 December 2017 and 2018. The carrying value of receivables and payables are a reasonable approximation of their fair values.

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.

(b) Construction contracts

The Group recognised its contract revenue according to the percentage of performance obligation satisfied 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 (Continued)

(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:

	2018 HK$'000	2017 HK$'000
Revenue		
Sales of solar glass	5,562,253	5,746,142
Solar farm business		
– Sales of electricity	763,763	554,921
– Tariff adjustment	1,156,712	918,583
	1,920,475	1,473,504
Construction contracts revenue		
– EPC services	188,904	2,307,385
Total revenue	7,671,632	9,527,031
Other income		
Rental income	3,449	1,559
Government grants (Note (a))	115,037	144,199
Others (Note (b))	57,947	35,289
	176,433	181,047

Notes:

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

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

Segment information

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

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

For the year ended 31 December 2018, there are three operating segments based on business type: (1) sales of solar glass; (2) solar farm business, which includes solar farm development and solar power generation; and (3) EPC services.

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

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

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

	Year ended 31 December 2018			
	Sales of solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Total HK$'000
Segment revenue				
Recognised at a point in time	5,562,253	1,920,475	135,210	7,617,938
Recognised over time	—	—	53,694	53,694
Revenue from external customers	5,562,253	1,920,475	188,904	7,671,632
Cost of sales	(4,106,449)	(479,455)	(125,290)	(4,711,194)
Gross profit	1,455,804	1,441,020	63,614	2,960,438

	Year ended 31 December 2017			
	Sales of solar glass 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

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

	Other segment information				
	Solar glass HK$'000	Solar farm business HK$'000	EPC services HK$'000	Unallocated HK$'000	Total 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 finance lease receivables and deferred income tax assets)	643,932	2,116,780	4,750	32,366	2,797,828

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 2018					
Total assets	**7,831,812**	**15,193,002**	**420,029**	**447,657**	**23,892,500**
Total liabilities	**1,439,032**	**4,172,562**	**355,747**	**5,866,241**	**11,833,582**
At 31 December 2017					
Total assets	7,548,071	13,759,391	987,903	471,894	22,767,259
Total liabilities	1,538,001	4,648,633	568,782	4,331,487	11,086,903

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

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

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:

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

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:

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

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

Notes to the Consolidated Financial Statements

5 REVENUE, OTHER INCOME AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

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

6 OTHER (LOSSES)/GAINS, NET

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

7 EXPENSES BY NATURE

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

	2018 HK$'000	2017 HK$'000
Auditor's remuneration		
– Audit services	1,980	1,480
– Non-audit services	5,701	—
Depreciation charge of property, plant and equipment (Note 18)	699,697	542,036
Amortisation charge of land use rights (Note 19)	7,519	7,289
Employee benefit expenses (including directors' emoluments) (Note 8)	337,823	324,910
Raw material and consumables used	3,676,962	3,670,598
Changes in inventories	(55,634)	(85,514)
Cost of inventories sold (Note 20)	3,621,328	3,585,084
Construction contracts costs	125,290	1,739,784
Impairment losses on trade receivables	1,584	1,104
Impairment on inventories	2,837	—
Operating lease payments in respect of land and buildings	47,677	41,631
Transportation costs	238,525	215,306
Research and development expenditures	169,587	204,440
Other expenses	137,089	131,262
	5,396,637	6,794,326

8 EMPLOYEE BENEFIT EXPENSES

	2018 HK$'000	2017 HK$'000
Wages and salaries	300,868	288,890
Retirement benefit - defined contribution plans (Note (i))	32,497	32,687
Share options granted to employees (Note 28)	4,458	3,333
	337,823	324,910

8 EMPLOYEE BENEFIT EXPENSES (Continued)

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 and Malaysia also participate in defined contribution retirement schemes covering its employees in the PRC and Malaysia. The schemes are administered by the relevant government authorities in the PRC and Malaysia. The Group and the eligible employees are required to make contributions based on certain percentages of the applicable payroll costs as stipulated under the requirements in the relevant countries. The subsidiaries there have no other legal or constructive obligation apart from the required contributions under the scheme. 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 2018 and 2017.

No contributions (2017: Nil) were payable to the fund at the year-end.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include three (2017: three) directors whose emoluments are reflected in the analysis shown in Note 40. The emoluments payable to the remaining two (2017: two) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basic salaries, bonus, other allowances and benefits	4,650	4,082
Retirement benefits - defined contribution scheme	36	36
Share options granted	123	97
	4,809	4,215

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
HK$1,500,001 - HK$2,000,000	1	1
HK$2,000,001 - HK$2,500,000	—	1
HK$2,500,001 – HK$3,000,000	1	—
	2	2

9 FINANCE INCOME AND COSTS

	2018 HK$'000	2017 HK$'000
Finance income		
Interest income from bank deposits	9,567	14,098
Finance costs		
Interest on bank borrowings	291,785	212,920
Less: Amounts capitalised on qualifying assets (Note 18)	(35,826)	(34,315)
	255,959	178,605

10 INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current income tax		
– Hong Kong profits tax (Note (ii))	667	1,506
– PRC corporate income tax ("CIT") (Note (iii))	196,081	264,448
– Overseas income tax (Note (iv))	532	22
	197,280	265,976
Deferred income tax (Note 32)	7,382	(640)
Income tax expense	204,662	265,336

Notes:

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

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

(iii) CIT is provided on the estimated taxable profits of the subsidiaries established in the PRC for the year, calculated in accordance with the relevant tax rules and regulations. The applicable CIT rate for Xinyi PV Products (Anhui) Holdings Limited ("Xinyi Solar (Wuhu)"), a subsidiary established in the PRC, was 15% (2017: 15%) for the year as it enjoyed high-tech enterprise income tax benefit. Solar farm companies of the Group in the PRC enjoyed tax holiday and the profits are fully exempted from CIT for three years starting from its first year of profitable operations, followed by 50% reduction in CIT in next three years. However, the government grants and insurance claims received during the year are subject to the CIT with the statutory income tax rate of 25%.

