新特能源

XINTE ENERGY CO., LTD.
新特能源股份有限公司
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1799)

Results Announcement
For the Year Ended 31 December 2017

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2017, revenue amounted to RMB11,420.95 million, representing a decrease of 4.84% as compared with the corresponding period of last year.

- For the year ended 31 December 2017, profit before income tax amounted to RMB1,217.99 million, representing an increase of 28.50% over the corresponding period of last year.

- For the year ended 31 December 2017, profit attributable to owners of the Company amounted to RMB1,070.67 million, representing an increase of 33.64% over the corresponding period of last year.

- For the year ended 31 December 2017, earnings per share amounted to RMB1.02, representing an increase of RMB0.25 as compared with the corresponding period of last year.

- The Board recommended a final dividend of RMB0.20 per share (tax inclusive) for the year ended 31 December 2017, subject to the approval at the Company's forthcoming annual general meeting.

The board of directors (the "**Board**") of Xinte Energy Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017 (the "**Reporting Period**"), together with comparative figures for the corresponding period in 2016. The results were prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements under the Hong Kong Companies Ordinance (Cap. 622).

CONSOLIDATED BALANCE SHEET

		As of 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**13,058,520**	11,984,258
Land use rights		**557,839**	546,735
Intangible assets		**46,510**	48,580
Investments accounted for using the equity method		**113,593**	94,441
Available-for-sale financial assets		**1,000**	1,000
Deferred income tax assets		**179,663**	136,394
Other non-current assets		**1,755,748**	1,091,667
Total non-current assets		**15,712,873**	13,903,075
Current assets			
Inventories		**3,874,701**	4,401,280
Amounts due from customers for contract work		**2,378,952**	2,387,570
Other current assets		**260,716**	269,586
Trade and notes receivable	4	**4,244,084**	3,247,106
Prepayments and other receivables		**1,376,627**	755,465
Restricted cash		**1,500,300**	950,525
Cash and cash equivalents		**2,316,610**	1,897,947
Total current assets		**15,951,990**	13,909,479
Total assets		**31,664,863**	27,812,554

CONSOLIDATED BALANCE SHEET *(continued)*

	Note	As of 31 December **2017** *RMB'000*	2016 *RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**1,045,005**	1,045,005
Share premium		**5,030,375**	5,030,375
Other reserves		**457,310**	353,024
Retained earnings		**2,674,707**	1,831,898
		9,207,397	8,260,302
Non-controlling interests		**53,015**	51,442
Total equity		**9,260,412**	8,311,744
LIABILITIES			
Non-current liabilities			
Borrowings		**6,487,970**	6,336,601
Deferred income tax liabilities		**78,742**	—
Deferred government grants		**378,263**	361,680
Total non-current liabilities		**6,944,975**	6,698,281
Current liabilities			
Trade and notes payable	5	**7,276,778**	6,935,441
Provisions and other payables		**2,894,570**	2,253,427
Amounts due to customers for contract work		**489,684**	144,563
Current income tax liabilities		**3,972**	36,865
Borrowings		**4,794,472**	3,432,233
Total current liabilities		**15,459,476**	12,802,529
Total liabilities		**22,404,451**	19,500,810
Total equity and liabilities		**31,664,863**	27,812,554

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	3	**11,420,951**	12,001,303
Cost of sales		**(8,927,654)**	(10,005,131)
Gross profit		**2,493,297**	1,996,172
Selling and marketing expenses		**(403,039)**	(364,192)
General and administrative expenses		**(654,442)**	(593,604)
Other income		**89,211**	95,934
Other (losses)/gains — net		**(33,011)**	35,223
Operating profit		**1,492,016**	1,169,533
Interest income		**25,789**	26,255
Finance expenses		**(295,680)**	(249,731)
Financial expenses — net		**(269,891)**	(223,476)
Share of (loss)/profit of investments accounted for using the equity method		**(4,138)**	1,808
Profit before income tax		**1,217,987**	947,865
Income tax expense	6	**(144,290)**	(141,532)
Profit for the year		**1,073,697**	806,333

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(continued)

	Note	Year ended 31 December **2017** *RMB'000*	2016 *RMB'000*
Profit for the year attributable to:			
Owners of the Company		**1,070,671**	801,133
Non-controlling interests		**3,026**	5,200
		1,073,697	806,333
Other comprehensive (loss)/income:			
Items that may be reclassified to profit and loss			
Currency translation differences		**(31)**	23
Total comprehensive income for the year		**1,073,666**	806,356
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,070,640**	801,156
Non-controlling interests		**3,026**	5,200
		1,073,666	806,356
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	7	**1.02**	0.77
Diluted earnings per share (RMB)	7	**1.02**	0.77

1 GENERAL INFORMATION

Xinte Energy Co., Ltd. (新特能源股份有限公司) (the "Company") was established in the People's Republic of China (the "PRC") on 20 February 2008 as a limited liability company. On 16 October 2012, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is No.2499, Mianguangdong Street, Ganquanpu Economic and Technological Development Zone (Industrial Park), High-tech Industrial Development Zone (New Downtown), Urumqi, Xinjiang Uygur Autonomous Region, the PRC.

The Company's parent company and ultimate holding company is TBEA Co., Ltd. (特變電工股份有限公司) ("TBEA"), a joint stock company with limited liability incorporated in the PRC.

The Company and its subsidiaries (the "Group") are principally engaged in polysilicon production and rendering of engineering and construction contracting ("ECC") service for solar and wind power plants and systems.

On 30 December 2015, the H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the 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 have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12
- Disclosure Initiative – Amendments to IAS 7.

The adoption of the above mentioned new and amended standards did not result in any significant impact on the current period or any prior period and is not likely to affect future periods.

The amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial instruments

IFRS 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities and is not expecting the new guidance to have a significant impact from the adoption of the new standard on 1 January 2018 for the reason:

- The equity instruments that are currently classified as available-for-sale (AFS) financial assets will satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and hence there will be no change to the accounting for these assets.

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

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group has assessed the new impairment model and is expecting no significant impact.

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

The new standard must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard.

IFRS 15 Revenue from Contracts with Customers

The new standard for the recognition of revenue will replace IAS 18 which covers revenue arising from the sale of goods and the rendering of services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Based on the assessment up to this stage, management does not expect the adoption of the new standard will have a material impact on the Group.

The new standard is mandatory for financial years commencing on or after 1 January 2018.

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, 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 accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As of the reporting date, the Group has non-cancellable operating lease commitments of RMB8,839,000. The Group estimates that approximately 87% to 91% of these relate to payments for short-term and low-value leases which will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

The standard is mandatory for financial years beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 SEGMENT INFORMATION

The chief operating decision-makers ("**CODM**") have been identified as the general manager, deputy general manager and directors of the Company who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments on the basis of these reports. As the Group's operations are primarily located in the PRC, the CODM considers the business from a product and service perspective. Management separately considers polysilicon production, ECC and build-own-operate of power plants ("BOO") as reportable operating segments. Others segment mainly comprises of businesses including inverter manufacturing, design services, PV wafer and module manufacturing and logistics services.

During the year ended 31 December 2017, the PV wafer and module manufacturing do not meet the quantitative thresholds required by IFRS 8 for reportable segments, the CODM has combined the PV wafer and module manufacturing with others segment; the comparatives have also been restated.

The CODM assesses the performance of the operating segments based on revenue and gross profit margin. Sales and other transactions between segments are carried out based on terms and conditions mutually agreed between the relevant parties. The measurement of segment revenue and results reported to the CODM are in a manner consistent with that in the statement of comprehensive income. The amounts provided to the CODM with respect to total assets are measured in a manner consistent with that of the balance sheet. These assets are allocated based on the operations of the segment.

