彩虹集團新能源股份有限公司

IRICO GROUP NEW ENERGY COMPANY LIMITED*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0438)

2017 ANNUAL REPORT

* For identification purpose only

Contents

Financial Highlights

1. Financial performance

Unit: RMB'000

Indicator	2017	2016
Turnover	2,363,402	1,809,333
Gross profit	247,888	210,132
Gross profit margin	10.49%	11.61%
Profit before tax	132,657	105,888
Taxation	1,357	-1,370
Profit after tax	134,014	104,518
Total profit for the year	134,014	104,518
Attributable to		
Equity attributable to owners of the Company	123,704	105,712
Non-controlling interests	10,310	-1,194
Earning per share attributable to shareholders of the Company	RMB0.0554	RMB0.0474

2. Financial position

Item	2017	2016
Non-current assets	**2,622,963**	1,936,292
Current assets	**1,968,160**	1,702,330
Equity attributable to owners of the Company	**152,623**	85,714
Non-controlling interests	**115,052**	66,785
Non-current liabilities	**483,452**	652,596
Current liabilities	**3,839,996**	2,833,527
Net current liabilities	**-1,871,836**	-1,131,197

3. Operating indicators

Indicator	2017	2016
Gearing ratio	**94%**	96%
Current ratio	**0.51**	0.59
Interest coverage ratio *(times)*	**2.84**	3.66
Trade receivable turnover *(days)*	**145**	125
Inventory turnover *(days)*	**32**	25

Chairman's Statement

Dear Shareholders:

In 2017, the photovoltaic industry has shown vigorous development in new business format, and the Group has successfully realized the vertical integration of the photovoltaic industry chains. The Group made impressive achievements in respect of project construction, structure adjustment, lean production and technological innovation. With all pre-determined objectives being attained, the corporate value of the Group was enhanced on an on-going basis.

I am pleased to present the results of IRICO Group New Energy Company Limited* ("**IRICO**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**reporting period**").

Si Yuncong, Chairman

Business Review

During the reporting period, the Group recorded increase in both operating income and profit for the year by 31% and 28%, respectively, year on year as compared to 2016.

During the reporting period, homing on the dramatic increase of demands in the photovoltaic market, the Group intensified capacity expansion of the photovoltaic business and accelerated project progress. In this regard, Hefei Photovoltaic Glass Phase II Project achieved full operation of all production lines and Yan'an Photovoltaic Glass Project was in full swing. At the same time, the Group proactively looked into the markets of photovoltaic power station projects in 23 inland regions in China and those abroad to advance the construction of distributed power stations tirelessly.

During the reporting period, the Group devoted great efforts to industrial restructuring and optimization of asset structure and corporate structure and had completed the acquisition of equity interests in Jiangsu Yongneng, the transfer of equity interests in Kunshan Company and the transfer of assets of the Special Railway Lines.

During the reporting period, the Group enhanced the optimization of personnel structure, participated in the "worldwide headhunting" program of IRICO Group Corporation and brought in R&D, technological and managerial senior specialists and professionals.

During the reporting period, the Group continued to press ahead the lean production, having resulted in considerable achievements in cost reduction and efficiency improvement including substantial rise in the proportion of qualified products, significant decrease in production costs, further automatic transformation and equipment upgrade, and new highs in production and sales.

During the reporting period, the Group's "R&D project on oxygen-fuel combustion furnace and technology for energy conservation and emission reduction in the main production line" of Hefei photovoltaic was admitted in the National Green Manufacturing System Integration Project and was granted with national support subsidies, thus setting an excellent model for the green development of the photovoltaic industry in China.

Chairman's Statement (Continued)

Future Prospects

In the forthcoming three years, the Group will focus on the development of its two major businesses, namely, new energy and new materials. The Group strives to achieve melting quantity of photovoltaic glass of 6,000 tonnes per day by the end of 2020, the respective production scale of photovoltaic module and cell of 2GW or above, and the installed capacity of photovoltaic power station of approximately 540MW. There will be great breakthroughs in respect of the major products under new materials business, which will bring in revenue of RMB1,000,000,000 or above. The Group aims to rank top three in the photovoltaic glass industry in respect of production scale by 2020 and is committed to becoming a well-known green new energy service provider in the world.

Acknowledgement

On behalf of the board of directors (the "**Board**") of the Company and its members (the "**Director(s)**"), I would like to express our gratitude to the Company's shareholders (the "**Shareholder(s)**"), business partners and the community for their care and support. I would also like to express my heartfelt thanks to the management team and all of the employees for their hard work.

IRICO Group New Energy Company Limited
Si Yuncong
Chairman

Xianyang, the People's Republic of China
20 March 2018

Management Discussion and Analysis

(I) Industry analysis

1. Solar Photovoltaic Power Station

During the reporting period, following the advance of solar photovoltaic technology and the improvement of scale benefits, solar photovoltaic power was gaining increasingly stronger competitiveness than other renewable energies. Besides, all kinds of encouraging measures were implemented in different countries in this regard. As a result, in 2017, global installed capacity of solar photovoltaic reached an unprecedented scale and exceeded 100GW for the first time, representing a year-on-year increase of 31%. China enjoyed the strongest growth in the world and contributed newly installed capacity of photovoltaic of 53GW, representing a year-on-year increase of 53%. Distributed photovoltaic power station in China achieved especially impressive growth, with newly installed capacity of 19.44GW in 2017, increasing by around 3.7 times year on year.

Looking into 2018, the global solar photovoltaic industry will maintain the growth momentum as driven by the advance of solar photovoltaic technology, continuous improvement of photoelectric conversion efficiency and progressive reduction of innovative application costs. Though having ranked first worldwide in respect of installed capacity of photovoltaic, solar photovoltaic power in China only accounts for 1.7% over total power generation of the Chinese society and therefore has great potential for further development. In 2018, China will continue to take the lead in the global market in this regard.

2. Solar Photovoltaic Glass

During the reporting period, there were great demands for photovoltaic glass in the market. Notwithstanding, supply and demand in the market was improved thanks to the release of new capacity though at a slower-than-expected speed. In the second half of the year, price of photovoltaic glass increased slightly as further effected by the environmental scrutiny carried out in certain regions.

Looking into 2018, demands for photovoltaic glass in the market will keep growing. Considering the fierce competition in the market, the photovoltaic glass industry is expected to go through further integration and small and inefficient production lines will be phased out.

3. New Materials

With the establishment of the long-effect mechanism for the development of new energy vehicles, new energy vehicles in China will embrace golden development opportunities in the forthcoming years. Output of new energy vehicles is expected to increase by 3.8 times to 1.45 million with a CAGR of approximately 31% by 2020. Demand for anode materials, which take up a large proportion of the costs of power battery such as the lithium battery, will continue to increase.

(II) Business review

1. Operation Summary

In 2017, the sales of the Group were RMB2,363,402,000 with a year-on-year growth of RMB554,069,000; the gross profit was RMB247,888,000 with a year-on-year growth of RMB37,756,000 and at a growth rate of 17.97%; the gross profit margin was 10.49% with a year-on-year decrease of 1.12 percentage point (gross profit margin in 2016: 11.61%); the profit for the year was RMB134,014,000, of which profit attributable to owners of the Company for the year was RMB123,704,000 (the same period of last year: RMB105,712,000). The increase was mainly due to the combining effect of the enhancement of proficiency by controlling production costs, the improvement in the production capacity of photovoltaic glass and the significant decrease in its cost, the consolidation of Jiangsu Yongneng and the increase of government grants.

2. Review of Principal Businesses

During the reporting period, the Group strived to strengthen its solar photovoltaic and new electronic materials business, resulting in an ongoing upward momentum in the profitability of its main businesses.

(1) Solar photovoltaic business

- Solar photovoltaic glass

  During the reporting period, Hefei photovoltaic glass project phase I of the Group experienced a rapid growth in production and sales; the production line of Hefei photovoltaic glass project phase II smoothly commenced operation; the construction of Yan'an photovoltaic glass project was substantially completed; and Xianyang photovoltaic glass project was in the positive progress with various preliminary works being completed.

  The sales of photovoltaic glass demonstrated a favourable momentum, which was in line with the growth of the industry. The inventories in the plants were controlled at a satisfactory level, decreasing by 31% as compared with the end of 2016. Meanwhile, the export of photovoltaic glass experienced a robust growth.

- Solar photovoltaic power station

  During the reporting period, the Group proactively looked into the markets in 23 cities in China including Hefei, Nanjing, Jian'ou, Leizhou, Shuyang, Shaoguan, Jiayuguan, Shaoxing, Changwu and Changzhou as well as foreign markets to vigorously press ahead with the construction of distributed power stations. The Group has entered into contracts with a total capacity of 87MW in Nanjing, Hefei, Yangjiang and Changwu, etc.

(II) Business review (Continued)

2. Review of Principal Businesses (Continued)

(1) Solar photovoltaic business (Continued)

- Photovoltaic modules and cells

  During the reporting period, the Group acquired 30% equity interest in Jiangsu Yongneng, and obtained control over its operation. The acquisition has extended the Group's photovoltaic business chain and enabled the Group to leverage on the platform of Jiangsu Yongneng for preparing the construction of a high-efficiency photovoltaic module project with an annual output of 2GW, thereby further enhancing the comprehensive strengths of the Group.

- Quartz sand processing

  During the reporting period, the Group's Hanzhong Quartz Sand Mine Processing Plant achieved the scale of mass production and bulk supply, which effectively lowered the production cost of photovoltaic glass within the Group.

(2) New materials business

During the reporting period, the Group introduced advanced technology in positive photoresist from Merck KGaA in Germany and jointly established a production line of photoresists with an annual production capacity of 1,800 tonnes. The Group has commenced supply of such products to the Nanjing G8.5 and G8.6 liquid crystal panel production lines, recording agency sales of over RMB30,000,000. The Group also expanded the business of lithium battery materials processing. In addition, the development and expansion of other businesses of wet electronic chemicals and electronic materials proceeded smoothly.

(3) Trading and other businesses

During the reporting period, the operations of the Group's trading and other businesses were steady.

(III) Future prospects

Looking into 2018, further consolidating its core competitiveness in photovoltaic glass, the Group will devote greater efforts to vertical integration so as to carry forward the development of the entire photovoltaic industry chain covering quartz sand, photovoltaic glass, photovoltaic modules and photovoltaic power station and strive for the goal of realizing a revenue of 10 billion.

In terms of photovoltaic glass, the Group will press ahead the construction of new solar photovoltaic glass projects at higher pace so as to bring forth scaled advantages and improve comprehensive competitiveness.

As for photovoltaic power station, the Group plans to construct a batch of high quality photovoltaic power stations and strives to complete the construction for installed capacity of 100MW in aggregate within the year.

In respective of new materials, the Group will improve product quality in a consistent manner and expand production capacity of anode materials for lithium battery based on scientific plans, capitalizing on opportunities arising from the development of new energy vehicles.

(IV) Financial Review

(1) Results

Profit and loss data for 2013–2017 *(RMB'000)*

Items	2013	2014	2015	2016	**2017**
Turnover	2,279,758	2,218,276	1,561,609	1,809,333	**2,363,402**
Sales of CPT products, parts and others	166,879	20,457	1,172	226	**–**
New materials business	352,136	277,418	192,330	257,155	**319,014**
Trading business	1,219,279	1,349,269	723,862	524,321	**361,948**
Solar photovoltaic business	389,145	424,924	568,554	1,027,631	**1,682,440**
Fushan Flat Panel and glass substrate	152,319	146,208	75,691	–	**–**
Cost of sales	(2,214,203)	(2,263,015)	(1,543,418)	(1,599,201)	**(2,115,514)**
Gross profit	65,555	(44,739)	18,191	210,132	**247,888**
Operating expenses					
Administrative expenses	(450,912)	(420,024)	(226,769)	(129,491)	**(176,885)**
a) General administrative expenses	(441,060)	(414,752)	(223,123)	(133,094)	**(150,698)**
b) Research and development expenses	(9,852)	(5,272)	(3,646)	3,603	**(26,187)**
Sales and distribution costs	(84,465)	(80,695)	(88,620)	(87,382)	**(80,758)**
Other operating expenses	(5,927)	(37,139)	(35,914)	(4,579)	**(4,533)**
Operating profit	(182,572)	(1,597,163)	(550,406)	125,369	**192,894**
Finance costs	(227,029)	(276,938)	(191,407)	(39,847)	**(72,172)**
Profit attributable to equity holders of the Company	(226,352)	(814,280)	643,996	105,712	**123,704**

Turnover by products *(RMB'000)*

Name	**2017**	2016	Increase (decrease)	Change
Solar photovoltaic business	**1,682,440**	1,027,631	654,809	63.72%
New materials business	**319,014**	257,155	61,859	24.06%
Trading business	**361,948**	524,321	(162,373)	(39.97%)
Other	**–**	226	(226)	(100%)
Total	**2,363,402**	1,809,333	554,069	30.62%

(IV) Financial Review (Continued)

(2) Change over Last Year and Reasons

- *Turnover and gross profit margin*

In 2017, the Group recorded a sales of RMB2,363,402,000, representing an increase of RMB554,069,000 or 30.62% as compared with the same period in 2016. In particular, sales of solar photovoltaic business amounted to RMB1,682,440,000, representing an increase of RMB654,809,000 or 63.72% as compared with the same period in 2016; sales of new materials business amounted to RMB319,014,000, representing an increase of RMB61,859,000 or 24.06% as compared with the same period in 2016; sales of trading business amounted to RMB361,948,000, representing a decrease of RMB162,373,000 or 30.97% as compared with the same period in 2016; other sales amounted to nil, representing a decrease of RMB226,000 or 100% as compared with the same period in 2016. The overall gross profit margin of the Group decreased from 11.61% in 2016 to 10.49% in 2017, which was mainly attributable to the fact that although the Group improved the yield rate and production capacity of photovoltaic glass by means of quality and efficiency enhancement and there was a noticeable decline in the production cost of photovoltaic glass, the overall gross profit margin of the Group decreased due to the declined price of the photovoltaic glass and the lower gross profit margin of Jiangsu Yongneng (which was consolidated into the consolidated financial statements of 2017) than that of the photovoltaic glass.