10 INCOME TAX EXPENSE (Continued)

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

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

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:

	2018 HK$'000	2017 HK$'000
Profit before income tax	2,246,340	2,789,435
Calculated at weighted average tax rate of 23.1% (2017: 19.0%)	518,455	531,133
Tax impact on share of a joint venture's and associates' profits	(10,021)	(8,124)
Preferential tax rates on income of certain PRC subsidiaries	(320,722)	(303,085)
Effect of additional tax deduction enacted by tax authorities	(55,190)	—
Income not subject to tax	(4,894)	(10,192)
Expenses not deductible for tax purposes	77,034	55,604
Income tax expense	204,662	265,336

11 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year and considering for scrip dividend issued in September 2018.

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

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.

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

12 DIVIDENDS

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

Notes:

(a) An interim dividend of 8.0 HK cents per share (2017: 8.0 HK cents) was paid in cash (with a scrip dividend alternative to shareholders for 2018 interim dividend) whose names appeared on the Register of Members of the Company on 17 August 2018 (2017: 17 August 2017). Share issued during the year on the shareholders' election to receive shares are set out in Note 27.

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

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

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

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

13 SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2018 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%
Xinyi Energy (BVI) Limited (Note (i))	The British Virgin Islands, limited liability company	Investment holding	200 ordinary shares of US$1 each	75%	25%
Wise Regal Investments Limited (Note (i))	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$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%
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%

Notes to the Consolidated Financial Statements

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2018 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 (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 USD48,003,740	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%	—
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 capital and paid up capital of USD12,000,000	100%	—

13 SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2018 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 (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%	—
Xinyi Solar (Jinzhai) Limited	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of USD35,000,000 and paid up capital of USD641,000	100%	—
New Wisdom International Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	100%	—
Perfect Alliance Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	100%	—
Sky Falcon Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	100%	—
Sky Cheer Investments Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	100%	—
Profit Noble Development Limited	Hong Kong, limited liability company	Investment holding	10,000 ordinary shares of HK$1 each	100%	—
Wuhu Baote Hongfeng Renewable Energy Company Limited ("Wuhu Baote")	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB8,000,000 and nil paid up	100%	—
Hefei Tongsheng Solar Technology Company Limited ("Hefei TongSheng")	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB1,000,000 and nil paid up	100%	—
Zhanjiang Guandian New Energy Company Limited ("Zhanjiang Guandian")	The PRC, limited liability company	Operation of solar farm in the PRC	Registered capital of RMB3,000,000 and nil paid up	100%	—

13 SUBSIDIARIES (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 (%)
Taonan Runhe Risheng Photovoltaic Agricultural Development Company Limited ("Taonan Runhe")	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB27,000,000	100%	—
Chaohu Jindao Photovoltaic Power Generation Company Limited ("Chaohu Jindao")	The PRC, limited liability company	Operation of solar farm in the PRC	Registered and paid up capital of RMB10,000,000	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.

Notes:

(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 2018 is HK$1,625,109,000 (2017: HK$1,559,229,000), of which HK$1,613,921,000 (2017: HK$1,539,015,000) is for Xinyi Energy Group, HK$6,067,000 (2017: HK$15,028,000) is attributed to Polaron Solartech Corporation and its subsidiary ("Polaron Solartech") and HK$5,121,000 (2017: HK$5,186,000) is for Anhui Xinhao New Energy Construction Company ("Xinhao").

Significant restrictions

Cash and short-term deposits of HK$394,269,000 (2017: HK$293,190,000) and HK$1,301,000 (2017: HK$14,513,000) 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

	2018 HK$'000	2017 HK$'000
Current		
Assets	**2,315,900**	2,583,256
Liabilities	**(933,095)**	(1,800,564)
Total current net assets	**1,382,805**	782,692
Non-current		
Assets	**6,126,609**	6,683,209
Liabilities	**(1,053,729)**	(1,309,840)
Total non-current net assets	**5,072,880**	5,373,369
Net assets	**6,455,685**	6,156,061

13 SUBSIDIARIES (Continued)

(a) Material non-controlling interests (Continued)

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

Summarised income statement

	2018 HK$'000	2017 HK$'000
Revenue	1,200,556	1,116,044
Profit before income tax	793,260	735,444
Income tax expense	(47,629)	(7,449)
Profit after income tax	745,631	727,995
Currency translation difference	(446,007)	595,686
Total comprehensive income for the year	299,624	1,323,681
Total comprehensive income allocated to non-controlling interests	74,906	330,920
Dividends paid to non-controlling interests	—	—

Summarised cash flow statement

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Cash generated from operations	1,220,551	824,445
Interest paid	(87,784)	(71,013)
Income tax paid	(37,409)	(3,478)
Net cash generated from operating activities	1,095,358	749,954
Net cash used in investing activities	(98,539)	(386,010)
Net cash used in financing activities	(1,027,637)	(367,142)
Net decrease in cash and cash equivalents	(30,818)	(3,198)
Cash and cash equivalents at beginning of year	472,243	468,066
Effect of foreign exchange rate changes	(20,162)	7,375
Cash and cash equivalents at end of year	421,263	472,243

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.