For the year ended 31 December 2017:

	Polysilicon production *RMB'000*	**ECC** *RMB'000*	**BOO** *RMB'000*	**Others** *RMB'000*	**Elimination** *RMB'000*	**Total** *RMB'000*
Segment revenue and results						
Total segment revenue	**3,472,901**	**7,261,921**	**308,328**	**1,031,392**	**(653,591)**	**11,420,951**
Inter-segment revenue	**(10,566)**	**(398,304)**	**—**	**(244,721)**	**653,591**	**—**
Revenue from external customers	**3,462,335**	**6,863,617**	**308,328**	**786,671**	**—**	**11,420,951**
Segment results	**1,409,921**	**770,057**	**201,389**	**111,930**	**—**	**2,493,297**
Amortisation	**15,502**	**5,677**	**8,146**	**335**	**—**	**29,660**
Depreciation	**495,992**	**5,554**	**83,124**	**41,730**	**—**	**626,400**
Provisions of impairment:				**—**		
— trade and other receivables	**2,466**	**42,944**	**—**	**5,734**	**—**	**51,144**
— property, plant and equipment	**—**	**—**	**—**	**55,777**	**—**	**55,777**
— inventory	**—**	**6,827**	**—**	**4,957**	**—**	**11,784**
— construction contracts	**—**	**9,946**	**—**	**—**	**—**	**9,946**
Share of loss of investments accounted for using the equity method	**—**	**(4,138)**	**—**	**—**	**—**	**(4,138)**

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
For the year ended 31 December 2016 (restated)						
Segment revenue and results						
Total segment revenue	2,560,990	8,830,293	127,677	1,073,909	(591,566)	12,001,303
Inter-segment revenue	(18,295)	(398,283)	—	(174,988)	591,566	—
Revenue from external customers	2,542,695	8,432,010	127,677	898,921	—	12,001,303
Segment results	863,953	937,200	91,077	103,942	—	1,996,172
Amortisation	14,209	2,556	6,673	5,453	—	28,891
Depreciation	476,460	12,209	25,503	44,524	—	558,696
Provisions of impairment:						
— trade and other receivables	(1,584)	9,405	5,965	(1,532)	—	12,254
— property, plant and equipment	—	—	—	81,809	—	81,809
— inventory	—	52,480	—	133	—	52,613
— construction contracts	—	134	—	—	—	134
Share of profit of investments accounted for using the equity method	—	1,808	—	—	—	1,808

A reconciliation of segment results to total profit for the year is provided as follows:

	Year ended 31 December **2017** ***RMB'000***	2016 *RMB'000*
Polysilicon production	**1,409,921**	863,953
ECC	**770,057**	937,200
BOO	**201,389**	91,077
Others	**111,930**	103,942
Total gross profit for reportable segments	**2,493,297**	1,996,172
Selling and marketing expenses	**(403,039)**	(364,192)
General and administrative expenses	**(654,442)**	(593,604)
Other income	**89,211**	95,934
Other (losses)/gains — net	**(33,011)**	35,223
Finance expenses — net	**(269,891)**	(223,476)
Share of (loss)/profit of investments accounted for using the equity method	**(4,138)**	1,808
Profit before income tax	**1,217,987**	947,865
Income tax expense	**(144,290)**	(141,532)
Profit for the year	**1,073,697**	806,333

The segment assets as of 31 December 2017 are as follows:

	Polysilicon production *RMB'000*	ECC *RMB'000*	BOO *RMB'000*	Others *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
As of 31 December 2017						
Segment assets	**13,029,475**	**18,311,239**	**3,443,601**	**3,191,467**	**(6,604,175)**	**31,371,607**
Investments accounted for using the equity method	**—**	**109,393**	**—**	**4,200**	**—**	**113,593**
	13,029,475	**18,420,632**	**3,443,601**	**3,195,667**	**(6,604,175)**	**31,485,200**
Unallocated assets						**179,663**
Total assets						**31,664,863**
Additions to non-current assets	**688,389**	**95,081**	**1,069,046**	**184,974**	**—**	**2,037,490**
As of 31 December 2016 (restated)						
Segment assets	12,434,237	12,272,027	5,199,155	2,883,804	(5,207,504)	27,581,719
Investments accounted for using the equity method	—	94,441	—	—	—	94,441
	12,434,237	12,366,468	5,199,155	2,883,804	(5,207,504)	27,676,160
Unallocated assets						136,394
Total assets						27,812,554
Additions to non-current assets	490,699	479,429	1,641,110	274,159	—	2,885,397

Entity-wide information

Breakdown of the revenue from all goods and services is as follows:

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Provision of ECC services	**6,863,617**	8,432,010
Sales of goods	**4,409,284**	3,277,165
Provision of services other than ECC	**148,050**	292,128
	11,420,951	12,001,303

Revenue from external customers in the PRC and other countries is as follows:

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
The PRC	**11,192,620**	11,796,511
Other countries	**228,331**	204,792
	11,420,951	12,001,303

For the year ended 31 December 2017, there was no external customer (2016: one) contributed more than 10% of the total revenue.

As of 31 December 2017 and 2016, all the Group's non-current assets, other than deferred income tax assets are primarily located in the PRC.

4 TRADE AND NOTES RECEIVABLE

	As of 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Trade receivables	**2,308,610**	1,642,990
Notes receivable	**2,063,138**	1,686,716
	4,371,748	3,329,706
Less: provision for impairment	**(127,664)**	(82,600)
	4,244,084	3,247,106

Notes receivable of the Group are bank acceptance notes and trade acceptance notes with maturity dates within six months.

As of 31 December 2016, the Group's notes receivable with the original book value of 226,394,000 were pledged as security for short-term bank borrowings.

Aging analysis of the Group's gross trade receivables based on the due date at the respective balance sheet dates is as follows:

	As of 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Within 3 months	**1,050,363**	307,968
3 months to 6 months	**302,559**	387,417
6 months to 1 year	**296,875**	432,432
1 year to 2 years	**356,940**	395,020
2 years to 3 years	**232,477**	87,576
Over 3 years	**69,396**	32,577
	2,308,610	1,642,990

Most of the Group's trade receivables are due upon the issuance of the invoices, except for retention money which would primarily be collected one to two years after the completion of the sales.

5 TRADE AND NOTES PAYABLE

	As of 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Trade payables	**3,379,730**	3,434,521
Notes payables	**3,897,048**	3,500,920
	7,276,778	6,935,441

The aging analysis of trade payables is as follows:

	As of 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Within 1 year	**2,515,194**	2,943,005
1 year to 2 years	**555,856**	437,115
2 years to 3 years	**269,548**	34,738
Over 3 years	**39,132**	19,663
	3,379,730	3,434,521

6 INCOME TAX EXPENSE

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Current income tax expense	**108,817**	195,282
Deferred income tax benefit	**35,473**	(53,750)
	144,290	141,532

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	Year ended 31 December	
	2017	**2016**
	RMB'000	*RMB'000*
Profit before income tax	**1,217,987**	947,865
Tax expense calculated at statutory tax rate of 25%	**304,497**	236,966
Effect of difference between applicable preferential tax rate and statutory tax rate	**(95,060)**	(77,938)
Tax losses and other temporary differences for which no deferred income tax assets were recognised	**19,294**	12,096
Utilisation of previously unrecognised temporary differences and tax losses	**(2,898)**	(18,711)
Elimination of transactions with associates	**(2,507)**	10,180
Expenses not deductible for taxation purposes	**5,730**	3,013
Tax credits and additional deduction entitlements	**(84,766)**	(24,074)
	144,290	141,532

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which has been provided for based on the statutory income tax rate of 25% on the assessable income of each of these companies during the year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate of 15%.

Tax credits and additional deduction entitlements mainly represent tax credit for purchases of qualified environmental protection equipment, research and development expenses eligible for additional tax deduction and tax exemption for the first three years since commencement of power generation followed by a 50% tax deduction for the next three years.

7 EARNINGS PER SHARE

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2017.

	Year ended 31 December	
	2017	**2016**
Profit attributable to owners of the Company (RMB'000)	**1,070,671**	801,133
Weighted average number of ordinary shares in issue (thousands)	**1,045,005**	1,043,857
Basic earnings per share (RMB)	**1.02**	0.77

(b) Diluted

No dilutive effect on earnings per share for the years ended 31 December 2017 and 2016, as the Group had no dilutive potential ordinary shares.

8 DIVIDENDS

On the board meeting held on 23 March 2018, the Board proposed payment of a final dividend of RMB0.20 per share for the year ended 31 December 2017, totalling RMB209,001,032. Such dividend is to be approved by the shareholders of the Company on the forthcoming annual general meeting. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements.