- *Administrative expenses*

The Group's administrative expenses for 2017 amounted to RMB176,885,000, representing an increase of RMB47,394,000 or 36.6% as compared with RMB129,491,000 for the same period in 2016. The increase in administrative expenses was mainly due to (i) the effect of consolidation of Jiangsu Yongneng; (ii) the increase in loss as a result of the production suspension of the furnace of Xianyang photovoltaic project phase I and II; and (iii) the increase in the research and development expenses of Hefei photovoltaic project.

- *Finance costs*

The Group's finance costs recognised in profit and loss for 2017 was RMB72,172,000 (net of interest expense capitalized amounting to RMB12,842,000), representing an increase of RMB32,325,000 or 81.12% as compared with RMB39,847,000 for the same period in 2016. The increase in finance costs included in profit and loss was mainly attributable to the impacts of the increase in borrowings and the decrease in interest capitalization.

(IV) Financial Review (Continued)

(3) Current assets and financial resources

As at 31 December 2017, the Group's cash and bank balances amounted to RMB269,400,000, representing a decrease of 37.08% from RMB428,178,000 as at 31 December 2016. As at 31 December 2017, the Group's total borrowings were RMB2,491,514,000, of which borrowings due within one year amounted to RMB2,096,115,000 and borrowings due beyond one year amounted to RMB395,399,000. As at 31 December 2016, the total borrowings of the Group were RMB2,069,294,000, of which borrowings due within one year amounted to RMB1,552,684,000 and borrowings due beyond one year amounted to RMB516,610,000.

As at 31 December 2017, the Group's bank loans amounting to approximately RMB278,299,000 (31 December 2016: RMB137,500,000) were secured by certain properties, plant and equipment, land use rights, available-for-sale financial assets and bank balances of the Group with an aggregate net carrying amount of approximately RMB409,403,000 (31 December 2016: RMB306,503,000). As at 31 December 2017, the bank loans guaranteed by the Company's ultimate holding company amounted to approximately RMB200,000,000 (31 December 2016: RMB120,000,000).

For the year ended 31 December 2017, the turnover days for trade receivables of the Group were 145 days, representing an increase of 20 days as compared with 125 days for the year ended 31 December 2016. The change of turnover days for trade receivables was mainly attributable to the increase in the turnover days of accounts receivables resulting from the consolidation of Jiangsu Yongneng in 2017 despite the Group's strengthened monitoring over accounts receivables. For the year ended 31 December 2017, the inventory turnover days of the Group were 32 days, representing an increase of 7 days as compared with 25 days for the year ended 31 December 2016. The increase in inventory turnover days was mainly attributable to the fact that the inventory of the Group increased significantly resulting from the consolidation of Jiangsu Yongneng in 2017 even though the Group has strengthened the management and control of inventory and exerted great effort to reduce inventory.

(4) Capital structure

As at 31 December 2017, the Group's borrowings were mainly denominated in Renminbi and US dollars, while the Group's cash and bank balances were mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group intends to maintain a suitable ratio of share capital to liabilities to ensure an effective capital structure. As at 31 December 2017, the liabilities (including bank borrowings and other borrowings) of the Group totalled RMB2,491,514,000 (31 December 2016: RMB2,069,294,000); the cash and bank balances were RMB269,400,000 (31 December 2016: RMB428,178,000); and the gearing ratio was 94% (31 December 2016: 96%).

(IV) Financial Review (Continued)

(5) Dividend

The Company's dividend policy remains unchanged. In light of the absence of accumulated surplus in 2017, the Board has resolved not to distribute any final dividend for the year ended 31 December 2017, which is subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

(6) Foreign exchange risk

The Group's income and most of its expenses were denominated in Renminbi and US dollars. For the year ended 31 December 2017, the Group's net foreign exchange gain was RMB3,236,000 (2016: exchange loss of RMB1,004,000) as a result of exchange rate fluctuations.

(7) Commitments

As at 31 December 2017, the capital expenditure commitments of the Group amounted to RMB1,152,583,000 (31 December 2016: RMB214,384,000), which is mainly financed by the Group's working capital.

(8) Contingent liabilities

As at 31 December 2017, the Group had no material contingent liability.

(9) Pledged assets

As at 31 December 2017, the bank loans of the Group amounted to approximately RMB278,299,000 (31 December 2016: RMB137,500,000), which were secured by certain properties, plant, equipment, land use rights, available-for-sale financial assets and bank balances of the Group with a net carrying amount of approximately RMB409,403,000 (31 December 2016: RMB306,503,000).

(V) Material Acquisition and Disposal

1. Further acquisition of 30% equity interest in Jiangsu IRICO Yongneng New Energy Company Limited

On 29 September 2011, the Company, Sunlink Power Holdings Co., Ltd. ("**Sunlink Power**"), Suzhou Huilian Solar Energy Technology Co., Ltd.* (蘇州惠利安太陽能科技有限公司) ("**Suzhou Huilian**"), Suzhou Yongjin Investment Co., Ltd.* (蘇州永金投資有限公司) ("**Suzhou Yongjin**") and the then other shareholders of Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (formerly known as Jiangsu Photovoltaic Technology Company Limited, "**Jiangsu Yongneng**") entered into the share purchase agreement, pursuant to which the Company has conditionally agreed to acquire an aggregate of 30% equity interest in Jiangsu Yongneng.

On 22 March 2017, since all of the parties intended to complete the acquisition of 30% equity interest in Jiangsu Yongneng as soon as practicable through friendly negotiation, the Company, Sunlink Power, Suzhou Huilian, Suzhou Yongjin and Jiangsu Tiancheng Energy Development Co., Ltd.* (江蘇天成能源發展有限公司) ("**Tiancheng Energy**") entered into the equity acquisition variation agreement, pursuant to which the Company conditionally agreed to acquire, and Sunlink Power, Suzhou Huilian and Tiancheng Energy conditionally agreed to sell, an aggregate of 30% equity interest in Jiangsu Yongneng for a total cash consideration of RMB68,000,000. Upon completion of the acquisition, the Company holds 51% equity interest in Jiangsu Yongneng in aggregate. Jiangsu Yongneng has become a subsidiary of the Company and its financial results have been consolidated into the financial statements of the Group.

For details, please refer to the announcements of the Company dated 29 September 2011 and 22 March 2017 and the circular of the Company dated 31 May 2017.

2. Disposal of 90% equity interest in Kunshan IRICO Industry Co., Ltd.

On 28 February 2017, the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd.* (咸陽彩虹電子網版有限公司) ("**IRICO Shadow Mask**") entered into the equity transfer agreement with Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Zhongdian IRICO**"), pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian IRICO agreed to acquire 90% equity interest in Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司) ("**Kunshan IRICO**") at a cash consideration of approximately RMB71,439,750. Upon completion of the disposal, the Company ceased to have any interest in Kunshan IRICO. As such, Kunshan IRICO ceased to be a subsidiary of the Company and its financial results were not consolidated into the financial statements of the Company thereafter. The update of registration record for the disposal in the industry and commerce administration authority was completed on 8 September 2017.

For details, please refer to the announcement of the Company dated 28 February 2017 and the circular of the Company dated 3 April 2017.

During the reporting period, save as disclosed in this report, the Company had no other material acquisition or disposal of subsidiaries and associates.

(VI) Significant Investments

During the reporting period, save as disclosed in this report, the Company had not made any other significant investment.

(VII) Events after the Reporting Period

On 24 July 2017, the Board has approved the proposed H share issue (including the proposed subscription by each of Zhongdian IRICO and Yan'an Dingyuan Investment Co., Ltd.* (延安市鼎源投資有限責任公司) ("**Yan'an Dingyuan**") under a specific mandate, pursuant to which the Company shall issue not more than 2 billion new H shares to not more than 10 target subscribers (including Zhongdian IRICO and Yan'an Dingyuan) and therefore the aggregate nominal value of the H shares to be issued shall not exceed RMB2,000,000,000. The gross proceeds to be raised from the proposed H share issue shall not exceed RMB2,000,000,000.

As part of the proposed H share issue, the Company entered into the subscription agreements with each of Zhongdian IRICO and Yan'an Dingyuan on 24 July 2017. Pursuant to these subscription agreements, each of Zhongdian IRICO and Yan'an Dingyuan has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million and 300 million new H shares at a consideration of RMB900,000,000 and RMB300,000,000, respectively. The proposed subscription by Zhongdian IRICO constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 16 October 2017, the Company entered into the subscription agreement with Zhangjiagang Yuefeng Jinchuang Investment Co., Ltd.* (張家港市悅豐金創投資有限公司) ("**Zhangjiagang Investment**"). Pursuant to such agreement, Zhangjiagang Investment has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 500 million new H shares at a consideration of RMB500,000,000.

(VII) Events after the Reporting Period (Continued)

On 1 February 2018, the Board approved the resolution regarding the adjustments to the proposed H share issue. The number of new H shares to be issued by the Company under the proposed H share issue will be adjusted to not more than 2.3 billion new H shares as compared to the previous number of not more than 2 billion new H shares. The amount of gross proceeds to be raised from the proposed H share issue after adjustments is expected to be not more than RMB2,300,000,000. Taking into account the fact that the reporting work in respect of the proposed H share issue has been affected by the original power station projects due to their complex examination and approval procedures, the proceeds to be raised from the proposed H share issue will no longer be used in Shenmu-Caijing 50MWp Grid-connected Photovoltaic Power Station Project and Yangjiang 50MWp Surface Power Station Project as disclosed in the announcement of the Company dated 24 July 2017, but will be used in IRICO Yongneng 2GW Photovoltaic Modules Project instead.

On 18 April 2018, the Company entered into a subscription agreement with Hefei Xincheng State-owned Assets Management Co., Ltd.* (合肥鑫城國有資產經營有限公司) ("**Hefei Xincheng**"). Pursuant to such agreement, Hefei Xincheng has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 200 million new H Shares at a consideration of RMB200 million.

The resolution in relation to the proposed H share issue under a specific mandate will be put forward at the extraordinary general meeting and the H share class meeting, respectively, for the consideration and approval of the shareholders or the holders of H shares (as the case may be). The resolution in relation to the proposed subscription by Zhongdian IRICO will be put forward at the extraordinary general meeting for the consideration and approval of the independent shareholders.

For details, please refer to the announcements of the Company dated 24 July 2017, 16 October 2017, 1 February 2018 and 18 April 2018.

Profiles of Directors, Supervisors and Senior Management

Directors

Executive Directors

Si Yuncong	53	Chairman
Zou Changfu	59	

Non-executive Directors

Huang Mingyan*	52
Chen Changqing*	45

Independent Non-executive Directors

Feng Bing*	51
Wang Jialu*	57
Wang Zhicheng*	43

* : Member of the Audit Committee

Mr. Si Yuncong (司雲聰), aged 53, is the chairman and an executive Director of the Company. He joined the Group in May 2013. Mr. Si graduated from East China Institute of Technology (華東工學院) with a bachelor's degree in environmental monitoring. Mr. Si is a senior engineer and currently serves as the general manager of IRICO Group Company Limited* (彩虹集團有限公司) (formerly known as IRICO Group Corporation* (彩虹集團公司), "**IRICO Group**"), vice chairman of IRICO Display Devices Co., Ltd., a director of Xianyang Zhongdian IRICO Group Holdings Ltd., chairman of Shanghai Epilight Technology Co., Ltd. (上海藍光科技有限公司), chairman of Hefei Epilight Technology Co., Ltd. (合肥彩虹藍光科技有限公司) and chairman of Shanghai Hongzheng Assets Operation Co., Ltd. (上海鴻正資產經營有限公司). He served as the head of the production safety department, assistant to the general manager and the deputy factory manager of East China Electronic Tube Factory (華東電子管廠), the deputy general manager of Nanjing Huadong Electronics Group Co., Ltd. (南京華東電子集團股份有限公司), a member of the Party Committee of Huadong Electronics Group Company (華東電子集團公司), the general manager of Huadong Electronics Information & Technology Co., Ltd. (華東電子信息科技股份有限公司), and an executive director (legal representative) and the general manager of Huadong Electronics Group Co., Ltd. (華東電子集團有限公司).