	2018 HK$'000	2017 HK$'000
Corporate guarantees in respect of banking facilities provided to non-wholly owned subsidiaries:		
– Wise Regal Investments Limited	457,143	528,571
– Xinyi Energy (BVI) Limited	1,535,000	2,200,000
	1,992,143	2,728,571

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

	2018 HK$'000	2017 HK$'000
Interests in a joint venture		
At 31 December	358,296	387,842
Balance with a joint venture		
Amount due from/(to) a joint venture (Note (ii))	4,131	(13,036)

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 2018 and 2017:

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

Notes to the Consolidated Financial Statements

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 2018, the Group received cash of RMB25,000,000 (equivalent to HK$27,829,000) (2017: 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 from/(to) a joint venture*

The amount due from/(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

	2018 HK$'000	2017 HK$'000
Current		
Cash and cash equivalents	22,996	691
Other current assets (excluding cash and cash equivalents)	176,756	207,779
Total current assets	199,752	208,470
Financial liabilities	(6,206)	(4,460)
Current liabilities	(6,206)	(4,460)
Non-current		
Assets	640,615	665,454
Net assets	834,161	869,464

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

Summarised financial information for the joint venture (Continued)

Summarised statement of comprehensive income

	2018 HK$'000	2017 HK$'000
Revenue	110,043	102,539
Depreciation	(31,061)	(22,375)
Interest income	53	12
Profit before income tax	67,225	72,843
Income tax expense	—	(29)
Profit after income tax	67,225	72,814
Currency translation differences	(46,870)	58,442
Total comprehensive income for the year	20,355	131,256
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.

	2018 HK$'000	2017 HK$'000
Opening net assets at 1 January	869,464	749,340
Repayment to shareholders	(55,658)	(11,132)
Total comprehensive income for the year	20,355	131,256
Closing net assets at 31 December	834,161	869,464
The Group's ownership interest	50%	50%
Carrying value before elimination of unrealised profit	417,081	434,732
Elimination of unrealised profit	(58,785)	(46,890)
Carrying value	358,296	387,842

16 INVESTMENTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
At 31 December	75,123	65,319

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 2018 and 2017:

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.

16 INVESTMENTS 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

	2018 HK$'000	2017 HK$'000
Current		
Cash and cash equivalents	340	—
Other current assets (excluding cash and cash equivalents)	150	150
Total current assets	490	150
Financial liabilities	(4,514)	(4,275)
Total current liabilities	(4,514)	(4,275)
Non-current		
Assets	191,832	167,422
Net assets	187,808	163,297

Summarised statement of comprehensive income

	2018 HK$'000	2017 HK$'000
Gross rental income from an investment property	180	120
Valuation gain on an investment property	25,100	9,600
Depreciation	(769)	(751)
Interest income	—	—
Profit before income tax	24,511	8,930
Income tax expense	—	—
Profit after income tax	24,511	8,930
Other comprehensive income	—	—
Total comprehensive income for the year	24,511	8,930
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.

Notes to the Consolidated Financial Statements

16 INVESTMENTS 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.

	2018 HK$'000	2017 HK$'000
Opening net assets at 1 January	**163,297**	154,367
Total comprehensive income for the year	**24,511**	8,930
Closing net assets at 31 December	**187,808**	163,297
The Group's ownership interest	**40%**	40%
Carrying value	**75,123**	65,319

17 BUSINESS COMBINATION

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

(i) Anhui project

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

(ii) Other projects

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

Name of the company	Month of acquisition in 2018	Equity interest acquired	Location	Approved capacity of the solar farm
				MW
Wuhu Baote	March	100%	Anhui	4
Hefei Tongsheng and its subsidiary, Zhanjiang Guandian	May	100%	Guangdong	10
Taonan Runhe	June	100%	Jilin	30

17 BUSINESS COMBINATION (Continued)

(ii) Other projects (Continued)

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

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

17 BUSINESS COMBINATION (Continued)

Notes:

(a) *Revenue and profits contribution*

The table below illustrates the revenue and the profits included in the consolidated income statement since acquisition date contributed by the acquired businesses.

	Total HK$'000
Revenue	24,414
Profits contributed to the Group	14,602

If the acquisition had occurred on 1 January 2018, the consolidated income statement would show pro-forma revenue of approximately HK$7,675,556,000 and profit of HK$2,044,062,000.

(b) *Acquired receivables*

The fair values of trade and other receivables and prepayments acquired were HK$22,065,000 and included trade and tariff adjustment receivables with fair values as below:

	Total HK$'000
Trade and tariff adjustment receivables	6,044

The gross contractual amount of these trade receivables due in aggregate was approximately HK$6,044,000.

(c) *Goodwill*

The Group recognised goodwill of approximately HK$2,484,000 in the consolidated balance sheet in connection with the acquisition of Chaohu Jindao. The goodwill is attributable to the synergies expected to arise after the acquisition because of the close proximity of this project to other solar farms currently operated by the Group. It will not be deductible for tax purposes.

(d) *Bargain purchase on business combinations*

The Group has make a bargain purchase of approximately HK$5,839,000 in connection with the acquisition of Taonan Runhe and recognised the amount to "Bargain purchase arising from business combinations" in the consolidated income statement. The gain on bargain purchase of the acquisition was mainly attributable to the depressed market value of the acquired business because of the risk and uncertainty involved in completing the project within the specified timeline.

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 2017							
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)	—
Acquisition of a subsidiary (Note 17)	—	—	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
Year ended 31 December 2018							
Opening net book amount	64,056	985,944	3,103,917	9,731,708	5,940	348,469	14,240,034
Additions	142,346	10,849	21,432	30,148	2,216	2,739,813	2,946,804
Transfers	—	13,307	192,850	1,832,129	—	(2,038,286)	—
Acquisition of subsidiaries (Note 17)	—	—	—	52,772	—	18,694	71,466
Disposals	—	—	(2,944)	—	—	—	(2,944)
Depreciation charge	—	(32,323)	(252,325)	(410,773)	(1,924)	—	(697,345)
Currency translation differences	(5,500)	(41,667)	(137,002)	(526,237)	(307)	(42,920)	(753,633)
Closing net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382
At 31 December 2018							
Cost	200,902	1,033,763	3,912,550	11,721,605	11,297	1,025,770	17,905,887
Accumulated depreciation	—	(97,653)	(986,622)	(1,011,858)	(5,372)	—	(2,101,505)
Net book amount	200,902	936,110	2,925,928	10,709,747	5,925	1,025,770	15,804,382

18 PROPERTY, PLANT AND EQUIPMENT (Continued)

	2018 HK$'000	2017 HK$'000
Depreciation charged in consolidated income statement:		
– Cost of sales	682,147	526,026
– Administrative and other operating expenses	17,550	16,010
	699,697	542,036
Depreciation charges capitalised in inventories	9,993	12,345

During the year, the Group capitalised borrowing costs amounted to HK$35,826,000 (2017: HK$34,315,000) on qualifying assets (Note 9). Borrowing costs were capitalised at the weighted average rate of its general borrowings of 3.37% (2017: 2.83%).