Final dividend of RMB0.12 per share for the year ended 31 December 2016, totalling RMB125,400,619 was approved in the annual general meeting of shareholders of the Company on 16 June 2017, and RMB49,930,000 has been paid as of 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

(The following information disclosure was based on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards unless otherwise specified)

I. Review of Industry Development Trends

In 2017, driven by a number of factors including the effect of panic installation due to an adjustment of on-grid tariff of new energy in China, the accelerated expansion of the market distribution and the rapid rise of the international new energy markets, the new energy industry in China continued to be positive, with steady growth in scale, significant improvement in technology level and substantial cost reduction, which further strengthened its competitive position in the world. In 2017, the newly installed photovoltaic ("**PV**") capacity in China was 53GW, representing a year-on-year increase of 53.6%, and ranked as the first in the world for five consecutive years. The cumulative installed capacity was 130GW, ranked as the first worldwide for three years in a row. Despite the fact that the growth of wind power in China slowed down in 2017, the capacity of new installations was 15GW, still being the first globally. To resolve the problems of the imported new energy market system and poor on-grid consumption capacity, the Chinese government implemented relevant public measures in 2017 promoting energy restructuring, improving trading mechanisms and promoting parity grid connection, etc., with an aim to foster a healthy and sustainable development of the new energy industry.

1. Review of Major Policies of New Energy Industry in China

(1) Promoting energy restructuring

- In July 2017, the National Energy Administration of the PRC ("**NEA**") issued the Guidance Views on Renewable Energy Development in the Implementation of the "13th Five-year Plan" (《關於可再生能源發展「十三五」規劃實施的指導意見》). The document provided the guidance on the scales for China's new PV and wind power installations, which are set at 86.5GW and 110.4GW respectively for 2017–2020. These do not include new installations for distributed projects and PV poverty alleviation projects each year.

- In November 2017, China National Renewable Energy Center issued the 2017 Executive Summary of Outlook for Renewable Energy in China (《中國可再生能源展望 2017 執行摘要》) which proposed a 2020 target for the development of China's renewable energy: to increase the installed capacity of PV from 110GW to 200GW and that of wind power from 210GW to 350GW.

(2) Improving the trading mechanisms for wind and PV power

- In January 2017, the National Development and Reform Commission of the PRC ("**NDRC**"), the Ministry of Finance of the PRC and the NEA issued the Notice of the Pilot Scheme for Green power certificate of renewable energy and voluntary subscription system (《關於試行可再生能源綠色電力證書核發及自願認購交易制度的通知》), with an intention to implement a pilot green power certificate scheme nationally for renewable energy and establish a voluntary subscription system, so as to encourage marketization of the development of renewable energy.

- In November 2017, the NDRC and the NEA issued the Notice of Pilot Projects for Market-oriented Trading of Distributed Power Generation (《關於開展分佈式發電市場化交易試點的通知》) in relation to the setting up of a market-oriented trading platform for distributed power generation, on which parties of distributed power generation and users neighbouring upon the power distribution network can carry out electricity trade, subject only to "wheeling cost" payable to the power grid enterprises. This is conducive to the utilisation of clean energy resources by distributed power generation in the neighbourhood.

(3) Promoting parity grid connection for new energies

- In November 2017, the NDRC promulgated the Opinions on Fully Deepening the Reform of Pricing Mechanism (《關於全面深化價格機制改革的意見》), which sets out a plan to improve the pricing mechanism for renewable energies by implementing a degradation mechanism to the benchmark on-grid tariffs for new energies such as wind power and PV. By 2020, it is expected that the on-grid tariff for wind power generation will be comparable to that for coal-fired power generation, and the on-grid tariff for PV will be comparable to the sales price of the power grid.

- In December 2017, the NDRC promulgated the Notice of the Pricing Policy of PV Generation Projects in 2018 (《關於2018年光伏發電項目價格政策的通知》), reducing the on-grid tariff of PV generation for three consecutive years after 2015 and fulfilling the requirements to gradually lower the benchmark on-grid tariffs for new energies. It attracts investment in new energies reasonably and promotes a healthy and orderly development of PV generation industry.

2. *Review of Development Trends of the Polysilicon Industry*

According to the statistics of China Nonferrous Metals Industry Association Silicon Industry Branch (中國有色金屬工業協會硅業分會), the global polysilicon output reached 439,000 tons in 2017, representing an increase of 13.7% over the corresponding period in the preceding year. The output in China was 240,000 tons, representing a year-on-year increase of 23.1%, accounting for 54.7% of the total global output. With a proportion exceeding 50% of the global output for two consecutive years, China has become the largest polysilicon manufacturer in the world. In 2017, the total consumption of polysilicon in the global PV and semiconductor industry amounted to 444,000 tons, reaching a roughly balanced supply and demand. In 2017, China produced approximately 240,000 tons of polysilicon with net import of 152,000 tons. The total supply of polysilicon reached 392,000 tons for the year, with total consumption at 394,000 tons, indicating a balanced supply and demand in general.

In 2017, the annual average polysilicon price in China was RMB135,000 per ton, representing a slight increase of 5.6% year-on-year. The polysilicon price throughout the year showed a trend of "√" shape while both its highest and lowest prices above the price in 2016. The price sharply declined from approximately RMB140,000 per ton in January and February to RMB108,500 per ton (an annual low) in the middle of April, representing a decrease of 24%. As the polysilicon market experienced in short supply due to the rush installation before 30 June and 30 September in China, the policy of US Section 201 and the inspection and repair carried out by polysilicon producers, supply of polysilicon fell short of demand. The price rebounded and rose constantly to RMB152,800 per ton by the end of December, representing an increase up to 40.8%.

3. *Review of Development Trends of the PV Generation Industry*

According to the statistics from the China PV Industry Association, the global PV market experienced a strong growth in 2017. Newly installed capacity reached 102GW, representing a year-on-year increase of over 37% and was the first time to exceed 100GW. The cumulative installed capacity amounted to 405GW. Led by China, new PV installations in the Asia-Pacific region contributed more than 70% of the global installation in 2017.

According to the statistics from the NEA, due to a number of factors including the on-grid tariff adjustment, the rapid expansion of China's PV generation market in 2017, with a newly installed capacity of 53.06GW, ranked as the first globally for five consecutive years. New installed capacity of PV stations was 33.62GW, representing a year-on-year increase of 11%; new installed capacity of distributed PV was 19.44GW, representing a year-on-year of growth of 3.7 times. This brought China's total installed PV capacity to 130GW as of the end of 2017, ranked the first globally for three consecutive years. From the perspective of the new installation deployment, there was a significant trend moving from the north-western region to the eastern and central regions. Newly installed capacity in Eastern China was 14.67GW, increased 1.7 times year-on-year; newly installed capacity in Central China was 10.64GW, increased 70% year-on-year; and newly installed capacity in North-western China was 6.22GW, decreased by 36% year-on-year.

In 2017, China's PV generation was 118.2 billion kWh, representing a year-on-year growth of 78.6%, with 7.3 billion kWh of PV curtailment, representing a year-on-year decrease of 4.3%, of which Xinjiang (excluding the corps) and Gansu showed significant improvements, reducing PV curtailment rate by 9.3% and 9.8% year-on-year to 22% and 20% year-on-year respectively.

4. *Review of Development Trends of the Wind Power Generation Industry*

The Global Wind Energy Council reported that the newly installed wind power capacity was 52.57GW globally in 2017, dominated by China, U.S. and Europe. The accumulated installed capacity reached 539.58GW.

According to the statistics from NEA, the newly installed wind power capacity for grid connection in China was 15.03GW in 2017, of which the central-eastern and southern region accounted for 50%, showing further improvement in the deployment of wind power development. Newly installed capacity in each of Shandong, Henan, Shaanxi and Shanxi was more than 1GW. As of the end of 2017, the accumulated installed capacity of wind power for grid connection in China reached 164GW, of which 25.6% was attributable to the central-eastern region and southern region and 74.4% was attributable to northwest, north and northeast China (Three Northern Regions). In 2017, the annual wind power generation in China was 305.7 billion kWh, accounting for 4.8% of total power generation, which was 0.7% higher than that in 2016.