Mr. Zou Changfu (鄒昌福), aged 59, is an executive Director and the general manager of the Company. He joined the Group in August 1981. Mr. Zou has a bachelor's degree and is a senior engineer. He concurrently serves as the chairman of Hanzhong Jiarunze Mining Development Co., Ltd. (漢中佳潤澤礦業開發有限責任公司), the chairman of Xianyang IRICO Electronics Parts Co., Ltd., an executive director of Zhuhai Caizhu Industrial Co., Ltd., and an executive director of IRICO (Hefei) Photovoltaic Co., Ltd.. He was the head of No. 2 Color Screen workshop, finished product section, quality assurance section and technical and quality section of the glass factory under IRICO Color Picture Tube Plant, the general manager of Hongyang (Shenzhen) Industrial and Trading Company, the general manager and chairman of Kunshan IRICO MFG. Co., Ltd., the chairman of Kunshan IRICO Yingguang Electronics Limited Company, and the general manager of the purchase department, the assistant to the president and the vice president of the Company.

Directors (Continued)

Mr. Huang Mingyan (黃明巖), aged 52, is a non-executive Director of the Company and joined the Group in May 2013. Mr. Huang graduated from Zhejiang University (浙江大學) with a bachelor's degree in architecture engineering and later from Chongqing Jianzhu University (重慶建築大學) with a master's degree in construction economics and management. Mr. Huang is a senior engineer. Mr. Huang used to work as the deputy general manager of IRICO Group, a director of Xianyang Zhongdian IRICO Group Holdings Ltd., a supervisor of Shanghai Epilight Technology Co., Ltd. (上海藍光科技有限公司), the general manager of China National Electronics Imp. & Exp. Caihong Company (中國電子進出口彩虹公司), the chairman of Xi'an Xinjiyuan Club (西安新紀元俱樂部), deputy head of the group work department of China National Real Estate Development Group Corporation (中國房地產開發集團公司), the general manager of the property department of China Electronics Corporation (中國電子信息產業集團公司), the general manager of China Electronics Technology Applications Corporation (中國電子技術應用公司) and the general manager and the Party secretary of China Electronics Industry Development Corporation (中國電子產業開發公司).

Mr. Chen Changqing (陳長青), aged 45, graduated from Xi'an University of Technology with a bachelor's degree in accounting. He is an accountant and a member of the Chinese Communist Party. He served as the head of the settlement centre of IRICO Group. He served as the deputy head of capital operation department of IRICO Group since January 2010. He served as the head of financial department of IRICO Color Picture Tube Plant from January 2011 to February 2012 and has been the chief financial officer of IRICO Display Devices Co., Ltd. since February 2012. He currently serves as the assistant to general manager of Xianyang IRICO Optoelectronics Technology Co., Ltd., and concurrently serves as the head of assets finance department of Xianyang IRICO Optoelectronics Technology Co., Ltd..

Mr. Feng Bing (馮兵), aged 51, is an independent non-executive Director of the Company, currently the chairman of Shanghai Dare Technologies Co., Ltd. (上海大亞科技有限公司), the chief strategy officer of Dare Group (大亞集團首席戰略官) and the chief executive officer of HomeLegend, whose headquarters are located in Georgia, USA. Mr. Feng has served as an executive member for China Mergers & Acquisition Association (中國併購公會) and the deputy director for its Jiangsu branch since 2002. He joined the Group in September 2004. He obtained his master's degree in engineering from Calculation Technology Research Institute of Chinese Academy of Sciences (中國科學院計算技術研究所) and his master of science degree in finance from the Faculty of Commerce at Syracuse University. He was an executive director of and partner with China Financial and Consulting Company (中華財務諮詢公司), a senior manager of Deloitte Consulting in New York, USA, and a part-time tutor of the Faculty of Commerce at Syracuse University.

Mr. Wang Jialu (王家路), aged 57, is an independent non-executive Director of the Company and a partner of Commerce & Finance Law Office (通商律師事務所). Mr. Wang joined the Group in September 2004. He completed his course for master's degree in business administration from Guanghua Management College of Peking University and the course for juris doctor from Marburg University of Germany, and received his MBA degree from Peking University and his LLM degree from the Law School of Marburg University of Germany. He is an arbitrator in China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), an arbitrator in the Beijing Arbitration Commission (北京仲裁委員會) and an adjunct lecturer for master's degree course in the Law Faculty of Peking University.

Profiles of Directors, Supervisors and Senior Management (Continued)

Directors (Continued)

Mr. Wang Zhicheng (王志成), aged 43, is an independent non-executive Director of the Company. He is a PhD in management (accounting), a teacher of Beijing National Accounting Institute (北京國家會計學院), a tutor of postgraduates, and a PRC certified public accountant. He is also an independent director of Beijing Autelan Technology Co., Ltd. (北京傲天動聯技術股份有限公司), an independent director of Bomesc Marine Engineering Co., Ltd. (博邁科海洋工程股份有限公司), an independent director of Beijing Timeloit Technology Co., Ltd. (北京時代凌宇科技股份有限公司) and an independent director of Cangzhou Mingzhu Plastic Co., Ltd. (滄州明珠塑料股份有限公司). He served as the manager of the enterprise risk management services department in one of the four largest international accounting firms and a non-executive director of Beijing Guodian SolarWe Clean Energy Technology Co., Ltd. (北京國電四維清潔能源技術有限公司). Mr. Wang has engaged in the trainings in respect of enterprise risk management and internal control, budget management, and accounting standards for a long period at Beijing National Accounting Institute (北京國家會計學院) and Xiamen National Accounting Institute (廈門國家會計學院).

Supervisors

Ding Wenhui	57	Shareholder Supervisor, Chairman of the Supervisory Committee
Zhao Lefei	49	Staff Supervisor
Tang Haobo	58	Staff Supervisor
Sun Haiying	74	Independent Supervisor
Wu Xiaoguang	60	Independent Supervisor

Mr. Ding Wenhui (丁文惠), aged 57, is the shareholder supervisor and chairman of the supervisory committee of the Company and holds a bachelor's degree and is a member of the Chinese Communist Party and a senior engineer. He had held various positions at No. 2 Colour Picture Tube Factory of IRICO Group including a technician, the head of the workshop, the deputy factory manager and then the factory manager. He served as the deputy general manager and then the general manager of IRICO Display Devices Co., Ltd. He served as the head of human resource department and the head of executive department of the Chinese Communist Party (discipline inspection and supervision department) of IRICO Group Corporation. He currently serves as the deputy secretary of the Chinese Communist Party, the deputy secretary of discipline inspection commission and the chairman of the employee union of IRICO Group.

Mr. Zhao Lefei (趙樂飛), aged 49, is a staff supervisor of the Company and joined the Group in November 1990. Mr. Zhao obtained a bachelor's degree from Xianyang Normal University (咸陽師範學院). He currently serves as the deputy secretary of the Party Committee, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations (黨群辦) of the Company. Mr. Zhao successively served as an office member of the youth league committee office of IRICO Color Picture Tube Plant, the human resources manager of Haikou IRICO Hot Spring Hotel (海口彩虹溫泉大酒店), a member of the organisation department of the party committee (黨委組織部) and a director assistant of the disciplinary inspection and supervision division (紀檢監察處) of IRICO Group, the secretary of the disciplinary committee, the chairman of the labor union and the director of the office of the party and labor relations of IRICO Spare Parts Factory* (彩虹零件廠), and the secretary of the disciplinary committee, the chairman of the labor union and the director of the integrated management department (綜合管理部) of Xi'an IRICO Zixun Co., Ltd (西安彩虹資訊有限公司).

Supervisors (Continued)

Mr. Tang Haobo (唐浩波), aged 58, is a staff supervisor of the Company. He joined the Group in August 1981. Mr. Tang graduated from Xi'an School of Radio Industry (西安無線電工業學校) majoring in radio with the educational background of secondary technical school, and then obtained a tertiary diploma in corporate management from IRICO University for Staff and Workers. Mr. Tang is currently the general manager of the investment operation and management department of the Company and once held positions including vice head of the motor driving section and head of the equipment design office of the No. 2 Colour Picture Tube Factory, deputy general manager of Shenzhen IRICO Huangqi Company Limited (深圳彩虹皇旗公司), vice head of No. 1 Colour Picture Tube Factory, manager of IRICO Equipment Company Limited, vice head of IRICO Electron Gun Factory (彩虹電子槍廠), and vice general manager of operation and management department of the Company.

Mr. Sun Haiying (孫海鷹), aged 74, is an independent supervisor of the Company and joined the Group in September 2004. Mr. Sun graduated from the Northwest University (西北大學) in geography. He is currently the head and a professor of the Environmental Science and Engineering Centre of Xi'an Jiao Tong University (西安交通大學) and a deputy executive chairman of China Science, Technology and Finance Promotion Association (中國科技金融促進會). He was a director of the Shaanxi Province Meteorological Bureau (陝西省氣象局), the director of Shaanxi Province Science and Technology Department (陝西省科學技術廳). He was a group leader of the Regional Science and Technology Development Group under the State Mid-and Long term Science and Technology Development Planning Team (國家中長期科學和技術發展規劃區域科技發展專題組) in July 2003.

Ms. Wu Xiaoguang (吳曉光), aged 60, is an independent supervisor of the Company and joined the Group in September 2004. Ms. Wu received her bachelor's degree in economics from the Economic Management College of Northwest University (西北大學). She was a post graduate majoring in accounting in School of Management of Xi'an Jiao Tong University (西安交通大學), and was awarded a master's degree of business administration upon graduation from the Faculty of Business of The Hong Kong Polytechnic University (香港理工大學). Ms. Wu is currently an associate professor of the School of Management at Xi'an Jiao Tong University and the head of the ACCA (Association of Chartered Certified Accountants) Project Centre, an independent director of Nanjing Baose Co., Ltd. (南京寶色股份公司) and an independent director of Shaanxi Qinchuan Machinery Development Co., Ltd. (陝西秦川機床工具集團有限公司).

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management

Hong Yuan	57	Deputy general manager
Ma Zhibin	53	Deputy general manager
Chen Xiaoning	42	Deputy general manager
Yuan Guanqing	47	Deputy general manager
Gu Qiang	39	Chief financial officer
Ni Huadong	42	Secretary of the Board
Wu Wenchao	52	Assistant to the general manager
Chu Xiaohang	48	Company secretary

Mr. Hong Yuan (洪淵), aged 57, is a deputy general manager of the Company, and joined the Group in August 1982. Mr. Hong obtained a bachelor's degree and is a senior engineer at a researcher level. Mr. Hong served as the vice head of the motor-driving section, head of workshop of melting and assembling, head of technical section, head of comprehensive management office of Glass Panel Technology Reform Project, assistant to the head and vice head of IRICO Glass Factory of IRICO Group, general manager of human resources department of the Company, manager of human resources department of IRICO Group, general manager of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司), deputy general manager of IRICO Display Devices Co., Ltd., head of Photovoltaic Glass Factory (光伏玻璃廠) under the Company and assistant to the president of the Company.

Mr. Ma Zhibin (馬志斌), aged 53, is the deputy general manager of the Company and joined the Group in July 1987. Mr. Ma graduated from Shanghai Construction Materials College (上海建材學院) majoring in glass with college education background. He is an engineer and a Chinese Communist Party member. Mr. Ma formerly served as the technician specializing in melting, engineer, assistant to the head of workshop, vice head of the workshop, head of the work shop and Party branch secretary of a glass factory and the vice head of a glass factory of the Company; the vice general manager and Party secretary of IRICO (Zhangjiagang) Flat Panel Display Co., Ltd. (彩虹(張家港)平板顯示有限公司), the vice head, the head and the Party secretary in Photovoltaic Glass Factory of the Company, the general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and other positions.

Mr. Chen Xiaoning (陳曉寧), aged 42, a deputy general manager of the Company and the general manager of IRICO (Hefei) Photovoltaic Co., Ltd., joined the Group in July 1996. He graduated from Northwest University with a MBA degree and he is a senior engineer, a senior economist and a member of the Chinese Communist Party. He served as a technician, a group leader and a plant secretary of No. 1 IRICO Color Picture Tube Plant, the head of secretariat office, the head of administrative office and an administrative assistant to the general manager of IRICO Group, a deputy head and the head of the office of the Company, the deputy head and a secretary of discipline inspection commission of IRICO Photovoltaic Glass Factory, deputy head of the office of Board and office of general manager as well as the assistant to the general manager of the Company and the deputy general manager of IRICO (Hefei) Photovoltaic Co., Ltd. and the deputy general manager and general manager of Hefei IRICO New Energy Co., Ltd..