19 LAND USE RIGHTS

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

	2018 HK$'000	2017 HK$'000
At 1 January	343,721	326,821
Amortisation charge	(7,519)	(7,289)
Currency translation differences	(16,325)	24,189
At 31 December	319,877	343,721

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

Amortisation of the Group's land use rights amounted to HK$7,519,000 (2017: HK$7,289,000) was charged to the consolidated income statement.

20 INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	268,280	218,321
Work in progress	39,913	43,282
Finished goods	121,383	112,339
	429,576	373,942

The cost of inventories included in cost of sales amounted to approximately HK$3,621,328,000 (2017: HK$3,585,084,000).

Write-downs of inventories to net realisable value amounted to HK$2,837,000 (2017: Nil). These were recognised as an expense during the year ended 31 December 2018 and included in 'cost of sales' in consolidated income statement.

21 AMOUNTS DUE FROM CUSTOMERS FOR CONSTRUCTION WORK

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

22 CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	Note	2018 HK$'000
Current contract assets relating to EPC services	(a)	56,122
Loss allowance	3.1(b)	—
Total contract assets		56,122
Contract liabilities relating to sales of solar glass	(b)	33,978
Total current contract liabilities		33,978

22 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

(a) Contract assets

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

(b) Contract liabilities

The contract liabilities primarily relate to the deposits or payments received in advance for sales of goods not yet delivered to customers. Revenue is recognised when goods are delivered to customers.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

	2018 HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	
Receipt in advance for sales of goods not yet delivered to customers	44,986
Revenue recognised from performance obligations satisified in previous periods	
Adjustment of EPC revenue upon the final settlement with customers in relation to certain EPC projects completed in 2017	17,265

23 TRADE AND BILLS RECEIVABLES

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

23 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 2018				
Sales of solar glass	1,628,013	—	—	1,628,013
Sales of electricity	—	87,293	—	87,293
Tariff adjustment	—	2,178,452	—	2,178,452
EPC service revenue	—	—	260,401	260,401
Total	1,628,013	2,265,745	260,401	4,154,159
At 31 December 2017				
Sales of solar glass	1,580,294	—	—	1,580,294
Sales of electricity	—	69,782	—	69,782
Tariff adjustment	—	1,728,707	—	1,728,707
EPC service revenue	—	—	787,795	787,795
Total	1,580,294	1,798,489	787,795	4,166,578

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

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

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

23 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:

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

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

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

The maturity of the bills receivables is within 1 year.

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

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

23 TRADE AND BILLS RECEIVABLES (Continued)

(b) Loss allowance of trade receivables

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

Sales of solar glass

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

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

Sales of electricity

Given the track record of regular repayment of receivables from sales of electricity, all trade receivables from sales of electricity were expected to be recoverable. For tariff adjustment receivables, they are settled in accordance with prevailing government policies and prevalent payment trends of the Ministry of Finance. Since August 2016, the Group has two ground-mounted solar farms, located in Jinzhai and Sanshan, Anhui Province with aggregate capacity of 250MW, successfully enlisted on the sixth batch of the Catalogue. Since June 2018, the Group has another eight ground-mounted solar farms, located in Fujian Province, Anhui Province, Hubei Province, and Tianjin Municipality with an aggregate capacity of 724MW, successfully enlisted on the seventh batch of the Catalogue.

During the year ended 31 December 2018, the Group received aggregate payment of RMB684,027,000 (equivalent to approximately HK$773,936,000) for the subsidies incurred up to March 2017 of the solar farm projects enlisted on sixth and seventh batch of the Catalogue (2017: RMB272,281,000 (equivalent to approximately HK$318,143,000) for the subsidies between May 2015 to December 2016 of the two solar farm projects enlisted on the sixth batch of the Catalogue). Given the collection of tariff adjustment receivables is well supported by the government policy, all tariff adjustment receivables were expected to be recoverable. As the collection of tariff adjustment receivables is expected in the normal operating cycle, they are classified as current assets. Consequently, no loss allowance of trade receivables was recognised as at 31 December 2018 (2017: Nil).

23 TRADE AND BILLS RECEIVABLES (Continued)

(b) Loss allowance of trade receivables (Continued)

Sales of electricity (Continued)

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.

	2018 HK$'000	2017 HK$'000
Tariff adjustment receivables:		
Expected to be recover after more than 12 months	**683,296**	1,518,406
Expected to be recover within 12 months	**1,495,156**	210,301
	2,178,452	1,728,707

Construction contracts revenue from EPC services

Construction contracts revenue from EPC services is normally settled by instalments in accordance with the terms specified in the contracts governing the relevant EPC works. The payment terms of EPC contract is considered on a case-by-case basis and set out in the EPC contract. There is no recent history of default. Management believes that no loss allowance is necessary.

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

24 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments and other financial assets at amortised cost include the following debt instruments:

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

(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:

	2018 HK$'000	2017 HK$'000
RMB	197,056	168,048
HK$	—	67
Others	358	1,319
	197,414	169,434

(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.