In 2017, the average utilisation hours of wind power in China was 1,948 hours, representing a year-on-year increase of 203 hours. In particular, Fujian, Yunnan and Sichuan were the better performers, where the average utilisation hours all exceeded 2,350 hours. In 2017, the national wind power curtailment decreased by 7.8 billion kWh year-on-year, representing a year-on-year decrease of 5.21%. The wind energy curtailment rate in Jilin, Xinjiang, Ningxia, Inner Mongolia and Liaoning all dropped by more than 5%, while that in Gansu and Xinjiang remained as high as 33% and 29%, respectively, and there were rooms to improve.

II. The main business operations of the Group

During the Reporting Period, in the new energy industry, newly installed PV reached a new high, driving up the demand and price for polysilicon. The newly installed capacity of wind power was maintained at a relatively high level. The Group achieved relatively good results through keeping up with the industry dynamics and seizing market opportunities and at the same time strengthening reforms and innovation. During the Reporting Period, the Group achieved a revenue of RMB11,420.95 million, representing a decrease of 4.84% as compared with the corresponding period of the preceding year, and profit attributable to owners amounted to RMB1,070.67 million, representing an increase of 33.64% over the same period of the preceding year.

1. Polysilicon Production

During the Reporting Period, through meticulous planning and comprehensive arrangements, the Group successfully completed a technological transformation project for the polysilicon production in the first half of 2017, and has fully achieved its planned production capacity. The Group achieved the polysilicon production output of 29,400 tons for the year, representing a growth of 28.94% over the same period of previous year.

The Group strengthened quality management and process improvement, and further reduced the production costs to achieve a better efficiency and improve product quality through the promotion of comprehensive automated production lines, intelligence upgrade and the implementation of lean control in production processes, resulted in more than 97% 1st grade polysilicon products in production. During the Reporting Period, gross profits from polysilicon production was RMB1,409.92 million, representing an increase of 63.19% over the same period last year.

2. Development and Reserve of PV and Wind Power Resources in China

In 2017, by keeping up with the development trend of new energy industry, the Group continued to improve its resource structure and put more efforts on the development of wind resources. The Group acquired a series of wind power projects including a 500MW project in Ximeng and a 575MW project in Zhengxiangbaiqi, Inner Mongolia, and a 200MW project in Wuqiang, Hebei, which extended its presence from Three Northern Regions to 16 provinces around the central and eastern part of China.

In the meantime, the Group closely followed the relevant policy planning with respect to national new energy development, by focusing on planning energy resource bases market at the ultra-high voltage dominated countries as well as the new entry special markets represented by PV fore-runner projects. The specialised markets made up of mainly distributed PV and decentralized wind power were adopted as supplementary segment for business diversification. The business scope has diversified from large-scale ground-mounted PV projects to different varieties including energy bases, decentralised, distributed PV, solar-agriculture complementation and solar-fishery complementation, improving adjustments in both resource deployment and structure.

In 2017, the Group completed and recognised a revenue for 1,529MW of installed capacity for PV and wind power EPC and BT projects. As of 31 December 2017, the Group had a total of 556.5MW of BT projects under construction and completed for transfer, and over 2GW of total installed capacity of advanced projects in the pipeline, securing a solid foundation for the development of the Group.

3. BOO Projects

The Group is accelerating the construction of BOO projects in its bid to strategically transform from a wind and PV power station builder into an operator in order to diversify the Group's revenue streams for further increase of profit. By the end of 2017, the Group had a total of 620MW of BOO projects completed, and 100MW of BOO projects were under construction.

In 2017, BOO projects of the Group generated a cumulative electricity output of 584 million kWh, with 566 million kWh of on-grid electricity, achieving a revenue of RMB308.33 million and a gross profit of RMB201.39 million from power generation, representing an increase of 141.49% and 121.12%, respectively, as compared with the same period last year.

4. International Market

By leveraging on China's "One Belt, One Road" (一帶一路) strategy and the initial layout of the global markets, the Group promptly embraced the strategic positioning of targeted regional markets and focused on implementing target projects in key markets for business breakthroughs in countries such as Turkey, India, Pakistan and Egypt in 2017.

- The Group appeared in the largest new energy exhibition "Renewable Energy India Expo 2017" with its total solution in intelligent PV power station, unveiling the new product TC2500KH-O, the grid-connected photovoltaic inverter known as SolarNova, and contracts signed on-site amounted to 300MW.

- The 17MW PV project in Turkey has been completed and successfully connected to the grid, marking a breakthrough of the Group in the Turkish market.

- The Group was awarded a contract of a 186MW PV project in Egypt, laying a sound foundation for the Group in exploring the North African market.

- The Group was awarded a contract of a 50MW PV project in Pakistan, the second PV project in Pakistan following the completion of the 100MW PV project in the country in 2015.

5. *New Energy Power Electronics Business*

The Group focuses on new energy manufacturing so it has increased its expansion in the business of power electronics such as inverters, flexible direct current ("**DC**"), static VAR generators ("**SVG**"), and electric power routers. It successfully launched the eCloud, an online intelligent operation and supporting platform for PV and wind power stations, leading to an accelerated growth of the power electronic business.

During the Reporting Period, the Group made a number of technological breakthroughs and achieved relatively good results:

- The Group successfully developed the "±800kV/5000MW flexible DC transmission system converter valve" and the "PV high voltage direct grid-connection device for power based router" and passed the technical evaluation of the Chinese Society for Electrical Engineering, which all of the main performance indicators have reached the advanced international standard.

- The Group developed the first PV high voltage direct grid-connection inverter in the world which has an efficiency rate of 98.2% and electricity quality of THD<1%. It is also certified by the China General Certification Center, proving that its technological achievements in PV high voltage direct connect inverter products have reached the advanced international standards.

- The Group's SVG first-time commissioning pass rate was 100%, representing an increase of 6.5% as compared to the same period last year. It has also obtained the PCCC certification.

- The first-time commissioning pass rate for the Group's string inverter was 92.02%, among all, the model TS50KTL-PLUS inverter has obtained a German TÜV certification.

6. *Continuing to Promote Technological Research and Intensifying Scientific and Technological Innovation*

In line with the strategic plan for a leading science and technology enterprise, the Group took various initiatives to enhance scientific and technological innovation, strengthen its technology management functions, and clarify the work focuses and development direction in technology, create a culture of full participating innovation and consistently driving scientific research and innovation, so as to facilitate the healthy development of the Group.

In terms of polysilicon production, the Group's patents were granted the National Outstanding Patent Award for "A Purification Process for Recovery of Hydrogen in Electronic-grade Polysilicon Production" (《一種電子級多晶硅生產中回收氫氣的淨化處理工藝》), the first prize of Scientific and Technological Progress Award of Chinese Nonferrous Metal Industry for the project of "Independent Innovation and Industrialization of Key Technologies For Green Production of High-purity Crystal Silicon" (《高純晶體硅綠色生產關鍵技術自主創新與產業化》) and the first prize of Scientific and Technological Progress Award in Xinjiang Uygur Autonomous Region for the project of "Development and Application of Hydrogen Purification Technology in Polysilicon Production" (《多晶硅生產中氫氣淨化處理技術開發及應用》). Furthermore, 92 technological innovation projects such as "Research and Development on Electronic Grade One Polycrystalline Silicon" (《電子一級多晶矽研發》), "Enhancing the Conversion Rate of Cold Hydrogenation of Silicon Tetrachloride" (《冷氫化四氯化矽轉化率提升》), "The Efficient Usage and Pollutant Prevention of High-Alkali Coal Cleaning" (《高鹼煤清潔高效利用與污染物防治》) and "The Extension of Industrial Chain of Silicon Nitride Powder and Others" (《氮化矽粉體等產業鏈延伸》) have also been initiated. These patents and scientific researches provide strong technical supports to improve the quality and reduce the cost of polysilicon production.

In the area of engineering, the Group improved the engineering technical solutions to reduce costs because of the successful application of new technologies such as the adjustable supports and new high-transmittance modules on a number of fore-runner projects. By building a wind resource assessment system with models of various-sizes, the efficiency and accuracy of wind resource assessment have been improved. In the technical areas including PV, micro-grid and power electronics, more than 20 scientific projects have been carried out with key domestic scientific research institutes.