Other Senior Management (Continued)

Mr. Yuan Guanqing (袁官清), aged 47, a deputy general manager of the Company and the general manager of Xianyang IRICO Green Energy Co., Ltd., joined the Group in February 2016. He graduated from the School of Economics & Management of Southeast University with a master's degree in marketing and sales management. He is a member of the Chinese Communist Party and an economist. He served as an engineer of the tools and moulds factory, a sino-foreign joint venture manager of international cooperation department, an economist of investment and development department of Nanjing Huadong Electronic Group, the general manager of Nanjing Huadong Electronic Group Hong Kong Hua Jin Chen Technology Company Limited, an assistant to the head and deputy department head of the export and import department of Nanjing Huadong Electronics Group Co., Ltd., the vice general manager and general manager of Nanjing Huadong Electron Import & Export Limited Company, the head of import and export department of Nanjing Huadong Electronics Group Limited and the general manager of the business department of the power station of the Company.

Mr. Gu Qiang (谷強), aged 39, the chief financial officer of the Company, joined the Group in November 2015. He graduated from Xi'an Jiao Tong University with a bachelor's degree in accounting, is a member of the Chinese Communist Party and an accountant. He served as the accountant of Northwestern Electric Power Design Institute and the financial supervisor of Xi'an National Civil Aeronautics Industrial Base Development Company Limited, the financial manager of Huawei Technology Limited, the chief financial officer of Xi'an Juguang Technology Company Limited and an assistant to the chief financial officer of the Company.

Mr. Ni Huadong (倪華東), aged 42, the secretary of the Board of the Company. Mr. Ni started work in August 1998 and had served successively as investment specialist of the securities department, head of the corporate management center, assistant to the head and deputy head of the securities department of Huadong Electronics Group Co., Ltd. (華東電子集團有限公司); deputy director of the secretariat of the board of directors, representative of securities affairs of Huadong Technology; deputy general manager of Nanjing Tian Xi Investment Co., Ltd (南京天熙投資有限公司); general manager of Hong Kong Hua Jin Chen Technology Company Limited (香港華金晨科技有限公司); and representative of securities affairs, head of the securities department and head of office of the board of directors of Huadong Technology.

Mr. Wu Wenchao (吳文超), aged 52, an assistant to the general manager of the Company. Mr. Wu joined the Group in July 1989. Mr. Wu graduated from Shaanxi Engineering College with a bachelor degree in machine manufacturing technology and equipment, and is a member of the Chinese Communist Party and a senior engineer. He served as a leader and an engineer of the grinding group of No. 2 drilling workshop, an engineer and an associate chief engineer of the processing technique office of the technical section, the deputy head and the head of the factory office, the head of the technical and quality section, an assistant to the factory director and the deputy factory director of IRICO Glass Factory, and an assistant to the factory director and the head of the technical and quality department as well as the deputy factory director and factory director of IRICO Photovoltaic Glass Factory.

Profiles of Directors, Supervisors and Senior Management (Continued)

Other Senior Management (Continued)

Mr. Chu Xiaohang (褚曉航), aged 48, the Company Secretary and general counsel of the Company. He is responsible for the securities management, legal matters and investor relations of the Company. Mr. Chu joined the Group in July 1991. Mr. Chu graduated from Northwest University (西北大學) with a bachelor's degree in computer science and is a senior engineer. He obtained a master's degree in project management from the Graduate School of Chinese Academy of Sciences. He served as a senior project management engineer in the strategic planning department of IRICO Group and head of the office of the board of directors of the Company. He acted as our Joint Company Secretary from November 2009 to November 2012. In November 2012, he was appointed as the sole Company Secretary.

Changes in Directors, Supervisors and Senior Management

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in particulars of Directors, supervisors and senior management during the reporting period are set out below:

Mr. Zhu Yiming has ceased to serve as a Shareholder supervisor and the chairman of the Supervisory Committee of the Company since 18 January 2017.

Mr. Ding Wenhui has served as a Shareholder supervisor of the Company since 18 January 2017, and has served as the chairman of the Supervisory Committee of the Company since 22 March 2017.

Mr. Ni Huadong has served as the secretary of the Board of the Company since 8 May 2017.

Mr. Chu Xiaohang has ceased to serve as the secretary of the Board of the Company since 8 May 2017.

Mr. Chen Xiaoning has served as an executive deputy general manager of the Company since 1 February 2018.

Mr. Wu Wenchao has served as a deputy general manager of the Company since 1 February 2018.

Mr. Hong Yuan has ceased to serve as a deputy general manager of the Company since 1 February 2018.

Report of the Directors

The Board hereby presents the report of the Directors and the audited financial report of the Group for the year ended 31 December 2017 to the Shareholders.

Principal operations

The Group is principally engaged in the construction and operation of solar power station, the R&D, production and sales of solar photovoltaic glass, solar cell modules and related products, photovoltaic glass upstream quartz sand processing, lithium battery upstream materials and related materials of flat panel display.

Business review and future development

During the reporting period, the Group has developed a vertical industry chain covering quarts sand, photovoltaic glass, photovoltaic modules and cells and photovoltaic power station for photovoltaic business, with good momentum being witnessed in the construction of large-scale solar photovoltaic glass and the solar photovoltaic cells projects. Meanwhile, the Group is aggressively expanding lithium battery anode materials and related business segments.

The Group has strengthened its strategic deployment to play a leading role in industrial upgrading. Through technology innovation and talent cultivation, the Group aims to rank top three in the photovoltaic industry in respect of production scale during the "Thirteenth Five-year" period and is committed to becoming a well-known green new energy service provider in the world.

Major risks and uncertainties

In 2017, the overall photovoltaic market realized a stable growth. As there was still surplus supply in the photovoltaic glass market, certain risks existed in the Company's trade receivables for photovoltaic glass. In response to this, the Company has stepped up its analysis of the industry conditions and carried out close monitoring and tracking of debtors' production and operation while adopting various control measures against customers with higher receivable risk in order to control the overall receivable risk at a normal level.

Environmental protection policy

For the corporate survival and development, the Group will perform the corporate social responsibility and strictly comply with the Environmental Protection Law of the People's Republic of China and requirements of environmental protection under other applicable laws and regulations. By making the best efforts in environmental protection technological improvement, monitoring and controlling over environmental protection indicators, regulating the management of operation and maintenance of environmental protection facilities, and improving the efficiency of environmental protection facilities, the Group will ensure high efficiency operation and achievement of emission standards and continuously push forward the implementation of technological improvement in environmental protection.

Compliance with relevant laws and regulations

During the reporting period, the Company has complied with relevant laws and regulations which have material impacts on the Company.

The Group strictly complied with the requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the articles of association of the Company (the "**Articles of Association**") to improve the Material Decision-making Management Measures while amending, supplementing and formulating the Administrative Measures which formed a governance system with standardized decision making, high efficiency operation and effective supervision. The Company will continue to push forward the improvement of corporate governance standard and the development of its business.

Results and dividend

In 2017, the turnover of the Group was RMB2,363,402,000; profit for the year was RMB134,014,000 with the gross profit margin of 10.49%; profit attributable to owners of the Company was RMB123,704,000; and the comprehensive income attributable to owners of the Company amounted to RMB67,628,000.

For the analysis on the financial indicator of the results of the Company for the year 2017, please see the section headed "Management Discussion and Analysis" in this report.

The annual results of the Group for the year ended 31 December 2017 prepared in accordance with accounting principles generally accepted in Hong Kong and its financial position as at the same date are set out from page 70 to 181 of this annual report.

The Company's dividend policy remains unchanged. In light of the absence of accumulated surplus in 2017, the Board has resolved not to distribute any final dividend for the year ended 31 December 2017.

Five year financial summary

A summary of the published results and assets, liabilities and minority interests of the Group for the last five years, as extracted from the audited and adjusted (if applicable) financial statements, is set out on page 182 of this annual report. This summary does not form part of the audited financial statements.

Share capital

Details of the Company's share capital in 2017 and as at 31 December 2017 are set out in note 36 to the financial statements.

Purchase, redemption and sale of shares of the Company

Neither has the Company nor any of its subsidiaries purchased, redeemed or sold any shares of the Company during this reporting period.

Reserves

Details of the movements of reserves of the Company and of the Group during 2017 are set out in note 37 to the financial statements.

Major customers and suppliers

The percentage of purchases from the major suppliers and sales to the major customers of the Group is set out as follows:

Purchase

– The largest supplier accounted for 9% of the total purchase amount

– The five largest suppliers accounted for 33% of the total purchase amount

Sales

– The largest customer accounted for 17% of the total sales amount

– The five largest customers accounted for 50% of the total sales amount

To the best knowledge of the Directors, none of the Directors, their respective associates or any Shareholder holding more than 5% of the issued share capital of the Company, had any interest in the above-mentioned major suppliers and customers.

Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the Company for the year were as follows:

Name	Positions	Date of appointment/re-designation/resignation during the reporting period
Si Yuncong	Executive Director and Chairman	
Zou Changfu	Non-executive Director	
Huang Mingyan	Non-executive Director	
Chen Changqing	Non-executive Director	
Feng Bing	Independent non-executive Director	
Wang Jialu	Independent non-executive Director	
Wang Zhicheng	Independent non-executive Director	
Zhu Yiming		Resigned as a supervisor and the chairman of the Supervisory Committee on 18 January 2017
Ding Wenhui	Supervisor and Chairman of Supervisory Committee	Appointed on 18 January 2017
Zhao Lefei	Supervisor	
Tang Haobo	Supervisor	
Sun Haiying	Supervisor	
Wu Xiaoguang	Supervisor	
Hong Yuan	Deputy General Manager	Resigned as a Deputy General Manager on 1 February 2018
Ma Zhibin	Deputy General Manager	
Chen Xiaoning	Deputy General Manager	Appointed as an executive Deputy General Manager on 1 February 2018
Yuan Guanqing	Deputy General Manager	
Gu Qiang	Chief Financial Officer	
Ni Huadong	Secretary of the Board	Appointed on 8 May 2017
Wu Wenchao	Assistant to the general manager	Appointed as a Deputy General Manager on 1 February 2018
Chu Xiaohang	Company Secretary	

Brief biographical details of Directors, supervisors and senior management are set out on pages 18 to 24.

Each of the independent non-executive Directors has issued a confirmation in respect of the requirement set out in Rule 3.13 of the Listing Rules concerning his independence. The Company considers all of the independent non-executive Directors to be independent.

Remuneration of Directors and the Five Highest Paid Individuals

Details of the remuneration of Directors and the five highest paid individuals of the Group are set out in note 13 to the financial statements.

There were no arrangements under which a Director or supervisor of the Company had waived or agreed to waive any remuneration in respect of the year ended 31 December 2017.

Remuneration of senior management

According to Code B.1.5 of the Corporate Governance Code, the details of the annual remuneration of the senior management for the year 2017 which contained in note 13 to the financial statements in this annual report are as follow:

Name	Fees	Salary and allowance	Contribution to pension scheme	Performance-based bonus *(Note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zou Changfu	–	432	65	–	497
Hong Yuan	–	302	65	–	367
Ma Zhibin	–	312	65	–	377
Chen Xiaoning	–	315	65	–	380
Yuan Guanqing	–	245	82	–	327
Gu Qiang	–	286	65	–	351
Ni Huadong	–	123	64	–	187
Wu Wenchao	–	315	65	–	380
Chu Xiaohang	–	223	65	–	288

Directors' and supervisors' interests in contracts

Save as disclosed in this report, no contract of significance in relation to the Company's business to which the Company or its subsidiaries were a party and in which a Director or a supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or anytime during 2017.

Directors' and supervisors' service contracts

Each of the Directors and supervisors has entered into a service contract with the Company. None of the Directors or supervisors proposed for re-election at the forthcoming general meeting has an unexpired service contract which is not terminable by the Company or its subsidiaries within a year without payment of any compensation (other than statutory compensation).

Permitted indemnity provision

During the reporting period and as at 31 December 2017, the Company has arranged for liability insurance policies for the Directors and supervisors and to provide adequate protection for the Directors and supervisors.

Interests of Directors, supervisors and chief executives in shares of the Company and its associated corporations

As at 31 December 2017, none of the Directors, supervisors or chief executives and their respective associates held an interest and short position in shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were (a) required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which such directors, supervisors, chief executives or senior management personnel were taken or deemed to have under such provisions of the SFO); or (b) required to be recorded in the register kept by the Company pursuant to section 352 of the SFO; (c) required 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**") as set out in Appendix 10 to the Listing Rules.

During the reporting period, no Directors, chief executives, supervisors, senior management or their spouses and minor children under 18 was vested by the Company any right to subscribe shares or bonds of the Company or any associated corporation (as defined in the SFO).

Interests and short positions of substantial Shareholders and other parties

So far as the Directors are aware, each of the following persons, not being a Director, supervisor, chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 2017 and as recorded in the register of members to be kept pursuant to section 336 of the SFO:

CEC, through IRICO Group and its subsidiary, Rui Bou Electronics (HK) Limited, had interests in 1,601,468,000 domestic shares (representing 100% of the domestic share capital of the Company) and 21,276,000 H shares of the Company, whereas HKSCC Nominees Limited had interests in 628,745,489 H shares of the Company (representing 99.65% of the H share capital of the Company).