Notes to the Consolidated Financial Statements

25 FINANCE LEASE RECEIVABLES

Future receivables under finance leases as lessor are as follows:

	2018 HK$'000
Non-current receivables	
Finance leases – gross receivables	392,887
Unearned finance income	(205,081)
	187,806
Current receivables	
Finance leases – gross receivables	24,761
Unearned finance income	(19,406)
	5,355
Gross receivables from finance leases:	
– No later than 1 year	24,761
– Later than 1 year and no later than 5 years	97,409
– Later than 5 years	295,478
	417,648
Unearned future finance income on finance leases	(224,487)
Net investment in finance leases	193,161
The net investment in finance leases may be analysed as follows:	
– No later than 1 year	5,355
– Later than 1 year and no later than 5 years	25,908
– Later than 5 years	161,898
	193,161

26 CASH AND CASH EQUIVALENTS

	2018 HK$'000	2017 HK$'000
Cash at bank	**778,639**	1,379,951
Cash on hand	**5,234**	636
	783,873	1,380,587

As at 31 December 2018, funds of the Group amounting to HK$569,241,000 and HK$44,762,000 (2017: HK$852,092,000 and HK$142,187,000) 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$164,636,000 (2017: HK$385,672,000) as at 31 December 2018 were deposited in reputable banks in Hong Kong and Canada.

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

	2018 HK$'000	2017 HK$'000
HK$	**152,219**	112,207
RMB	**504,158**	945,862
US$	**109,677**	240,172
CAD	**15,048**	15,106
MYR	**1,961**	62,182
Other currencies	**810**	5,058
	783,873	1,380,587

Notes to the Consolidated Financial Statements

27 SHARE CAPITAL

	Number of ordinary shares '000	Ordinary shares of HK$0.1 each HK$'000
Authorised:		
At 1 January 2017, 31 December 2017 and 2018	80,000,000	8,000,000
Issued:		
At 31 December 2017 and 1 January 2018	7,423,957	742,396
Issuance of shares under employee's share option scheme	3,740	374
Issuance of shares in respect of scrip dividend of 2018 interim dividend (Note)	231,992	23,199
At 31 December 2018	**7,659,689**	**765,969**

Note:

On 30 July 2018, the board of directors declared an interim dividend of 8.0 HK cents per share for the six months ended 30 June 2018. The shareholders were provided with an option to receive the interim dividend in form of scrip dividend. On 19 September 2018, 231,992,714 shares were issued at an issue price of HK$2.04 per share to shareholders who elected to receive share in lieu of cash dividends pursuant to the Scrip Dividend Scheme.

28 SHARE-BASED PAYMENTS

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:

	2018		2017	
	Average exercise price in HK$ per share	Options ('000)	Average exercise price in HK$ per share	Options ('000)
At 1 January	2.61	20,266	2.69	14,518
Granted	3.18	7,805	2.50	7,381
Adjustment for right issue	—	—	2.61	146
Forfeited	2.65	(612)	2.58	(1,502)
Exercised	2.36	(3,740)	2.27	(277)
Expired	2.27	(69)	—	—
At 31 December	2.84	23,650	2.61	20,266

28 SHARE-BASED PAYMENTS (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.

In March 2018, 7,805,000 share options were granted to a director of the Company and employees of the Group. The exercise price is HK$3.18 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 29 March 2018 to 31 March 2022. One third of the options will vest on each of the year-end date of 2018, 2019 and 2020 if each grantee has met the conditions of vesting as stated in the letter of grant. The expiry date of these share options is 31 March 2022.

During the year ended 31 December 2018, a total of 3,739,757 options (2017: 277,035) were exercised and a total of 612,143 options (2017: 1,502,092) were forfeited.

Out of the above outstanding share options, 3,884,324 options were exercisable at 31 December 2018 (2017: 3,268,955).

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:

28 SHARE-BASED PAYMENTS (Continued)

Expiry date	Adjusted exercise price in HK$ per share	Options ('000) 2018	2017
23 July 2018	2.27	—	3,269
31 March 2019	2.84	**3,884**	4,574
31 March 2020	2.78	**5,575**	5,753
31 March 2021	2.48	**6,386**	6,670
31 March 2022	3.18	**7,805**	—
		23,650	20,266

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$0.70 (2017: HK$0.72) per option. The significant inputs into the model are as follows:

	2018	2017
Weighted average share price, at the grant date (HK$)	**3.17**	2.48
Exercise price (HK$)	**3.18**	2.50
Volatility (%)	**42.58**	53.14
Dividend yield (%)	**5.37**	4.83
Expected share option life (years)	**3.5**	3.5
Annual risk-free interest rate (%)	**1.64**	1.14

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.

Notes to the Consolidated Financial Statements

29 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 for share options lapsed	—	—	—	—	(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 2018	2,509,611	(209,495)	438,111	749,568	8,252	95,085	3,591,132
Currency translation differences	—	—	—	—	—	(899,449)	(899,449)
Share of other comprehensive income of a joint venture accounted for under equity method	—	—	—	—	—	(23,435)	(23,435)
Employees' share option scheme:							
– proceeds from exercise of employees' share options	11,056	—	—	—	(2,628)	—	8,428
– value of employee services	—	—	—	—	4,458	—	4,458
– release of share option reserve for share options lapsed	—	—	—	—	(48)	—	(48)
Appropriation to statutory reserve	—	—	—	215,679	—	—	215,679
Issuance of shares in respect of scrip dividend of 2018 interim dividend	450,064	—	—	—	—	—	450,064
Dividend:							
– 2017 final dividend	(519,898)	—	—	—	—	—	(519,898)
– 2018 interim dividend	(594,205)	—	—	—	—	—	(594,205)
At 31 December 2018	1,856,628	(209,495)	438,111	965,247	10,034	(827,799)	2,232,726

29 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 2018, the 2017 final dividend of HK$519,898,000 and the 2018 interim dividend of HK$594,205,000 were paid out from share premium. Issuance of shares in respect of scrip dividend of 2018 interim dividend and net proceeds received from exercise of share options exceeded the par value of the issued shares by approximately HK$450,064,000 and HK$11,056,000, 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 Holdings Limited ("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 2018, the respective board of directors of certain PRC subsidiaries of the Group resolved to appropriate approximately HK$215,679,000 (2017: HK$249,505,000) from retained earnings to statutory reserve.