In 2017, the Group achieved fruitful results in scientific and technological innovation. It applied for a total of 101 patents and technology know-hows, and was authorised for 62 patents. As of 31 December 2017, the group's accumulative number of authorised patents in China was 452 and the number of international PCT was 6. The Group actively participated in the compilation of 69 standards, including 41 national standards, 17 industrial standards and 11 local standards.

7. ***Improving Management System for Operation Safety and Continuously Strengthening Production Safety***

Start with the fundamentals management, the Group fully adopted preventive management for equipment. It continued to improve the level of its technologies and equipment by taking effective measures including process hazard analysis, machinery completeness, changes of technologies and facilities and safety check before commissioning. An intelligent and information platform for safety management focusing on production control has been built, to monitor the entire process through operation and running and inspection, improve the management system for operation safety, and fully implement the standardised management of production safety. In respect of engineering business, the Group further enhanced the safety management system of engineering projects and fully discharged production safety responsibilities at all levels, performing safety work throughout all sections of each engineering project, to ascertain zero blind spot in safety management.

III. Operating Results And Analysis

Financial Review

Business Performance Table

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**11,420,951**	12,001,303
Cost of sales	**(8,927,654)**	(10,005,131)
Gross profit	**2,493,297**	1,996,172
Other income	**89,211**	95,934
Other (losses)/gains — net	**(33,011)**	35,223
Selling and marketing expenses	**(403,039)**	(364,192)
General and administrative expenses	**(654,442)**	(593,604)
Financial expenses — net	**(269,891)**	(223,476)
Share of (loss)/profit of investments accounted for using the equity method	**(4,138)**	1,808
Profit before income tax	**1,217,987**	947,865
Income tax expense	**(144,290)**	(141,532)
Profit attributable to the owners of the Company	**1,070,671**	801,133
Profit attributable to the non-controlling interests	**3,026**	5,200

Revenue

The Group generates revenue mainly from three business segments, including polysilicon production, ECC and BOO. For the year ended 31 December 2017, the revenue of the Group was RMB11,420.95 million, representing a decrease of RMB580.35 million or 4.84% lower than RMB12,001.30 million in the corresponding period of last year, mainly attributable to the increase of revenue from polysilicon production and BOO projects, but decrease in revenue from ECC business.

	Year ended 31 December	
	2017	2016
Business Segments	***RMB'000***	*RMB'000*
Polysilicon production	**3,462,335**	2,542,695
ECC	**6,863,617**	8,432,010
BOO	**308,328**	127,677
Others	**786,671**	898,921
Total Revenue	**11,420,951**	12,001,303

For the year ended 31 December 2017, the revenue of polysilicon production segment was RMB3,462.34 million, representing an increase of RMB919.64 million or 36.17% over

RMB2,542.70 million in the corresponding period of last year, mainly attributable to the completion of the polysilicon technology upgrade project which resulted in increased capacity and sales volume while at the same time the average price of polysilicon has increased.

For the year ended 31 December 2017, the revenue of ECC segment was RMB6,863.62 million, representing a decrease of RMB1,568.39 million or 18.60% less than the revenue of RMB8,432.01 million in the corresponding period of last year. The decrease was mainly attributable to the downward adjustment of the on-grid benchmark tariff for wind power and PV generation, the continuous advancement of new energies, as well as the decrease of income per MW.

For the year ended 31 December 2017, the revenue of BOO segment was RMB308.33 million, representing an increase of RMB180.65 million or 141.49% increase over the revenue of RMB127.68 million in the corresponding period last year, mainly attributable to increase of capacity of power generation of the Group's BOO projects during the Reporting Period.

Cost of sales

For the year ended 31 December 2017, the cost of sales incurred by the Group was RMB8,927.65 million, representing a decrease of RMB1,077.48 million or 10.77% less than RMB10,005.13 million in the corresponding period of last year, mainly attributable to the decreased revenue from the Group's ECC business during the Reporting Period and the corresponding decrease of the costs.

	Year ended 31 December	
	2017	2016
Business Segments	***RMB'000***	*RMB'000*
Polysilicon production	**2,052,414**	1,678,742
ECC	**6,093,560**	7,494,810
BOO	**106,939**	36,600
Others	**674,741**	794,979
Total cost of sales	**8,927,654**	10,005,131

For the year ended 31 December 2017, the cost of sales incurred by polysilicon production segment was RMB2,052.41 million, representing an increase of RMB373.67 million or 22.26% over RMB1,678.74 million in the corresponding period of last year, mainly attributable to the increase in sales of polysilicon during the Reporting Period. At the same time, the Group enhanced its process technology and cost supervision which led to a further step in reducing unit costs.

For the year ended 31 December 2017, the cost of sales incurred by ECC segment was RMB6,093.56 million, representing a decrease of RMB1,401.25 million or 18.70% over RMB7,494.81 million in the corresponding period of last year. The decrease was mainly due to the advancement of new energy technologies resulting in a decrease in the corresponding cost during the Reporting Period.

For the year ended 31 December 2017, the cost of sales incurred by BOO segment was RMB106.94 million, representing an increase of RMB70.34 million or 192.18% over RMB36.60 million in the corresponding period of last year, which was mainly due to an increase in the generated power of the Group's BOO projects during the Reporting Period, resulting in higher corresponding costs.

Gross profit and gross profit margin

For the year ended 31 December 2017, the gross profit of the Group was RMB2,493.30 million, representing an increase of RMB497.13 million or 24.90% over RMB1,996.17 million in the corresponding period of last year. The comprehensive gross profit margin was 21.83%, representing an increase of 5.20 percentage points over the corresponding period of last year. During the Reporting Period, the main reasons for the increase in the Group's gross profits were the completion of the polysilicon technological transformation project resulting in an increase in production and sales, increase in the average sales prices of polysilicon and increase in the generated power of BOO projects, as well as the strengthening of cost control by the Group.

Other income

For the year ended 31 December 2017, other income of the Group was RMB89.21 million, representing a decrease of RMB6.72 million or 7.01% over RMB95.93 million in the corresponding period of last year.

Other (losses)/gains — net

For the year ended 31 December 2017, the net other losses of the Group were RMB33.01 million, representing a decrease of RMB68.23 million from the net other gains of RMB35.22 million in the corresponding period of last year. The decrease was mainly due to the increase in foreign exchange losses of the Group during the Reporting Period.

Selling and marketing expenses

For the year ended 31 December 2017, the selling and marketing expenses of the Group were RMB403.04 million, representing an increase of RMB38.85 million or 10.67% over RMB364.19 million in the corresponding period of last year. The increase was mainly due to the enhancement of market development and the increased marketing expenses of the Group during the Reporting Period.

General and administrative expenses

For the year ended 31 December 2017, the general and administrative expenses of the Group were RMB654.44 million, representing an increase of RMB60.84 million or 10.25% over RMB593.60 million in the corresponding period of last year, which was mainly due to the increased product development costs of the Group during the Reporting Period.

Financial expenses — net

For the year ended 31 December 2017, the net financial expenses of the Group was RMB269.89 million, representing an increase of RMB46.42 million or 20.77% from RMB223.48 million in the corresponding period of last year, which was mainly due to the expansion of borrowings size of the Group, resulting in an increase in interest expense during the Reporting Period.

Share of (loss)/profit of investments accounted for using the equity method

For the year ended 31 December 2017, the share of loss of investments accounted for using the equity method of the Group was RMB4.14 million, representing a decrease of RMB5.95 million from the investment profit of RMB1.81 million in the corresponding period of last year. The decrease was mainly because of the loss of associates during the Reporting Period.

Income tax expense

For the year ended 31 December 2017, the income tax expense of the Group was RMB144.29 million, representing an increase of RMB2.76 million or 1.95% over RMB141.53 million in the corresponding period of last year.

Profit attributable to the owners of the Company

For the year ended 31 December 2017, profit attributable to the owners of the Company was RMB1,070.67 million, representing an increase of RMB269.54 million or 33.64% over RMB801.13 million in the corresponding period of last year.

Profit attributable to the non-controlling interests

For the year ended 31 December 2017, the profit attributable to the non-controlling interests of the Group was RMB3.03 million, representing a decrease of RMB2.17 million or 41.81% from RMB5.20 million in the corresponding period of last year. The decrease was mainly due to the decrease in profit of Xi'an TBEA Electric Power Design Co., Ltd., a subsidiary of the Group, during the Reporting Period.