Si Yuncong and Huang Mingyan act as the Directors. Si Yuncong concurrently acts as the general manager of IRICO Group whereas Huang Mingyan has ceased to act as the deputy general manager of IRICO Group. Mr. Ding Wenhui acts as the supervisor and the chairman of the supervisory committee of the Company and concurrently acts as the deputy secretary of the Communist Party Committee, the deputy secretary of Discipline Inspection Committee and the chairman of Employee Union, of IRICO Group.

Interests and short positions of substantial Shareholders and other parties (Continued)

Notes:

As at 31 December 2017, based on the information available to Directors and so far as the Directors are aware, HKSCC Nominees Limited held 628,745,489 H shares, among which:

Baystar Capital II, L.P. had beneficial interests in 49,554,000 H shares of the Company (representing approximately 7.85% of the issued H shares of the Company). Each of Baystar Capital Management LLC, Mr. Derby Steven P., Mr. Goldfarb Lawrence and Mr. Lamar Steven M. was deemed to be interested in the same number of H shares of the Company by virtue of their direct or indirect control of Baystar Capital II, L.P.

J.P. Morgan Fleming Asset Management Holdings Inc. held 33,742,000 H shares of the Company (representing 5.35% of the issued H shares of the Company) in the capacity of investment manager and through its controlled corporations, of which 33,198,000 H shares of the Company were held by JF Asset Management Limited and the remaining 544,000 H shares of the Company were held by JF International Management Inc.

Pictet Asset Management Limited held direct interests in 27,488,000 H shares of the Company (representing approximately 4.36% of the share capital of H shares) on behalf of Pictet Funds Asian Equities (holding interests in 28,504,400 shares).

Competing Interests

None of the Directors, the controlling Shareholder or their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the businesses of the Group or has or may have any other conflicts of the interest with the Group.

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 reporting period.

Designated deposit and overdue time deposit

As at 31 December 2017, the Group had no designated deposits in any financial institutions in China. All of the Group's cash deposits are placed with commercial banks in China, and are in compliance with the relevant laws and regulations. There were also no instances where the Group had failed to collect any of the time deposits upon maturity.

Employees, retirement benefits and other benefits

As at 31 December 2017, the Group had 1,987* incumbent employees, of whom 9.4% were management and administrative personnel, 10.4% were technological personnel, 1.8% were accounting and audit personnel, 1.7% were sales and marketing personnel, and 76.7% were production employees.

The employment and remuneration policy of the Company remained the same as set out in the Company's prospectus dated 8 December 2004. With full enthusiasm in work, the Group's employees are committed to ensuring the high quality and reliability of products and services.

* : Excluding service dispatch workers.

Connected transactions

The connected transactions recorded during the year are as follows:

1. Continuing connected transactions during the year of 2017

1) For the year ended 31 December 2017, there were various continuing connected transactions (the "**Continuing Connected Transactions**") between the Group and the following connected persons of the Group (collectively, the "**Connected Persons**" and each a "**connected person**" under the Listing Rules).

(a) IRICO Group, a substantial Shareholder, the sole promoter of the Company and a connected person of the Company;

(b) Zhongdian IRICO, an associate of CEC and IRICO Group, both of which are in turn controlling Shareholders. Therefore Zhongdian IRICO is a connected person of the Company; and

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

1) (Continued)

(c) Nanjing Electronics Information Industrial Corporation ("**NEIIC**"), a subsidiary and thus an associate of CEC. Therefore NEIIC is also a connected person of the Company.

For the year ended 31 December 2017, the approved annual caps for each of the continuing connected transactions (the "**Annual Caps**") and the actual revenue or expenditure in respect of each of the continuing connected transactions are set out below:

No.	Item	Annual Caps for Connected Transaction of 2017 *RMB'000*	Amount incurred for Connected Transaction of 2017 *RMB'000*
(i)	IRICO Group Master Purchase Agreement		
	Purchase of materials, utilities and other supporting services from IRICO Group	327,296	197,554
(ii)	Utility Purchase Agreement		
	Purchase of utilities from Zhongdian IRICO	79,857	29,377
(iii)	Premises Leasing Framework Agreement		
	Rentals paid and other payables to Zhongdian IRICO	28,098	8,453
(iv)	Zhongdian IRICO Premises Leasing Framework Agreement		
	Rentals received from Zhongdian IRICO	4,628	4,346
(v)	Utility and Product Sales Agreement		
	Sales of utilities and products to Zhongdian IRICO	60,000	12,457
(vi)	NEIIC Master Sales Agreement		
	Sales of new energy materials and products to NEIIC	60,000	55,920
(vii)	NEIIC Master Purchase Agreement		
	Purchase of materials from NEIIC	30,254	20,321

The consideration for each of the continuing connected transactions listed above during the reporting period is set out in the respective agreements with relevant connected persons, details of which were set out in the Company's circular dated 24 March 2016 and the announcements of the Company dated 18 February 2016 and 22 August 2017.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(i) IRICO Group Master Purchase Agreement

Date:	18 February 2016
Parties:	(i) the Company as the purchaser; and (ii) IRICO Group as the supplier
Term:	1 January 2016 to 31 December 2018, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Company shall purchase products and utilities necessary for the production of solar photovoltaic glass, energy-saving lamp phosphor, upstream materials of lithium battery and ITO targets, including packaging materials and raw materials, water, electricity, gas and other utilities and ancillary services from IRICO Group.
Pricing policy:	(i) The prices for the products necessary for production, including packaging materials and raw materials, shall be determined in accordance with the Market Price (as defined below). "Market Price" shall be determined in accordance with the following orders: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

   (i) IRICO Group Master Purchase Agreement (Continued)

Pricing policy: (Continued)

(ii) The prices for the utilities necessary for production, including water, electricity, gas and other utilities and ancillary services, shall be determined in accordance with the following policies:

(a) where there is Government-prescribed Price (as defined below), in respect of the utilities necessary for production, including water, gas and other utilities and ancillary services, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price within a range of 5%, which will be lower than the Government-prescribed Price; or

(b) where there is Government-prescribed Price, in respect of electricity necessary for production, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to the Government-prescribed Price for electricity within a range of 5% lower than the Government-prescribed Price plus the management fee on the electricity transformer substation in proportion to the usage of electricity by the Company payable to Xianyang Electric Power Supply Bureau by IRICO Group; or

(c) where there is no Government-prescribed Price, the prices shall be determined based on arm's length negotiations between the relevant parties with reference to reasonable costs incurred plus reasonable profit. The reasonable costs primarily include raw materials, labor, taxation, management fee, etc., and the profit margin will generally be no more than 5%.

The Directors are of the view that such pricing policies, including the negotiation range, the charging of the management fee of the electricity transformer substation by IRICO Group to the Company and the profit margin are fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

   (i) *IRICO Group Master Purchase Agreement* (Continued)

Pricing policy: (Continued)	(ii)	(Continued)
		"Government-prescribed Price" means the guidelines for prices of utilities, which are applicable to water, electricity and natural gas under the IRICO Group Master Purchase Agreement as prescribed in the notifications published by Shaanxi Provincial Price Bureau, Shaanxi Provincial Development and Reform Commission and other relevant regulatory authorities from time to time, for instance, the Notice on Adjustments to the Prices of Power Grid in Shaanxi Province published by Shaanxi Provincial Price Bureau from time to time, and the Notice on Reducing the City-gate Price for Non-residential Use of Natural Gas and Further Promotion of Price Marketization Reform published by National Development and Reform Commission from time to time.
		The pricing policies of cost plus reasonable profit are applicable to other utilities and ancillary services under the IRICO Group Master Purchase Agreement where there is no Government-prescribed Price, including softened water, chilled water, high pressure air, nitrogen, purified air, etc.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(ii) Utility Purchase Agreement

Date:	18 February 2016
Parties:	(i) The Company as the purchaser; and (iii) Zhongdian IRICO as the supplier
Term:	1 January 2016 to 31 December 2018. The Utility Purchase Agreement can be terminated by the Company by giving at least three months' prior written notice to Zhongdian IRICO. Without the written consent of the Company, Zhongdian IRICO shall not unilaterally terminate the Utility Purchase Agreement.
Nature of transactions:	The Company shall purchase electricity from Zhongdian IRICO.
Pricing policy:	The prices for the electricity shall be determined based on arm's length negotiations between the relevant parties with reference to (i) the Government-prescribed Price (as defined below) and (ii) reduction from the government incentives offered by Anhui Provincial Government to Zhongdian IRICO. After taking into account of the incentive offered by Anhui Provincial Government to Zhongdian IRICO for the building and operation of the electrical transformer station for the development of the new industrial area in Hefei City, Anhui Province, the overall unit price of electricity supplied by Zhongdian IRICO to the Company will be lower than the Government-prescribed Price. The Directors are of the view that such pricing policy is fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders. "Government-prescribed Price" means the prices of electricity in Anhui Province as prescribed on the website of State Grid Corporation of China as updated and amended from time to time.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(iii) *Premises Leasing Framework Agreement*

Date:	18 February 2016
Parties:	(i) Zhongdian IRICO as the lessor; and
	(ii) the Company as the lessee
Term:	1 January 2016 to 31 December 2018
Nature of transactions:	Zhongdian IRICO shall lease factories and office premise owned by it to the Company with a maximum area of 206,192.86 square meters.
Pricing:	Monthly rental is RMB11.5 per square meter.
	The rental payable under the Premises Leasing Framework Agreement was determined with reference to the prevailing market conditions and the rental levels of similar premises and properties in the vicinity of the leased premises and properties.

(iv) *Zhongdian IRICO Premises Leasing Framework Agreement*

Date:	18 February 2016
Parties:	(i) the Company as the lessor; and
	(ii) Zhongdian IRICO as the lessee
Term:	1 January 2016 to 31 December 2018
Nature of transactions:	The Company shall lease factories and office premises owned by it to Zhongdian IRICO with a maximum area of 38,186 square meters.
Pricing:	Monthly rental is RMB10.1 per square meter.
	The rental payable under the Zhongdian IRICO Premises Leasing Framework Agreement was determined with reference to the prevailing market conditions and the rental levels of similar premises and properties in the vicinity of the leased premises and properties.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(v) Utility and Product Sales Agreement

Date:	18 February 2016
Parties:	(i) The Company as the supplier; and (ii) Zhongdian IRICO as the purchaser
Term:	1 January 2016 to 31 December 2018, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Company shall provide oxygen and ITO targets to Zhongdian IRICO.
Pricing policy:	(i) The price for the oxygen shall be determined based on arm's length negotiations between the relevant parties with reference to the actual costs, which primarily include the actual average cost per cubic metre the Company pays for the procurement of oxygen from the independent supplier and a monthly fixed fee charged by such independent supplier. After taking into account of the reasons set out in the following paragraphs, the Company will not charge a mark-up rate for the sales of oxygen to Zhongdian IRICO. The Directors are of the view that such actual costs basis of pricing policies are fair and reasonable, on normal commercial terms and not prejudicial to the interest of the Company's minority Shareholders. The oxygen to be sold under the Utility and Product Sales Agreement will be procured from an independent supplier by the Company with a minimum volume for the operation of the furnace for Hefei solar photovoltaic glass projects ("**Hefei Factory**") and there will be excess volume of oxygen according to the Company's consumption level of oxygen at such furnace. The Directors are of the view that the sale of the oxygen to Zhongdian IRICO is economically beneficial to the Company because (i) this can avoid any wastage of the procured oxygen and (ii) the factory of Zhongdian IRICO is located nearby the Hefei Factory in the same industrial area in Hefei City, Anhui Province. In addition, the independent supplier is required to install certain equipment, operating system and pipelines at the Hefei Factory in order to supply the oxygen to the Hefei Factory in the form of a continuous flow. Therefore, any excess oxygen supplied can only be transmitted to nearby factory to the Hefei Factory. Further, as the Hefei Factory is located in a new industrial area in Hefei City, Anhui Province, factories run by independent third parties are limited and it is not practicable for the Company to build up pipelines to factories at long distance. Therefore, it is a more viable solution for the Company to sell the excess oxygen to Zhongdian IRICO which is located nearby the Hefei Factory and pipelines can be built without substantial costs between the two factories in order to avoid any wastage of the oxygen.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(v) Utility and Product Sales Agreement (Continued)

Pricing policy:	(i)	(Continued) Therefore, although the unit price of oxygen is set at the purchase costs without any mark-up, it is more economically beneficial to the Company as it can recover the procurement costs of oxygen by selling it to Zhongdian IRICO which is located nearby and it does not need to incur any substantial costs of locating other suitable buyers in the new industrial area and building pipelines to reach their factories.
	(ii)	The prices for the ITO targets shall be determined in accordance with the Market Price. "Market Price" shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of ITO targets in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of ITO targets in the PRC.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(v) Utility and Product Sales Agreement (Continued)