Notes to the Consolidated Financial Statements

30 TRADE AND OTHER PAYABLES

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

Notes:

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

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

The maturity of the bills payables is within 6 months.

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

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

30 TRADE AND OTHER PAYABLES (Continued)

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

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

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

31 BANK BORROWINGS

The bank borrowings are unsecured and repayable as follows:

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

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 2018, all bank loans bore floating interest rates. These bank borrowings are repayable by instalments up to 2022. The carrying amounts of the Group's bank borrowings are denominated in HK$ and approximate their fair values as at 31 December 2018, as the impact of discounting is not significant.

31 BANK BORROWINGS (Continued)

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

	2018	2017
Bank borrowings	3.85%	2.92%

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.

32 DEFERRED INCOME TAX

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

	2018 HK$'000	2017 HK$'000
Deferred tax assets		
– Deferred income tax assets to be recovered after more than 12 months	4,107	837
Deferred tax liabilities		
– Deferred income tax liabilities to be settled after more than 12 months	(10,608)	—
Deferred income tax (liabilities)/assets, net	(6,501)	837

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

	2018 HK$'000	2017 HK$'000
At 1 January	837	197
(Charged)/credited to the consolidated income statement (Note 10)	(7,382)	640
Currency translation difference	44	—
At 31 December	(6,501)	837

32 DEFERRED INCOME TAX (Continued)

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	
	2018 HK$'000	2017 HK$'000
Deferred income tax assets		
At 1 January	837	197
Credited to the consolidated income statement	3,367	640
Currency translation difference	(97)	—
At 31 December	4,107	837

	Finance lease income	
	2018 HK$'000	2017 HK$'000
Deferred income tax liabilities		
At 1 January	—	—
Charged to the consolidated income statement	10,749	—
Currency translation difference	(141)	—
At 31 December	10,608	—

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 2018, deferred income tax liabilities of approximately HK$407,579,000 (2017: HK$306,162,000) 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$8,151,587,000 (2017: HK$6,123,246,000).

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 2018, there was no significant unrecognised tax losses (2017: Nil).

33 CASH GENERATED FROM OPERATIONS

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

	2018 HK$'000	2017 HK$'000
Profit before income tax	2,246,340	2,789,435
Adjustments for:		
Share options granted to employees (Note 8)	4,458	3,333
Interest income (Note 9)	(9,567)	(14,098)
Interest expense (Note 9)	255,959	178,605
Bargain purchases arising from business combinations (Note 17)	(5,839)	—
Impairment losses on trade receivables (Note 3.1(b)(ii), 7)	1,584	—
Depreciation of property, plant and equipment (Note 7)	699,697	542,036
Amortisation of land use rights (Note 7)	7,519	7,289
Loss on disposal of property, plant and equipment (Note 6)	2,056	278
Share of profits of associates	(9,804)	(3,572)
Share of profits of a joint venture	(33,613)	(36,407)
	3,158,790	3,466,899
Changes in working capital:		
Inventories	(57,986)	(83,631)
Trade and other receivables	189,293	(2,389,473)
Finance lease receivables	(193,161)	—
Trade payables, accruals and other payables	(321,635)	517,083
Contract liabilities	11,008	—
Amount due from a joint venture	(17,167)	(7,546)
Amounts due to related companies	47,909	37,750
Contract assets	(16,227)	—
Amounts due from customers for construction work	—	185,786
Cash generated from operations	2,800,824	1,726,868

33 CASH GENERATED FROM OPERATIONS (Continued)

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

	2018 HK$'000	2017 HK$'000
Net book amount (Note 18)	**2,944**	712
Loss on disposal of property, plant and equipment (Note 6)	**(2,056)**	(278)
Proceeds from disposal of property, plant and equipment	**888**	434

(c) Major non-cash transactions

As at 31 December 2018, purchases of property, plant and equipment amounting to HK$1,544,762,000 (2017: HK$1,626,808,000) was made without any cash paid (Note 30(b)).

(d) Net debt reconciliation

Analysis of net debt and the movements in net debt for year of 2018 are as follows:

	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	**783,873**	1,380,587
Borrowings – repayable within one year	**(3,773,009)**	(3,145,260)
Borrowings – repayable after one year	**(4,996,500)**	(4,787,428)
Net debt	**(7,985,636)**	(6,552,101)
Cash and cash equivalents	**783,873**	1,380,587
Gross debt – variable interest rates	**(8,769,509)**	(7,932,688)
Net debt	**(7,985,636)**	(6,552,101)

Notes to the Consolidated Financial Statements

33 CASH GENERATED FROM OPERATIONS (Continued)

(d) Net debt reconciliation (Continued)

	Other assets	Liabilities from financing		
	Cash and cash equivalents HK$'000	Borrowing due within 1 year HK$'000	Borrowing due after 1 year HK$'000	Total HK$'000
Net debt as at 1 January 2018	1,380,587	(3,145,260)	(4,787,428)	(6,552,101)
Cash flows	(550,774)	(596,988)	(209,072)	(1,356,834)
Foreign exchange adjustments	(45,940)	—	—	(45,940)
Other non-cash movements	—	(30,761)	—	(30,761)
Net debt as at 31 December 2018	783,873	(3,773,009)	(4,996,500)	(7,985,636)

	Other assets	Liabilities from financing		
	Cash and cash equivalents HK$'000	Borrowing due within 1 year HK$'000	Borrowing 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)

34 OPERATING LEASE COMMITMENTS

The Group leases certain of its factory, office premises and land under non-cancellable operating lease agreements. As at 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2018 HK$'000	2017 HK$'000
Not later than one year	48,728	46,286
Later than 1 year and not later than 5 years	184,670	160,312
More than 5 years	966,464	967,943
	1,199,862	1,174,541

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

	2018 HK$'000	2017 HK$'000
Not later than one year	2,238	2,167
Later than 1 year and not later than 5 years	3,016	1,989
	5,254	4,156

35 CAPITAL COMMITMENTS

Capital expenditures of HK$674,263,000 (2017: HK$498,391,000) was contracted for at the end of the year but not yet incurred.