Cash Flows

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash generated from/(used in) operating activities	**1,764,472**	(224,598)
Net cash used in investing activities	**(2,300,591)**	(2,325,204)
Net cash generated from financing activities	**966,420**	1,580,552
Net increase/(decrease) in cash and cash equivalents	**430,301**	(969,250)

Net cash generated from/(used in) operating activities

For the year ended 31 December 2017, the net cash generated from operating activities of the Group was RMB1,764.47 million, representing an increase of RMB1,989.07 million from the net cash used in operating activities of RMB224.60 million in the corresponding period of last year. The increase was mainly due to more receivables collected as the Group improved the management of trade receivables during the Reporting Period.

Net cash used in investing activities

For the year ended 31 December 2017, the net cash used in investing activities of the Group was RMB2,300.59 million, representing a decrease of RMB24.61 million or 1.06% from RMB2,325.20 million in the corresponding period of last year.

Net cash generated from financing activities

For the year ended 31 December 2017, the net cash generated from financing activities of the Group was RMB966.42 million, representing a decrease of RMB614.13 million or 38.86% over RMB1,580.55 million in the corresponding period of last year. The decrease was mainly due to less proceeds of borrowings by the Group during the Reporting Period as compared to that in the corresponding period of last year.

Operation Fund

	Year ended 31 December	
	2017	2016
Cash and cash equivalents at the end of the year (RMB'000)	**2,316,610**	1,897,947
Gearing ratio	**80.62%**	83.26%
Inventory turnover rate (times)	**2.16**	2.28
Inventory turnover days (days)	**166.86**	158.04

On 31 December 2017, the cash and cash equivalents of the Group were RMB2,316.61 million (31 December 2016: RMB1,897.95 million).

The required capital fund of the BT and BOO businesses which the Group are engaged in generally accounts for 20%–30% of the total investment of the project, the rest of which is bank loans, which has a greater impact to the gearing ratio of the Group. As of 31 December 2017, the gearing ratio of the Group was 80.62% while that as of 31 December 2016 was 83.26%. The gearing ratio was calculated by dividing its net debts by total equity, whereas net debts were calculated by deducting restricted bank balances and cash balances at bank from total interest-bearing liabilities.

BT projects under development and held for sale were included in the inventory item, and whether BT projects can be transferred in time is significantly important for the Group's inventory turnover rate and turnover days. The inventory turnover rate and turnover days of the Group were 2.16 times and 166.86 days on 31 December 2017, respectively, and the inventory turnover rate and turnover days of Group were 2.28 times and 158.04 days on 31 December 2016, respectively.

By virtue of the stable cash inflow from the daily business operations and finance business, the Group has sufficient resources to support future expansion.

Capital expenditure

For the year ended 31 December 2017, the major capital expenditure of the Group included: RMB1,807.73 million for the purchase of property, plant and equipment, RMB12.16 million for the purchase of intangible assets and RMB8.21 million for the purchase of land use rights.

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) (**"Jiangsu Zhongneng"**) filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Province People's Court. Before this announcement is issued, the aforementioned litigation is in the process of transfer, therefore no trial session has been conducted by Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the Directors are of the opinion that this litigation is still at a very early stage, and there are no sufficient grounds to anticipate and assess the outcome and the contingent liabilities. As such, no provision is made with respect to the aforementioned claim as of 31 December 2017.

Apart from the above, the Group and the Company have contingent liabilities in respect of claims or other legal proceedings arising in its ordinary course of business from time to time. For the year ended 31 December 2017, the directors of the Company did not anticipate that any material liabilities would arise from the contingent liabilities other than those provided in the consolidated financial statements.

Employees, remuneration, retirement and employees benefit scheme

As of 31 December 2017, the Group has 3,630 employees in total, including 578 management personnel, 558 technicians and 1,368 production personnel. The total remuneration of the Group's employees was RMB691.00 million for 2017.

In accordance with regulations applicable to enterprises and the relevant requirements of all levels of local governments where the Company operates, the Group provided pension plan, employees' medical insurance, unemployment insurance, maternity insurance and workers' compensation injury insurance. In addition, the Group also set up a corporate annuity system to provide further protection for the retired empolyees. In accordance with applicable PRC laws and regulations, the amount of contributions to the aforesaid social insurance is strictly based on the national, provincial, autonomous region and municipal requirements of the PRC. The Group also established an employee housing fund in accordance with applicable PRC regulations.

Assets mortgage

As of 31 December 2017, secured short-term bank borrowings in an amount of RMB1,010,000,000 and RMB19,529,000 represented proceeds received from subsidiaries of the Company and third parties under trade receivables factoring agreements with recourse with the banks, respectively. The secured short-term bank borrowings in an amount of RMB78,390,000 were pledged with certain of the Group's land use rights and properties, plants, equipment. As of 31 December 2017, secured long-term bank borrowings with an amount of RMB6,685,570,000 were pledged with certain of the Group's inventories, land use rights, property, plant and equipment and receivable collection right. As of 31 December 2017, secured short-term other borrowings with an amount of RMB119,502,000 were pledged with the guarantee deposit of RMB15,000,000 of the Group. As of 31 December 2017, secured long-term other borrowings with an amount of RMB199,000,000 were guaranteed by the bank credit; and the secured long-term other borrowings with the amount of RMB143,000,000 and RMB36,000,000 were guaranteed by the Company and Xinjiang New Energy, respectively.

Major acquisition and disposal of assets

During the Reporting Period, the Group had no major acquisition and disposal of subsidiaries or associates.

Major investments

During the Reporting Period, the Group had no material investment except for the investment on the construction of technological transformation projects for its polysilicon and BOO projects.

Foreign exchange risks

Most of the Group's business is located in China and is traded in RMB. The Group's assets and liabilities involved in exchange risks and transactions from the operation are mainly related to US dollar and Hong Kong dollar. The Directors believe that the exposure of the foreign exchange risk of the Group is minimal, and will not have material adverse risk on the financial performance of the Group. The Group currently does not have a foreign currency hedging policy, but the management of the Group closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when needed.

Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. All borrowings are obtained at variable rates and exposed the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. It will have no material adverse impact on the financial position of the Group.

Capital liquidity

As of 31 December 2017, current assets of the Group amounted to RMB15,952.00 million, among which, RMB3,816.91 million was cash at bank and on hand; RMB4,244.08 million was trade and notes receivable, primarily consisting of receivables from ECC and sales of inverter; RMB1,637.34 million was prepayments and other receivable and other current assets, primarily consisting of deductible VAT and advances.

As of 31 December 2017, current liabilities of the Group amounted to RMB15,459.48 million, including RMB7,276.78 million of trade and notes payable, primarily consisting of payables for purchase of PV and wind power projects equipment, laboring, materials procurement, coal fuels and spare parts of polysilicon; RMB2,894.57 million of provisions and other payables, primarily consisting of construction expense and retention of PV and wind power projects, and RMB4,794.47 million of short-term borrowings.

As of 31 December 2017, net current assets amounted to RMB492.51 million, representing a decrease of RMB614.44 million as compared with net current assets amounted to RMB1,106.95 million as of 31 December 2016. The current ratio was 103.19% as of 31 December 2017, representing a decrease of 5.46% as compared with the current ratio of 108.65% as of 31 December 2016. Restricted deposits amounted to RMB1,500.30 million, mainly including deposits for bills and issuance of the letter of credit.

The liquidity risks of the Group were controlled by the ample cash and available funds, which have been committed to sufficient credit financing. The Group satisified its operating capital demand through funds from operation and bank borrowings.

Borrowings and notes payable

As of 31 December 2017, the Group's balance of the borrowings and notes payable amounted to RMB15,179.49 million, representing an increase of RMB1,909.74 million as compared with the balance of the borrowings and notes payable of RMB13,269.75 million as of 31 December 2016. As of 31 December 2017, the Group's outstanding borrowings and notes included short-term borrowings and notes payable of RMB8,691.52 million (including long-term borrowings due within one year of RMB875.60 million and notes payable of RMB3,897.05 million) and long-term borrowings amounting to RMB6,487.97 million.

Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each of local entities is responsible for managing and analyzing the credit risk for their respective new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions (including restricted cash), as well as credit risk exposures to customers, including outstanding receivables and committed transactions. The Group assesses the credit quality of its customers taking into account various factors including their financial position, past experience and other factors. The management does not expect any losses from non-performance by these counterparties, except for those recognized.

Events after the balance sheet date

On the board meeting held on 23 March 2018, the Board proposed a final dividend of RMB0.2 (tax inclusive) per share for the year ended 31 December 2017.

IV. PROSPECTS

- ***Market Prospects***

Currently, the global major economies are focusing on economic reform and energy restructuring. They have also set development goals for renewable energies in the long run. It is expected that "green economy" will remain the global economic growth point before 2020. China strongly supports the development of renewable energies such as PV and wind power, and has clearly proposed to establish a clean, low-carbon, safe and efficient energy system, which will provide a long lasting impetus to the development of new energy industry.

According to "2017 Executive Summary of Outlook for Renewable Energy in China" (《中國可再生能源展望 2017 執行摘要》) issued by the China National Renewable Energy Center, and based on the data from the Energy Research Institute of NDRC, in view of the progress of renewable energy industry, technologies and policies in the past few years and considering the short and mid-term development, the document proposed certain development goals for China's renewable energies by 2020, which include: increasing the installed capacity of PV from 110GW to 200GW (excluding distributed and PV poverty alleviation projects) and wind power from 210GW to 350GW. It is the second time future installed capacity target of PV and wind power to raise, following the "Guidance Opinions on Renewable Energy Development in the Implementation of the 13th Five-year Plan" (《關於可再生能源發展「十三五」規劃實施的指導意見》) issued by the NEA in July.

The year 2017 was considered by a number of new energy experts as the first year of distributed PV development in China. Distributed PV became a new highlight in market development in 2017 with an annual newly installed capacity of more than 19GW. Nevertheless, according to the "13th Five-Year Plan" for Electric Power Development, the accumulated distributed PV installed capacity in China is expected to reach 60GW by 2020, showing enormous room for growth.

In the future, with full deployment of the national new energy strategies and the acceleration of energy restructuring, the new energy industry will continue to exhibit a strong growth momentum. The Group will continue to follow the directions of the national energy policy. While maintaining a strong footing in the stable development of domestic operations, the Group will also sets its eyes on the international market. By upholding its principles and forging forward, the Group will continue its efforts to make itself a global green, intelligent energy supplier.

- ***Business Plan for 2018***

At present, the development of the new energy industry is stable and sound, as national policies, the macroeconomic situation and technological progress have provided a strong impetus to market development. The Group will, with a spirit of hard work, strengthen green innovation and development, seize market opportunities and deepen streamlined production, adhering to the philosophy of "sustainable development with quality as the first and efficiency as the priority", increase profit growth points and speed up the establishment of innovative enterprises so as to further enhance its competitiveness and achieve better performance in all business segments in the year of 2018.

(1) *Accelerate the construction of the 36,000 tons polysilicon project to further improve quality and reduce costs*

In order to capture the market, seize the opportunities brought by the rapid development of PV industry, enhance the core competitiveness of the Group, implement transformation strategies in relation to advantageous resources and reduce costs and enhance profitability by leveraging on the scale effect, the Group will start to invest in the industrial upgrade project for 36,000 tons/year high-purity polysilicon (**"36,000-ton Polysilicon Project"**) in 2018, to continue to improve polysilicon production and quality and further reduce costs, maintaining and enhancing the Group's leading position in the industry.

The total investment amount of the 36,000-ton Polysilicon Project is approximately RMB4,065 million, with a construction period of two years. The Group will formulate a rigorous work plan and proceed with the project in strict compliance with the plan. A specially-assigned person will be responsible for the progress, quality and production acceptance of the project to ensure the completion of the project with high quality. The investment amount of the 36,000-ton Polysilicon Project will be contributed by the Company and the proposed investor. The other construction funds will be supported by other means such as bank loans and finance leases.

At the same time, according to the existing production capacity of polysilicon, the Group will focus on improving the quality of polysilicon to satisfy the needs of its customers. It will further reduce the unit costs of products through technological innovation, and develop recycling economy to convert waste into useful materials, so as to maximize its profits and enhance its product competitiveness.

(2) *Strengthening the management of safety responsibility, and improve the level of professional safety management*

The Group will further enhance the management of safety responsibility, by establishing a multi-level and comprehensive production safety responsibility system, putting extra efforts in the development of safe production capabilities, implementing online safety monitoring of equipment, and intensifying the prevention and remediation of safety accidents, with an aim to promoting standardized safety management. At the same time, the establishment of safety management teams will be strengthened, by introducing and maintaining safety management personnel that satisfy the requirements of business growth in terms of specialties and categories, and by enhancing their trainings, so as to improve the level of professional safety management constantly.

(3) Increased effort in the development of wind and PV resources, and restructure resources

The Group will continue to focus on PV, wind power and related businesses. It will consolidate its competitive advantages in large-scale ground-mounted PV stations and fore-runner projects by using EPC, BT and BOO as its main business models, so as to ensure a steady growth of business scale. On the basis of securing a high profit margin, the Group will aggressively develop "PV fore-runner" and "poverty alleviation" projects to speed up the expansion of decentralized wind power market. It will also actively explore integrated energy services and micro-grid business, by establishing extensive partnerships in agriculture and fisheries, to secure "PV+" projects, focusing on developing strategic emerging industries including operators, micro-grids and end-user energy services, so as to enhance its operation diversification capabilities and increase profitability.

(4) Accelerating the implementation of internationalization strategy and compete for quality international wind power and PV resources

The Group will take advantage of the market opportunities and financing conditions brought by the national "One Belt, One Road" strategy to accelerate the implementation of international strategic direction. By focusing on PV and wind power business, innovative business models such as BT and BOO on the foundation of EPC will be vigorously expanded, so as to enhance its competitiveness internationally. In terms of overseas business, it will focus on the deployment of markets such as Pakistan, Egypt, Nigeria, Australia, Malaysia and Vietnam by efficiently coordinating and consolidating its advantage in resources, so as to accelerate the implementation of the projects. In 2018, the Group will get prepared to implement the successfully bid projects, the 186MW PV project in Egypt and the 50MW PV project in Pakistan. These will be good examples to show and pursue further growth in the market.

(5) Enhancing scientific and technological innovation and improving competitiveness in the new energy industry

The Group regards innovation in science and technology as fundamental driving force for development and consistently supported and guided its business development based upon scientific and technological innovation, by constantly accelerating the reform of the technology development system and promoting the transformation and industrialization of scientific and technological achievements. The Group will remain to be market-oriented, customer-focused and performance-based when leading the technical personnel in product development, speeding up R&D process and capturing the market as soon as possible. The Group will strengthen the transformation of technological results by enhancing the quality of polysilicon and reducing unit costs. At the same time, digitalization will also be enhanced by further standardised establishment and parametric production flow. The key parameters with respect to quality, cost and technology in the production process will be carefully identified, and effort will be made to set up a big database for the purpose of cost and quality management and control. The relationship between quality and costs will be explored to look for the rules of quality changes affecting the changes in costs. The use of big data technology such as data mining will be explored to determine if there are any potentials to improve the quality and production capacity and reduce the production costs of polysilicon. Meanwhile, the Group will put effort in promoting the application of flexible DC transmission and demonstrated application of power router, and continue to follow up with potential flexible DC transmission projects. The Group will also strengthen the integration between its eCloud intelligent operation and support platform and equipment such as PV inverters, SVG, flexible DC transmitters and electric power routers, and consolidate various innovative technological products, to form a holistic and complete intelligent power grid solution based on cloud computing and big data, thus raising the competitiveness of high-end power electronic equipment manufacturing.

V. Risk Factors and Risk Management

(1) Risks associated with falling price of polysilicon

The Group mainly sells its polysilicon to the manufacturers of PV products in China. Whether the price of polysilicon increases or decreases depends fundamentally on the supply and demand. A number of factors, including the advancement of polysilicon production technology, the substantial expansion of polysilicon producers, the state's adjustments of policies in relation to PV generation, fierce market competition and reduction in demand for downstream PV products, may result in surplus and decline in price of polysilicon, thus affecting the revenue and results of operations of the Group. In 2018, a number of polysilicon manufacturers put into operation new production facilities, and some new entrants have been gradually increasing their production capacity, which will further increase pressure on the Group.