Revised Annual Cap and Basis for the Revised Annual Cap

The existing annual cap for the year ending 31 December 2017 in respect of the transactions under the Utility and Product Sales Agreement is RMB14,016,000. Based on internal estimation, the Board is of the view that such existing annual cap will not be sufficient for the Company's current requirements. On 22 August 2017, the Board approved to revise the annual cap for the year ending 31 December 2017 in respect of the transactions under the Utility and Product Sales Agreement as set out in the table below:

	Revised annual caps 2017 *(RMB'000)*
Maximum fees payable to the Company by Zhongdian IRICO under the Utility and Product Sales Agreement	60,000

The revised annual cap for the year ending 31 December 2017 in respect of the transactions under the Utility and Product Sales Agreement has been determined primarily based on the following factors: (i) it is expected that the expansion of 800T/D Hefei photovoltaic glass project phase II will be put into production in the third quarter of 2017, and the demand from Zhongdian IRICO has also increased significantly for the year ending 31 December 2017; (ii) the oxygen to be procured by Zhongdian IRICO will be utilized for the operation of the furnace for the production of liquid crystal glass in its ordinary course of business; as the key utility for the operation of such furnace, oxygen is essential and indispensable; therefore, the demand of oxygen from Zhongdian IRICO for the year ending 31 December 2017 is expected to remain stable; and (iii) the Company currently estimates that the prices of oxygen, ITO targets, etc. will be stable for the year ending 31 December 2017 given that the relevant prices remained stable in the recent years.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(vi) NEIIC Master Sales Agreement

Date:	18 February 2016
Parties:	(i) the Company as the supplier; and (ii) NEIIC as the purchaser
Term:	1 January 2016 to 31 December 2018, subject to early termination by either party by giving at least one month's prior written notice to the other party.
Nature of transactions:	The Company shall sell new energy materials and products to NEIIC.
Pricing policy:	The prices for the new energy materials and products shall be determined in accordance with the Market Price (as defined below). "Market Price" shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(vi) NEIIC Master Sales Agreement (Continued)

Revised Annual Caps and Basis for the Revised Annual Caps

The existing annual caps for the two years ending 31 December 2018 in respect of the transactions under the NEIIC Master Sales Agreement are RMB13,323,750 and RMB13,989,940, respectively. Based on internal estimation, the Board is of the view that such existing annual caps will not be sufficient for the Company's current requirements. On 22 August 2017, the Board approved to revise the existing annual caps for the two years ending 31 December 2018 in respect of the transactions under the NEIIC Master Sales Agreement as set out in the table below:

	Revised annual caps	
	2017	2018
	(RMB '000)	*(RMB '000)*
Maximum fees payable to the Company by NEIIC under the NEIIC Master Sales Agreement	60,000	60,000

The revised annual caps for the two years ending 31 December 2018 in respect of the transactions under the NEIIC Master Sales Agreement have been determined primarily based on the following factors: (i) the estimated significant increase in the demand for new energy materials and products, such as photoresists, from NEIIC for its production of liquid crystal materials for the two years ending 31 December 2018; (ii) the Company's current estimation of the stable market prices of the relevant new energy materials and products for the two years ending 31 December 2018; and (iii) the historical amounts of the transactions under the NEIIC Master Sales Agreement for the year ended 31 December 2016.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

(vii) NEIIC Master Purchase Agreement

Date:	18 February 2016
Parties:	(i) The Company as the purchaser; and (ii) NEIIC as the supplier
Term:	1 January 2016 to 31 December 2018, subject to early termination by either party by giving at least three months' prior written notice to the other party.
Nature of transactions:	The Company shall purchase products (including quartz sand) necessary for the production of solar photovoltaic glass from NEIIC.
Pricing policy:	The prices for the products necessary for production shall be determined in accordance with the Market Price (as defined below). "Market Price" shall be determined in accordance with the following order: (i) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the selling or purchasing places or its nearby regions; or (ii) the prevailing prices being offered or charged by independent third parties in the ordinary and usual course of business for the sales or purchases of the same or similar type of products in the PRC.

Connected transactions (Continued)

1. Continuing connected transactions during the year of 2017 (Continued)

The independent non-executive Directors had reviewed these continuing connected transactions and confirmed to the Board that these transactions have been entered into:

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

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the terms of respective agreements governing such transactions which are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The auditor of the Company had given a letter to the Directors of the Company, confirming that the above continuing connected transactions:

(1) were approved by the Board of the Company;

(2) were carried out in accordance with the pricing policies of the Company;

(3) were carried out in accordance with respective agreements governing such transactions; and

(4) did not exceed the specified annual caps.

Connected transactions (Continued)

2. One-off connected transactions

(1) On 28 February 2017, the Company and IRICO Shadow Mask entered into the equity transfer agreement with Zhongdian IRICO, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian IRICO agreed to acquire 90% equity interest in Kunshan IRICO at a cash consideration of approximately RMB71,439,750. Such disposal was completed during the reporting period, and the Company had ceased to control and consolidate Kunshan IRICO into its financial statements.

Zhongdian IRICO, which is directly held as to 72.08% by CEC and as to 27.92% by IRICO Group, is an associate of CEC and IRICO Group, and thus, Zhongdian IRICO is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the aforesaid disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As set out in the announcements of the Company dated 9 May 2016 and 28 December 2016, the Company has transferred to Zhongdian IRICO 60% equity interest in IRICO Accessories at a cash consideration of RMB45,945,900 and the relevant assets of Special Railway Lines at a cash consideration of approximately RMB4,657,900, respectively. Pursuant to Rule 14A.81 of the Listing Rules, the previous transactions mentioned above have been aggregated with the disposal of Kunshan IRICO. As the highest applicable percentage ratio of the disposal of Kunshan IRICO (as aggregated as aforesaid) exceeds 5% but is less than 25%, the aforesaid disposal constitutes a discloseable and connected transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under the Listing Rules.

For details, please refer to the announcement of the Company dated 28 February 2017 and the circular of the Company dated 3 April 2017.

Connected transactions (Continued)

2. One-off connected transactions (Continued)

(2) On 24 July 2017, the Board approved new H share issue under a specific mandate, pursuant to which the Company shall issue not more than 2 billion new H shares to not more than 10 target subscribers (including Zhongdian IRICO and Yan'an Dingyuan) and therefore the aggregate nominal value of the H shares to be issued shall not exceed RMB2 billion. The gross proceeds to be raised from the proposed H share issue shall not exceed RMB2 billion. As part of the new H share issue, the Company entered into the subscription agreements with each of Zhongdian IRICO and Yan'an Dingyuan on 24 July 2017. Pursuant to these subscription agreements, each of Zhongdian IRICO and Yan'an Dingyuan has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 900 million and 300 million new H shares at a consideration of RMB900 million and RMB300 million, respectively. On 16 October 2017, the Company entered into the subscription agreement with Zhangjiagang Investment. Pursuant to the subscription agreement, Zhangjiagang Investment has conditionally agreed to subscribe in cash for and the Company has conditionally agreed to allot and issue not more than 500 million new H shares at a consideration of RMB500 million. In addition, in order to successfully implement the new H share issue and make effective use of the resource allocation function of the capital market to accelerate the Company's business transformation and asset structure adjustments and to further boost the growth of solar photovoltaic and other new businesses as well as to promote the Company's sustained and rapid development, on 1 February 2018, the number of new H shares to be issued by the Company was adjusted to not more than 2.3 billion new H shares as compared to the previous number of not more than 2 billion new H shares. On 18 April 2018, the Company entered into a subscription agreement with Hefei Xincheng. Pursuant to such agreement, Hefei Xincheng has conditionally agreed to subscribe in cash for, and the Company has conditionally agreed to allot and issue, not more than 200 million new H shares at a consideration of RMB200 million.

Specifically, Zhongdian IRICO, which is directly held as to 72.08% by CEC and as to 27.92% by IRICO Group, is an associate of CEC and IRICO Group, and thus, Zhongdian IRICO is a connected person of the Company under Chapter 14A of the Listing Rules. As such, the subscription of new H shares by Zhongdian IRICO constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. It is expected that the Company will dispatch a circular to the Shareholders on or before 30 June 2018.

For details, please refer to the announcements of the Company dated 24 July 2017, 16 October 2017, 1 February 2018 and 18 April 2018.

Connected transactions (Continued)

2. One-off connected transactions (Continued)

(3) On 28 December 2017, IRICO (Hefei) Photovoltaic Co., Ltd.* (彩虹(合肥)光伏有限公司) ("**Hefei Photovoltaic**"), a wholly-owned subsidiary of the Company, entered into the assets transfer agreement with Shaanxi IRICO Energy Services Corporation* (陝西彩虹能源服務有限公司) ("**IRICO Energy Services**"), pursuant to which Hefei Photovoltaic agreed to transfer the assets in relation to the 10KV or more power supply and distribution equipment to IRICO Energy Services at a cash consideration of approximately RMB60,764,443.

IRICO Energy Services, which is indirectly held as to 72.08% by CEC and 27.92% by IRICO Group, is an associate of CEC and IRICO Group and thus a connected person of the Company under Chapter 14A of the Listing Rules. As such, the transfer under assets transfer agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The aforesaid assets transfer is subject to the reporting and announcement requirements, but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 28 December 2017.

For each of the related party transactions set out in note 43 to the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards, the Company confirmed that it has complied with the relevant requirements under the Listing Rules (if applicable).

Saved as disclosed above, the related party transactions set out in note 43 to the financial statements prepared in accordance with the Hong Kong Financial Reporting Standards did not constitute connected transactions within the meaning of Chapter 14A of the Listing Rules.

Plan of the Group for material investment and acquisition of capital assets

During the reporting period, the Group had no plan for material investment and acquisition of capital assets.

Bank loans

As at 31 December 2017, details of bank loans of the Group are set out in note 34 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association or relevant laws and regulations which could oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Subsidiaries

Details of the subsidiaries of the Company are set out in note 21 to the financial statements.

External guarantee

The Group did not have any external guarantee during the year.

Material litigation

During the reporting period, the Company was involved in litigations in relation to disputes arising from the share purchase agreement pursuant to which the Company was to acquire 30% equity interest in Jiangsu Yongneng. Please refer to the announcement dated 4 November 2016 for details. The original first instance judgement of such litigations was not required to be enforced, and the cases were closed in March 2017.

The Directors consider that the above litigation cases have no material impact on the overall financial conditions or results of operation of the Company.

Save as disclosed above, the Directors are not aware of any new litigations or claims of material adverse effect pending or threatened to be made by any member against the Group.

Contingent liabilities

As at 31 December 2017, the Group had no significant contingent liabilities.

Corporate Governance Code

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules. During the year ended 31 December 2017, the Company has complied with the Code Provisions of the CG Code.

Model Code

As to securities transactions by Directors, the Company has adopted the Model Code as the code for securities transactions by Directors. Having made specific enquiries of all Directors, the Company has confirmed that all Directors have fully complied with all the requirements set out in the Model Code.

Public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Directors believe that the relevant minimum percentage applicable to listed securities was maintained at any time throughout the reporting period.

Audit committee

The audit committee of the Company has reviewed the Company's consolidated financial statements for the year ended 31 December 2017, including the accounting principles adopted by the Group.

Auditor

At the annual general meeting of the Company held on 30 June 2017, WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) was re-appointed as the domestic auditor of the Company for year 2017 and PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司) was appointed as the overseas auditor of the Company for year 2017.

The financial statements of the Company for the year 2017 have been audited by PKF Hong Kong Limited. As the Company proposed to adopt the PRC Accounting Standards for Business Enterprises to replace the Hong Kong Financial Reporting Standards as the basis for preparation of the overseas financial report of the Company with effect from 1 January 2018, PKF Hong Kong Limited will retire, while WUYIGE Certified Public Accountants LLP will be re-appointed as the auditor of the Company, subject to approval by Shareholders at the 2017 annual general meeting of the Company, details of which please refer to the announcement of the Company dated 6 November 2017. For further information of the auditors of the Company, please refer to "External auditors and their remunerations" under Corporate Governance Report of this annual report.

By order of the Board
Si Yuncong
Chairman

Xianyang, the People's Republic of China
20 March 2018

Report of the Supervisory Committee

In 2017, all members of the supervisory committee of the Company (the "**Supervisory Committee**") complied with the principle of integrity, were responsible to all Shareholders and sincerely performed the duties of supervision to practically safeguard the interests of the Shareholders in strict compliance with relevant provisions under relevant laws and regulations of China and the Articles of Association. They supervised and examined significant operating activities, the financial status of the Company, performance of duties by the Directors and senior management and the compliance with relevant laws and regulations in 2017. I hereby present the work report of 2017 as follows:

During this year, pursuant to the requirement of the Articles of Association, the Supervisory Committee has reviewed financial reports regularly. In 2017, the Supervisory Committee held two meetings to elect a new chairman of the Supervisory Committee and review the following proposals: the 2016 work report of the Supervisory Committee, the audited financial report of 2016 and the reviewed interim financial report for the first half of 2017. The convening of the two meetings was in compliance with the relevant requirements of the PRC Company Law and the Articles of Association.