36 BANKING FACILITIES AND GUARANTEES

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

	2018		2017	
	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	10,761,226	9,337,764	10,102,181	8,183,990

37 RELATED PARTY TRANSACTIONS

As at 31 December 2018, the Group is controlled by Dr. 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 34.29% (2017: 33.14%) of the Company's shares. 29.74% (2017: 29.53%) of the shares are held by Xinyi Glass and its subsidiary, and the remaining 35.97% (2017: 37.33%) 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 Energy Smart (Wuhu) Company Limited ("Xinyi Energy Smart (Wuhu)")	Note (ii)
Xinyi Automobile Parts (Wuhu) Company Limited ("Xinyi Automobile Parts (Wuhu)")	Note (ii)
Xinyi Energy Smart (Malaysia) Sdn Bhd ("Xinyi Energy Smart (Malaysia)")	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 ("Xinyi Glass Japan")	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)
Anhui Xinyi Power Source Company Limited ("Anhui Xinyi Power Source")	Note (iii)
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.

(iii) Company with its issued share capital owned as to more than 30% in aggregate by the various directors of the Company, namely Dr. LEE Yin Yee, B.B.S., Mr. TUNG Ching Sai, Mr. LI Man Yin and their respective associates.

37 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	2018 HK$'000	2017 HK$'000
Purchases of glass products from:	i, v		
– Xinyi Energy Smart (Wuhu)		127,416	92,195
– Xinyi Automobile Parts (Wuhu)		5	1,758
– Xinyi Electronic Glass (Wuhu)		17,920	7,291
– Xinyi Glass (Tianjin)		53,853	—
– Xinyi Automobile Glass (Shenzhen)		—	1,925
		199,194	103,169
Rental expenses paid to:			
– Xinyi Energy Smart (Wuhu)	ii, v	1,847	1,012
– Xinyi Glass (Tianjin)	ii, v	4,859	4,280
– Cheer Wise	vi, viii	120	—
		6,826	5,292
Rental income received from:			
– Xinyi Energy Smart (Wuhu)	ii, v	1,087	1,012
Purchases of machinery from:			
– Wuhu Jinsanshi	iii, v	66,650	40,936
– Xinyi Ultra-clear (Dongguan)	iv, vi	1,676	258
		68,326	41,194
Processing of lithium battery energy storage facilities			
– Anhui Xinyi Power Source	ix, xi	2,976	—
Purchases of forklift battery chargers			
– Anhui Xinyi Power Source	vi, ix	540	—
Transportation fee paid to:	iv, vi		
– Xinhe Logistics Wuhu Branch		1,969	3,351
– Xincai Logistics		—	22,687
– Xinzhi Logistics		—	6,943
		1,969	32,981

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

	Note	2018 HK$'000	2017 HK$'000
Sales of glass products to:	iv, vi		
– Xinyi Glass (Tianjin)		1,392	34
– Xinyi Energy Smart (Wuhu)		2,798	—
– Xinyi Automobile Parts (Wuhu)		—	361
		4,190	395
Consultancy fee paid to:			
– Xinyi Glass Japan	iv, vi	851	831
EPC services income received from:			
– Xinyi Solar (Lu'an)	iv, vii	18,953	15,474
EPC services income received in relation to photovoltaic poverty alleviation projects sponsored by directors and/or substantial shareholders and/or their controlled corporations:	iv, vi		
– LEE Yin Yee		746	—
– LEE Sing Din		518	—
– LI Ching Leung		222	—
– LI Ching Wai		222	—
– LI Man Yin		222	—
		1,930	—
Sales of electricity			
– Anhui Xinyi Power Source	vi, ix	1,492	—
Acquisition of land parcel from:			
– Xinyi Energy Smart (Malaysia)	x	142,346	—
Acquisition of Xincai Logistics from Xinhe Logistics	iv	—	1,136

37 RELATED PARTY TRANSACTIONS (Continued)

(b) Significant related party transactions (Continued)

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 21 December 2017.

(ii) The leases of premises were charged at mutually agreed rental. Details of the transactions were disclosed in the Company's announcements dated 21 January 2016 and 21 December 2017.

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

(iv) The transactions were conducted at mutually agreed prices and terms.

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

(vi) 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.

(vii) 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.

(viii) 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 from 30 September 2016 without consideration paid. From 1 May 2018, the leases of premises with approximate 30 square meter office area have been charged at mutually agreed rental.

(ix) The processing of lithium battery energy storage facilities and purchases of forklift battery chargers from Anhui Xinyi Power Source and the sales of electricity to Anhui Xinyi Power Source were transacted at mutually agreed prices.

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

(xi) The processing of lithium battery energy storage facilities was charged at mutually agreed prices and terms. Details of the transactions were disclosed in the Company's announcement dated 26 February 2018.

Notes to the Consolidated Financial Statements

37 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	2018 HK$'000	2017 HK$'000
Amounts due from/(to) a joint venture		
– Xinyi Solar (Lu'an)	4,131	(13,036)
Amounts due to related companies		
– Wuhu Jinsanshi	84,503	53,709
– Xinyi Glass Japan	71	69
– Xinyi Ultra-clear (Dongguan)	1,685	—
– Anhui Xinyi Power Source	1,622	—
– Xinyi Energy Smart (Malaysia)	13,806	—
	101,687	53,778

The amounts due from/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 and MYR.

(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:

	2018 HK$'000	2017 HK$'000
Basic salaries, bonus, other allowances and benefits	32,971	35,420
Retirement benefits - defined contribution scheme	93	90
Share options granted	772	674
	33,836	36,184

Details of directors' and the chief executive's emoluments are disclosed in Note 40.