The Group will strengthen technology R&D, and reduce costs and improve quality by expanding production capacity and enhancing production efficiency, so as to mitigate the risks resulting from reduction in price of polysilicon.

(2) Risks associated with market competition

In 2017, the PV and wind power industry of China continued to maintain a strong growth momentum. The technology level of manufacturers was gradually improved along with the rapid development of the industry, and the number of polysilicon manufacturers, PV and wind power project contractors increased continuously, which led to fierce market competition. The scale of PV and wind power markets are easily affected by government planning in terms of their installation capacities. Any downward adjustment of the installation scale by the government will further aggravate the competition. The above factors may impose certain impact on the market share of the Group.

The Group will actively respond to challenges in the market, and exert its own advantages through providing high quality products and rendering professional services, so as to further consolidate and enhance its position in the industry.

(3) Risks associated with grid connection and absorption of PV and wind power

In 2017, grid connection and absorption problems of PV and wind power were improved to some extent. However, the problem of curtailment of PV and wind power continued to deteriorate in some areas and the absorptive capacity suffered deficiency in some local areas. The problems of grid stability and control and management have not been fundamentally resolved. At the same time, the rush installation triggered by on-grid tariff cut will also cause pressure to the grid connection and absorption of PV and wind power.

The Group will make reasonable plans during the development of wind and solar resources and strengthen development efforts in the areas with favorable grid connection and absorption conditions to ensure the power generation efficiency and effectiveness of the power plants.

(4) *Risks associated with downward adjustment of tariff*

According to the Notice of Pricing Policies in relation to PV Generation in 2018 (《關於 2018 年光伏發電項目價格政策的通知》) issued by the NDRC in December 2017, the on-grid benchmark tariffs of PV plants have been appropriately reduced in order to reasonably guide new energy investments, which meant the PV generation sector had taken another big step toward bringing about the stated objective of "grid parity" by 2020. However, to achieve the goal of "grid parity" as soon as possible, the PV on-grid tariffs are still struggling with reduction pressure.

The Group will increase investments in R&D, to further reduce the costs of power generation and improve the generating hours through technical upgrading, which will partially offset the risks of tariff cut.

USE OF NET PROCEEDS FROM LISTING

The planned use of raised fund as of 31 December 2017 is detailed as follow:

- Approximately 65% will be used for construction and operation of the Group's BOO projects;
- Approximately 20% will be used for repayment of certain long-term bank loans;
- Approximately 5% will be used for investment in R&D activities and purchase or update IT system; and
- Approximately 10% will be used for working capital and other general corporate purposes.

As of 31 December 2017, the uses of proceeds of H Shares of the Company are as follows:

No.	Usage	Allocation Amount *RMB million*	Used Proceeds *RMB million*	Unused Proceeds *RMB million*
1	Construction and operation of the Group's BOO projects	762.00	762.00	0.00
2	Replenishment of operating capital	135.27	135.27	0.00
3	Repayment of part of long-term bank loans	235.74	235.74	0.00
4	investment in R&D activities and purchase or update IT system	58.66	4.16	54.50
Total		**1,191.67**	**1,137.17**	**54.50**

Our directors have deposited the unutilized proceeds from listing in short-term interest-bearing instruments, such as liquid fixed-income securities, bank deposits or money market instruments with licensed banks or financial institutions in Hong Kong or PRC. In 2018, the raised funds will be used by the Company successively according to its business development strategy and the capital market situation.

FINAL DIVIDEND

On 23 March 2018, the Board proposed the distribution of a final dividend of RMB0.2 per share (tax inclusive) for the year, after the appropriations to the statutory surplus reserve according to the relevant regulations. The amount denominated in RMB will be converted based on the average of mid-point conversion rate between RMB and HK$ issued by the People's Bank of China for the five working days prior to the declaration of dividends at the annual general meeting (the **"AGM"**) to be held on 15 June 2018. The Company will distribute final dividend for 2017 to the shareholders of the Company no later than 15 August 2018.

Withholding and Payment of Final Dividend Income Tax

Withholding and Payment of Enterprise Income Tax on Behalf of Overseas Non-Resident Enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its implementing rules, the Company will withhold and pay enterprise income tax at the rate of 10% when it distributes final dividend to non-resident enterprise holders of H Shares (including any H Shares registered in the name of HKSCC Nominees Limited).

Withholding and Payment of Individual Income Tax on Behalf of Overseas Individual Shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementing rules as well as the Tax Notice (《稅收通知》), the Company will implement the following arrangements in relation to the withholding and payment of individual income tax on behalf of individual holders of H Shares:

- For individual holders of H Shares who are Hong Kong or Macau residents or whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Company will temporarily withhold and pay individual income tax at the rate of 10% on behalf of these individual holders of H Shares in the distribution of the final dividend. If relevant individual holders of H Shares would like to apply for a refund of the excess amount of tax withheld and paid, the Company will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Notice (《税收通知》). Qualified shareholders please submit in time a letter of entrustment and all application materials as required under the Tax Notice to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited. The Company will then submit the above documents to competent tax authorities and, after their examination and if and when approved, the Company will assist in refunding the excess amount of tax withheld and paid;

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty on behalf of these individual holders of H Shares in the distribution of the final dividend; and

- For individual holders of H Shares whose country (region) of domicile is a country (region) which has entered into a tax treaty with the PRC stipulating a tax rate of 20%, or a country (region) which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of these individual holders of H Shares in the distribution of the final dividend.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to receive the final dividend, the register of members of the Company will be closed from 22 June 2018 Friday to 27 June 2018 Wednesday, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and domestic shares whose names appear on the register of members of the Company on 27 June 2018 Wednesday are entitled to receive the final dividend. In order to determine the holders of H shares of the Company who are qualified for the final dividend payment, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on 21 June 2018 Thursday for registration.

In order to determine the list of shareholders who are entitled to attend and vote at the annual general meeting of the Company to be held on 15 June 2018 Friday, the register of members of the Company will be closed from 16 May 2018 Wednesday to 15 June 2018 Friday, both days inclusive, during which no transfer of shares will be registered. Holders of H shares and Domestic shares whose names appear on the register of members of the Company on 16 May 2018 Wednesday are entitled to attend and vote at the annual general meeting. Holders of H shares of the Company who intend to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant H share certificates must be lodged with the Company's H share registrar mentioned above no later than 4:30 p.m. on 15 May 2018 Tuesday for registration. Domestic shares of the Company who intend to attend and vote at the annual general meeting shall submit all transfer documents accompanied by the relevant domestic share certificates to the office of the Board Secretary of the Company no later than 4:30 p.m. on 15 May 2018 Tuesday for registration.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. The Company has complied with applicable code provisions as set out in the CG Code for the year ended 31 December 2017.

MODEL CODE ON SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding director's and supervisors' securities transactions. Directors and supervisors of the Company confirms that, having made specific enquiry of all directors and supervisors, they have complied with the required standard as set out in the Model Code during the year ended 31 December 2017. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the Group's 2017 annual results and the financial statements for the year ended 31 December 2017 prepared in accordance with the IFRS.

AUDITOR

PricewaterhouseCoopers was appointed as the auditor to audit the consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2017. The consolidated financial statements prepared in accordance with the IFRS have been audited by PricewaterhouseCoopers. The Company has retained PricewaterhouseCoopers since the date of preparation of its listing.

PUBLICATION OF THE AUDITED CONSOLIDATED ANNUAL RESULTS AND 2017 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.xtnysolar.com) and the 2017 Annual Report containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Xinte Energy Co., Ltd.
Chairman
Zhang Jianxin

Xinjiang, China
23 March 2018

As of the date of this announcement, the Board of the Company consists of Mr. Zhang Jianxin, Mr. Ma Xuping and Mr. Yin Bo as executive directors; Mr. Zhang Xin, Ms. Guo Junxiang and Mr. Tao Tao as non-executive directors; Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus as independent non-executive directors.