In 2017, the supervisors of the Company attended Board meetings and general meetings in 2017.

Pursuant to the Company Law and other applicable laws and regulations and the Articles of Association, the Supervisory Committee performed serious supervision and examination on the procedures of Board meetings, resolutions, the execution by the Board of the resolutions passed in general meetings, the performance of duties by senior management and the establishment, fulfillment and thorough execution of the Company's internal management systems.

The Supervisory Committee is of the opinion that the Directors and senior management of the Company operated strictly in compliance with the PRC Company Law and Securities Law, the Articles of Association and other relevant regulations and rules of Hong Kong, performed their duties with integrity and diligence, and executed various resolutions and authorization passed in general meetings, to ensure that the operation of various businesses comply with the requirements of applicable laws and regulations. Through the establishment of a series of systems, the Company further improved the corporate governance structure and the internal management system and established and improved the internal control system. In the process of the examination of the financial status of the Company and the supervision of the performance of the duties of the Directors and senior management of the Company, the Supervisory Committee did not identify any behaviour prejudicial to the interest of the Company and the Shareholders, or any behaviour in contravention to laws and regulations, the Articles of Association and various rules and systems.

The Supervisory Committee is confident in the prospect of the Company and will proceed to carry out effective supervision on the operation of the Company to safeguard the interests of the Shareholders and the Company as a whole.

By order of the Supervisory Committee
Ding Wenhui
Chairman of the Supervisory Committee

Xianyang, the People's Republic of China
20 March 2018

Corporate Governance Report

The Company strives to uphold the corporate governance standard in accordance with statutory and regulatory requirements. Through the establishment of a competent Board, a comprehensive internal control system and a stable corporate structure, the Company strives to ensure completeness and transparency in its information disclosure, enhance stable operation and consolidate and increase Shareholders' value and benefit.

1. Corporate Governance Practices

Improvement of the internal control system was made by the Company by reviewing the Company's corporate governance practices against the CG Code to cater for the constant development and evolvement of corporate governance.

The Board has reviewed the Company's corporate governance practices. During the reporting period, the Company had applied and complied with the principles and code provisions set out in the CG Code. The code on corporate governance practices adopted by the Company includes but is not limited to the following documents: the Articles of Association, Working Rules for the Board, Terms of Reference and Organisation Rules for the Audit Committee, Terms of Reference and Organisation Rules for the Nomination Committee, Terms of Reference and Organisation Rules for the Strategy Committee and Terms of Reference and Organisation Rules for the Remuneration Committee. The Board also formulated the Management Methods for Information Disclosure, Management Mechanism for Investor Relations, Management Mechanism for Implementation of Resolutions of the Board, Management Mechanism for Connected Transactions and Mechanism for Nomination of Candidates for Directors by Shareholders as relevant working rules of the Company. In addition, the Company has established the Strategy Committee.

2. The Board

Duties of the Board

The Board is responsible for leading and monitoring the Company's affairs. All Directors are liable to act in the best interests of the Company and collectively assume the responsibility for overseeing and monitoring the Company's affairs. The Board makes regular assessment on the management's business objectives and performance as well as exercises a variety of powers in accordance with the Articles of Association, which mainly include:

- overseeing the implementation of resolutions passed at general meetings;
- approving the Company's business plans and investment schemes;
- formulating the Company's annual financial budget schemes;
- formulating the Company's profit distribution plan;
- formulating the Company's basic management system;

2. The Board (Continued)

Duties of the Board (Continued)

- approving the Company's accounting policies and adjustment thereof;
- approving various announcements including financial reports.

In respect of corporate governance, the Board performed the following duties in the reporting period:

- developing and reviewing the corporate governance policies and practices of the Company;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements of the Company;
- reviewing the compliance of the CG Code by the Company and corresponding disclosure in the corporate governance report of the annual report.

Composition

The Board comprises 7 Directors, including 2 executive Directors, 2 non-executive Directors and 3 independent non-executive Directors, whose biographies are set out from page 18 to 24 in this annual report.

Directors (including non-executive Directors and independent non-executive Directors) are elected in general meetings with a term of three years from the effective date of their elections until the date of election of the next session of the Board.

All Directors shall, upon their initial appointment, report to the Board in respect of the number and nature of any office assumed by them in other companies or institutions and the term of office, as well as disclose to the Company names of such companies or institutions. If the Board considers a Director has a conflicting interest in any proposal under consideration, such Director shall report his/her interests and abstain from voting and may, when necessary, apply for absence. The Board requires Directors to confirm whether there is any connected transaction between the Directors or their respective associates and the Company or its subsidiaries at each financial reporting period. Any material transactions relating to connected persons, which have been confirmed, will be disclosed in notes to the financial statements of an annual report.

2. The Board (Continued)

Composition (Continued)

There are three independent non-executive Directors, representing over one-third of the Board. The independent non-executive Directors possess extensive professional expertise and experience, and can fully perform their important functions of supervision and balance to protect the interests of the Shareholders and the Company as a whole. In determining the independence of a non-executive Director, the Director is considered independent only after the Board has confirmed that there is no direct or indirect material relationship between the Director and the Company. The Board considers that the independent non-executive Directors are able to make independent judgment effectively and satisfy the guideline on assessing independence as set out in Rule 3.13 of the Listing Rules.

The Company has complied with the requirement concerning the appointment of sufficient independent non-executive Directors, that at least one of them should possess appropriate professional qualification or accounting or relevant financial expertise and that independent non-executive Directors should represent one third or above of the Board as set out in Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules.

During the reporting period, the Company organized trainings in relation to the business of the Company for Directors. During the reporting period, the Directors also attended trainings in strategic development, corporate governance and those organized by regulatory authorities.

The Company provides trainings to Directors in due course in accordance with the requirements under Rule A.6.5 of Appendix 14 to the Listing Rules. The Company has made appropriate arrangement to insure against the possible legal actions that the Directors, supervisors and senior management may be involved. The Board reviews annually the insurance arrangement.

Duties of the Management

The management is responsible for the management of production and operations, organising and implementing resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, formulating plans for the establishment of the Company's internal management structure, formulating the basic management system of the Company, formulating the basic rules of the Company, and exercising other powers conferred under the Articles of Association of the Company and by the Board. Meanwhile, the management reports to Directors on the Company's operations and businesses each month so as to enable the Directors to fully understand the operations and businesses of the Company.

2. The Board (Continued)

The Chairman and the general manager

The Chairman is responsible for the operation and management of the Board while the general manager takes charge of the day-to-day management of the Company's business. To ensure a balanced distribution of powers and authorisations, the offices and roles of the Chairman and the general manager are assumed by Mr. Si Yuncong (an executive Director) and Mr. Zou Changfu respectively. The offices and roles of the Chairman and the general manager are assumed by two individuals separately and explicitly differentiated. With the assistance of the vice Chairman, the Chairman leads and supervises the operation of the Board to ensure that the Board acts in a manner consistent with the best interests of the Company.

Under the assistance of the deputy general manager, the general manager, as the chief manager of the Company's day-to-day affairs, is responsible for managing the day-to-day affairs of the Company, organising the implementation of resolutions of the Board, organising the implementation of the Company's annual business plans and investment schemes, assuming a direct responsibility for the operation performance of the Company and responsible for the overall operation of the Company to the Board.

The general manager and the deputy general manager make concerted efforts to collaborate with administrative departments of the Company to ensure the Board and the Board committees can access to complete, reliable and proper information so that the Directors can make decisions with adequate data and to ensure proper implementation of the Board's resolutions. The general manager closely monitors the operation and financial results of the Company based on plans and budgets and makes suggestions to the Board in respect of material events.

Company Secretary

The Company Secretary reports to the Board. All Directors are entitled to the Company Secretary's services. He updates the Board on governance and regulation on a regular basis, assists the chairman in preparation of the agenda of the Board meetings, and prepares and dispatches meeting documents on a timely and comprehensive basis so as to ensure the efficiency and compliance of the Board meetings. With the assistance of the Company's legal counsels, the Company Secretary is in charge of arranging the annual and interim reports and disclosure of information and data in accordance with the Listing Rules and relevant rules of the Company. He makes regular enquiries to the Company's financial department for information on connected transactions to secure compliance with the Listing Rules in respect of such transactions. The selection, appointment or dismissal of the Company Secretary is in the charge of the Board.

2. The Board (Continued)

Company Secretary (Continued)

The Company Secretary is also responsible for preparing and keeping minutes of meetings of the Board and the Board committees together with any relevant documents, which can be provided and open to all Directors and are available to all Directors for their inspection at any reasonable time. All matters under consideration including any enquiry and objection by Directors shall be recorded in details. Within a reasonable timeframe after a meeting, a draft minutes shall be circulated to all Directors for their comments.

The Company Secretary is in charge of arranging induction training and professional development for Directors.

In 2017, the Company Secretary participated in 15 class hours of training in respect of corporate governance, etc.

Board meetings

The Chairman is responsible for convening and presiding over the Board meetings. Assisted by the Company Secretary, the Chairman seeks to ensure all Directors' proper access to accurate, timely and sufficient data in connection with the proposals to be considered by the Board to enable their wise decisions. While a 14 days' prior notice of a regular Board meeting is given, the agenda of meeting and the meeting documents attached are circulated at least 3 days prior to the holding of a Board meeting or a meeting of any special committee.

The Chairman encourages the Directors to be fully engaged in the Board's affairs and make contributions to the functions of the Board. The Board also adopts sound corporate governance practices and procedures and takes appropriate steps to encourage the Directors' open and candid communications so as to ensure non-executive Directors may raise queries with and maintain effective communications with each executive Director.

It is expressly provided in the Terms of Reference and Working Rules for the Board that, in the event that a substantial Shareholder or Director has a conflict of interest in the matter to be considered at the Board meeting, such matter shall not be dealt with by Board committees or by way of circulation. Any Director who has a conflict of interest in the matters to be considered shall abstain from voting.

2. The Board (Continued)

Board meetings (Continued)

The Company held four on-site meetings of the Board, five written resolutions of the Board, three extraordinary general meetings and one annual general meeting during the reporting period. Details of attendance at Board meetings by each of the Directors are as follows:

Number of meetings attended/Number of meetings held

Directors	Positions	Board Meetings	Audit Committee	Remuneration Committee	Nomination Committee	Extraordinary General Meeting	Annual General Meeting
Si Yuncong	Executive Director and Chairman	4/4		1/1	1/1	3/3	1/1
Zou Changfu	Executive Director	4/4		1/1	1/1	3/3	1/1
Huang Mingyan	Non-executive Director	3/4	2/2			2/3	1/1
Chen Changqing	Non-executive Director	4/4	2/2			3/3	1/1
Feng Bing	Independent non-executive Director	4/4	2/2		1/1	3/3	1/1
Wang Jialu	Independent non-executive Director	4/4	2/2	1/1	1/1	3/3	1/1
Wang Zhicheng	Independent non-executive Director	4/4	2/2	1/1	1/1	3/3	1/1

In accordance with the Articles of Association, Directors, when necessary, may propose to convene an extraordinary Board meeting. They may also, when they consider necessary, obtain the Company's information and independent expert opinion, where expenses incurred are borne by the Company.

Board committees

Four special committees are established under the Board, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration Committee, the terms of reference of which are determined in accordance with the principles set out in the CG Code. The Board committees report to the Board. In order to perform their duties, the Board committees have the authority to engage lawyers, accountants or other professionals for professional advice when necessary, the expenses of which are borne by the Company.

2. The Board (Continued)

Nomination Committee

The Nomination Committee comprises three independent non-executive Directors and two executive Directors, including Mr. Si Yuncong (executive Director), Mr. Zou Changfu (executive Director), Mr. Feng Bing (independent non-executive Director), Mr. Wang Jialu (independent non-executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Si Yuncong. The Nomination Committee shall provide the Board with its advice on appointment of Directors, assessment of the Board's composition and change of Directors in accordance with certain agreed standards. The relevant standards include a Director's proper professional knowledge and work experience, personal integrity and commitment of adequate time. The Nomination Committee is responsible for the selection and recommendation of Director candidates, including consideration of candidates recommended by others and, when necessary, acquired by using public recruitment.

The Nomination Committee gives full consideration to the principle of Board diversity in selecting and recommending Director candidates, mainly including but not limited to gender, age, culture and educational background or professional experience, as well as the Board members' recommendations on the development of the Company in various aspects based on their professional competence in different fields.

With reference to the requirements in paragraph A.5 of the CG Code under Appendix 14 to the Listing Rules, the Board formulated the Terms of Reference and Organisation Rules for the Nomination Committee. The terms of reference of the Nomination Committee are as follows:

- to review the structure, size and composition of the Board at least once annually;
- to identify individuals suitably qualified to become Board members, and to nominate relevant people as Directors or provide advice thereabout to the Board;
- to assess the independence of the independent non-executive Directors;
- to make recommendations to the Board on the appointment or re-appointment as well as the succession plan of Directors.