38 FINANCIAL INSTRUMENTS BY CATEGORY

	2018 HK$'000	2017 HK$'000
Assets – amortised cost		
Trade and other receivables excluding prepayments and other tax receivables	**3,649,964**	3,663,282
Bills receivables	**701,254**	672,730
Finance lease receivables	**193,161**	—
Amount due from a joint venture	**4,131**	—
Cash and cash equivalents (Note 26)	**783,873**	1,380,587
	5,332,383	5,716,599
Liabilities – amortised cost		
Trade and other payables excluding accruals of staff cost, other taxes payable and contract liabilities (2017: receipt in advance)	**2,278,902**	2,541,395
Bills payables	**493,838**	180,467
Bank borrowings (Note 31)	**8,769,509**	7,932,688
	11,542,249	10,654,550

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries		1,623,706	1,619,602
Current assets			
Amounts due from subsidiaries		1,649,868	2,283,460
Prepayments and other receivables		541	608
Cash and cash equivalents		480	4,064
Total current assets		1,650,889	2,288,132
Total assets		3,274,595	3,907,734
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	27	765,969	742,396
Share premium	(a)	1,856,628	2,509,611
Share option reserve	(a)	10,034	8,252
Retained earnings	(a)	641,916	647,461
Total equity		3,274,547	3,907,720
LIABILITIES			
Current liabilities			
Accruals and other payables		48	14
Total current liabilities		48	14
Total equity and liabilities		3,274,595	3,907,734

The balance sheet of the Company was approved by the Board of Directors on 25 February 2019 and was signed on its behalf.

TUNG Ching Sai
Executive Director

LEE Yau Ching
Executive Director and Chief Executive Officer

39 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 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
At 1 January 2018	2,509,611	8,252	647,461
Loss for the year	—	—	(5,593)
Exercise of share options	11,056	(2,628)	—
Share-based compensation	—	4,458	—
Release of share option reserve for share options lapsed	—	(48)	48
Issuance of shares in respect of scrip dividend of 2018 interim dividend	450,064	—	—
Dividend:			
– 2017 final dividend	(519,898)	—	—
– 2018 interim dividend	(594,205)	—	—
At 31 December 2018	1,856,628	10,034	641,916

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

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2018:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note (ii)) HK$'000	Allowances and benefits in kind (Note (iii)) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	Total HK$'000
LEE Yin Yee	—	—	—	—	—	—	—
TUNG Ching Sai	—	—	—	—	—	—	—
LEE Yau Ching	250	—	12,679	—	18	5,260	18,207
LI Man Yin	250	—	5,071	—	18	2,075	7,414
CHEN Xi	250	—	1,325	325	—	609	2,509
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	—	19,075	325	36	7,944	29,180

40 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 2017:

Name of directors (Note (i))	Fees HK$'000	Salary HK$'000	Discretionary bonuses (Note (ii)) HK$'000	Allowances and benefits in kind (Note (iii)) HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000	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	306	—	573	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	306	36	7,978	31,843

40 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/receivable 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) The allowances and benefits in kind include housing allowances and estimated money value of share options.

(iv) No director of the Company was appointed/resigned during the year (2017: Same).

(v) Dr. LEE Yin Yee, B.B.S. and Mr. TUNG Ching Sai waived emoluments of HK$250,000 (2017: HK$250,000) and HK$250,000 (2017: HK$250,000) respectively for the year. Except these, no other directors waived or agreed to waive any emoluments for the year ended 31 December 2018 and 2017. 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 2018 and 2017.

(vi) 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.

(vii) During the year ended 31 December 2018, none of the directors of the Company received any salary (2017: Same).

(viii) Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary undertaking is HK$1,800,000 (2017: HK$1,800,000).

(ix) Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking is HK$27,380,000 (2017: HK$30,043,000)

(b) Directors' termination benefits

None of the directors of the Company received termination benefits during the year ended 31 December 2018 (2017: same).

(c) Consideration provided to third parties for making available directors' services

No consideration was provided by the Group to third party for making available services of directors during the year ended 31 December 2018 (2017: same).

(d) Directors' loans, quasi-loans and other dealings

There is no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate by and connected entities with such directors during the year ended 31 December 2018 (2017: same).

40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(e) Directors' material interests in transactions, arrangements or contracts

Except for those transactions disclosed in Note 37, 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 (2017: same).

41 SUBSEQUENT EVENT

In February 2019, the Group acquired 90% equity interest of a project company which owns a grid-connected solar farm with aggregate approved capacity of approximately 30MW in the PRC, at a cash consideration of RMB16.2 million.

Financial Summary

	Year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Result					
Revenue	7,671,632	9,527,031	6,007,081	4,750,410	2,410,004
Cost of sales	(4,711,194)	(6,122,410)	(3,257,198)	(3,040,159)	(1,649,067)
Gross profit	2,960,438	3,404,621	2,749,883	1,710,251	760,937
Profit before income tax	2,246,340	2,789,435	2,390,464	1,393,986	571,648
Income tax expense	(204,662)	(265,336)	(240,777)	(188,389)	(78,676)
Profit for the year	2,041,678	2,524,099	2,149,687	1,205,597	492,972
Profit for the year attributable to:					
– the equity holders of the company	1,863,146	2,332,031	1,985,630	1,205,597	492,972
– non-controlling interests	178,532	192,068	164,057	—	—
	2,041,678	2,524,099	2,149,687	1,205,597	492,972

	As at 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Assets and Liabilities					
Total assets	23,892,500	22,767,259	16,786,383	12,734,633	5,763,967
Total liabilities	11,833,582	11,086,903	9,358,595	5,843,265	2,458,079
	12,058,918	11,680,356	7,427,788	6,891,368	3,305,888
Equity attributable to equity holders of the Company	10,433,809	10,121,127	6,215,625	5,745,003	3,305,888
Non-controlling interests	1,625,109	1,559,229	1,212,163	1,146,365	—
	12,058,918	11,680,356	7,427,788	6,891,368	3,305,888