During the reporting period, the Nomination Committee conducted work focusing on the aforesaid terms of reference and discussed on the formulation of policy on the nomination of Directors, nomination procedures adopted for candidates for Directors and the selection and recommendation rules. In 2017, the Nomination Committee convened one meeting.

2. The Board (Continued)

Audit Committee

The Audit Committee comprises three independent non-executive Directors and two non-executive Directors, including Mr. Wang Zhicheng (independent non-executive Director), Mr. Huang Mingyan (non-executive Director), Mr. Chen Changqing (non-executive Director), Mr. Feng Bing (independent non-executive Director) and Mr. Wang Jialu (independent non-executive Director), and is chaired by Mr. Wang Zhicheng, who has proper professional qualifications and financial experiences. The main role of the Audit Committee is to review the financial reports of the Company, review risk management, internal control and corporate governance and provide advices in respect thereof to the Board.

By reference to the recommendations in A Guide for Effective Audit Committees issued by Hong Kong Institute of Certified Public Accountants and the requirements of code C.3 of the CG Code, the Board has formulated the Terms of Reference and Organisation Rules for the Audit Committee. The major terms of reference of the Audit Committee are as follows:

- to be primarily responsible for making recommendation to the Board about the appointment, re-appointment and removal of external auditors, and assess the external auditors' work and supervise the independence, work procedures, quality and results of the external auditors;
- to review and supervise the Company's financial statements and the integrity of the annual reports and accounts, interim reports and the quarterly reports (if prepared for publication), and review major opinions related with the financial reporting on the statements and reports;
- to review the Company's financial reporting system and internal control system.

During the reporting period, the major work of the Audit Committee included:

I. Considering the audited financial reports of the Company for 2016 and the reviewed financial reports for the first half of 2017;

II. Considering the report in relation to the execution of continuing connected transactions of the Company for 2016;

III. Considering the report in relation to the audit fees of the Company for 2016;

IV. Considering the proposal for appointment of the Company's domestic and overseas auditors for 2017;

V. Reviewing the risk management and internal control system.

During the reporting period, the Audit Committee convened two meetings with an average attendance rate of 100%. The senior management and external auditor were invited to all meetings.

2. The Board (Continued)

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors and one executive Director, including Mr. Wang Jialu (independent non-executive Director), Mr. Zou Changfu (executive Director) and Mr. Wang Zhicheng (independent non-executive Director), and is chaired by Mr. Wang Jialu.

The Board has formulated the Terms of Reference and Organisation Rules for the Remuneration Committee. The terms of reference of the Remuneration Committee are as follows:

- to make proposals to the Board about the remuneration policy and structure for all Directors and senior management personnel of the Company and the establishment of a formal and transparent procedure for formulating remuneration policy;

- to review and approve the proposed remuneration of the management in accordance with the corporate policies and objectives made by the Board;

- to take responsibility to determine the specific remuneration packages for all executive Directors and senior management personnel, and make salary recommendations of non-executive Directors to the Board.

During the reporting period, the Remuneration Committee conducted work focusing on the aforesaid terms of reference, and assessed the performance of executive Directors and approved the terms of service contracts for executive Directors. In 2017, the Remuneration Committee convened one meeting to consider the proposal in relation to the remuneration status of Directors and supervisors of the Company for 2016, and the proposed authorization by the general meetings to the Board to determine the remuneration of Directors and supervisors of the Company for 2017.

Remuneration policy for executive Directors: The remuneration portfolio policy for executive Directors is designed to link executive Directors' remuneration and their performance with corporate goals so as to inspire their better performance and retainment. In accordance with the Articles of Association, the Directors shall not approve their own remunerations.

The Remuneration Committee approves the grant of stock appreciation rights to the executive Directors based on their individual performance and the business status of the Company pursuant to the stock appreciation rights plan approved by the Shareholders.

Remuneration policy for non-executive Directors: Remunerations of non-executive Directors are subject to the approval by general meetings and determined with reference to the complexity of the matters to be handled by them and their duties. Pursuant to the service contracts entered into between the Company and the non-executive Directors, the Company reimburses non-executive Directors for the out-of-pocket expenses incurred in performance of their duties (including attendance at the Company's meetings).

2. The Board (Continued)

Remuneration Committee (Continued)

Remuneration policy for employees of the Group: Remunerations of employees of the Group are always based on their work performance so as to stimulate their work motives, reward outstanding performance and fully exert the incentive role of remunerations. To ensure fairness, justice and reasonableness, the Company assesses and distributes remunerations in strict accordance with the assessment management authority, assessment contents and standards for all categories of employees to encourage them to create more value to the enterprise by using their greatest potential. Meanwhile, the remuneration policy for employees of the Group is always in favor of the research and development personnel and marketing personnel in order to attract talents with competitive remunerations and enhance the Company's competitiveness in the market.

A Director's remuneration includes the amount paid by the Company and its subsidiaries to Directors for their management of affairs of the Company and its subsidiaries. Remunerations paid to each Director of the Company in 2017 are as follows:

(Unit: RMB'000)

Name	Position	Salary and allowance	Remuneration (Director's fee)	Contribution to retirement benefits	Remarks
Si Yuncong	Executive Director and Chairman	–	–	–	Not receiving remuneration from the Company
Zou Changfu	Executive Director	432	–	65	–
Huang Mingyan	Non-executive Director	–	–	–	Not receiving remuneration from the Company
Chen Changqing	Non-executive Director	–	–	–	Not receiving remuneration from the Company
Feng Bing	Independent non-executive Director	–	100	–	–
Wang Jialu	Independent non-executive Director	–	100	–	–
Wang Zhicheng	Independent non-executive Director	–	100	–	–
Total		432	300	65	

2. The Board (Continued)

Remuneration Committee (Continued)

Pursuant to applicable laws and regulations of China, the Company currently participates in a series of pension schemes organized by provincial and municipal governments, pursuant to which all production plants of the Company must contribute to such pension schemes according to certain proportions of the salaries, bonus and various allowance of the employees. As the production plants are located in different regions, the proportions of contributions to the remuneration of employees are also different.

3. Statement of financial responsibility of the Board

The Board is responsible for the preparation of the Company's financial reports and takes the responsibility for the completeness and legitimacy of the financial data as well as the effectiveness of the Company's internal control system and risk management process. The general manager of the Company is responsible for the daily management of the operation of the Company. The Board makes periodic review on the functions of and the power delegated to the general manager.

The Directors acknowledge their responsibilities to prepare financial statements of the Company for each financial year, to report truly and fairly on the financial status of the Group, to comply with applicable accounting standards and adopt appropriate accounting policies in the preparation of the financial statements and to disclose the financial status of the Company accurately.

For auditor's reporting responsibilities, please refer to the auditor's report.

4. Securities transactions by Directors

The Board has adopted the Model Code as the code of conduct regarding securities transactions by Directors of the Company. The Model Code is also applicable to selected employees who may possess certain inside information of the Company that has been not disclosed, including such employees in the Company's subsidiaries and parent company. Upon appointment, each Director would receive a copy of the Model Code. After that, the Model Code is delivered twice a year, namely, 30 days prior to the Board meeting to approve the Company's interim results and 60 days prior to the Board meeting to approve the Company's annual results, together with an indicative notice to remind the Directors that they may not deal in the Company's shares until the publication of the results announcement.

All Directors confirm that during the reporting period, all Directors and the selected employees who may possess certain inside information of the Company that has not been disclosed complied with the Model Code and none of the said persons had interests or short positions which are required to be notified to the Company and the Stock Exchange, or incurred any violation of regulations.

5. Control mechanism

Internal control and internal audit

Internal control system

The Board is fully in charge of the Company's internal control system, including its overall financial and operational status, hence avoiding material financial omission or loss and any omission or risk in relation to operation controls. Through its Audit Committee, the Board makes periodic review on the effectiveness of the internal control system of the Group, which includes controls over finance, operations, regulation compliance and risk management. Relevant results of 2017 have been reported to the Board through the Audit Committee.

The Board confirms that the Company has set up procedures and systems for efficient recognition, assessment and management of material operating risks. The Company has complied with the Code Provisions relating to internal controls as set out in the CG Code for the year ended 31 December 2017.

Internal audit

The Company has set up internal audit, which oversees the internal controls, ensures the achievement of the corporate goals and conducts independent reviews.

The internal audit department gives its prudent opinion as to whether the Company's operations have a comprehensive and efficient risk management system and reports to the Audit Committee of the Company accordingly. In 2017, all internal audit reports and opinions were submitted to the general manager and other executive Directors as well as the senior management of the audit department. The audit department also follows up on issues identified during the audit process and conducts follow-up audit to ensure that such issues have been satisfactorily resolved. In addition, a regular dialogue is maintained between the internal audit and the external auditor so that both are aware of the significant factors that may affect their respective scope of work.

Risk management

The Board properly implements operation risk management procedures across the Company and formulates policies and procedures which provide a framework for identification and management of risks. The internal audit department reports to the Audit Committee monthly on significant risks and explains clearly the measures to be taken by the Group and the subsequent progress on improvements. According to different natures of the identified risk management, corresponding improvement measures are taken. The relevant procedures are reviewed to ensure their compliance and effectiveness. In accordance with the requirements of the Listing Rules, the Group constantly optimises its risk management and internal control system, so as to ensure the Group is controlled effectively and adequately in terms of finance, operations, compliance and risk management, with the ultimate goal of protecting the Shareholders' interests.

5. Control mechanism (Continued)

Internal control and internal audit (Continued)

Risk management (Continued)

The Board fulfils its oversight role over the Company and its subsidiaries in the following areas:

- establishment of the risk management system of the Company and identification of the risk portfolio of the Company;
- identification, assessment and management of the material risks faced by various units of the Company;
- review and assessment of the appropriateness of the Company's risk management process, system and internal control;
- review and monitoring the execution of the Company's risk management process, system and internal control, including compliance with requirements of prudence and legality while conducting businesses.

The Board is fully in charge of overseeing the operations of the Company's business units. Personnel with proper experience and skills are appointed to the board of directors of the Company's subsidiaries and associated companies to attend their board meetings and to oversee the operations of those companies. Monitoring activities include review and approval of business strategies, budgets and plans as well as setting up key business performance indicators. The identification, evaluation and report on the likelihood and potential financial impact of material business risks are issues left to the management personnel of such companies.

During the year 2017, the Board continued to supervise the Group's risk management and internal control, and has reviewed the effectiveness of the risk management and internal control and confirmed that the Group has adequate resources for the Group's accounting, internal audit and financial reporting functions, and that the employees' qualifications and experience, the training courses for the employees and the related budgets are adequate. In the areas of financial management, risk management, compliance and financial operating risk management, the effective implementation, timely review and corresponding results are reported in the monthly operation meetings. The Board is responsible for the risk management and internal control systems, and the review of such systems as to their effectiveness. The objectives of such systems are to manage rather than eliminate the risks of failure in achieving business objectives, and to provide only a reasonable, but not absolute, assurance against material misstatements or losses.

5. Control mechanism (Continued)

Internal control and internal audit (Continued)

Risk management (Continued)

In the aspect of information disclosure, the Company's information disclosures are regulated in accordance with the requirements and procedures to ensure compliance with the relevant laws and regulations of the PRC and Hong Kong, and the rules and requirements of the Listing Rules, so as to correctly fulfill the obligation of information disclosure. This is to be incorporated into the daily assessment to ensure information disclosures are in sound compliance. In addition, the Company has adopted procedures for and internal control over the handling and publication of inside information, involving scope, compliant disclosure and reporting procedures thereof. All reasonable measures are taken to make sure that external regulation and internal management are fully implemented.

The Chairman is the first responsible person of the Company's information disclosure. The secretary of the Board is responsible for the coordination and organising of the specific matters of information disclosure. The office of the Board is the department responsible for the daily management of information disclosure.

The Company has established an information disclosure system with corresponding risk management and internal control related documentation. The relevant process is as follows:

(1) The person-in-charge of the department that provides the information conscientiously checks the relevant information manuscript to ensure its truthfulness, accuracy and completeness, and upon confirmation that there are no misinterpretations, misleading statements or material omissions, affixes the signature or seal thereon;

(2) The secretary of the Board conducts a compliance review, and informs the Directors and the senior management of the Company of the information through appropriate channels in a timely manner, and if necessary, submits to the Board for approval;

(3) The chairman or the authorised representatives of the Board signs and approves the issuance of the information.

During the year 2017, the Company has complied with the above internal systems in relation to information disclosure obligations and made timely announcements of important matters that are to be disclosed. The Company has ensured the truthfulness, accuracy, completeness and timeliness of the disclosed information, and made sure that the investors were able to obtain publicly disclosed information in an open, fair and equitable manner.

5. Control mechanism (Continued)

Internal control and internal audit (Continued)

External auditor and their remunerations

The Company dismissed its domestic auditor ShineWing Certified Public Accountants (信永中和會計師事務所(特殊普通合伙)) and overseas auditor ShineWing (HK) CPA Limited (信永中和(香港)會計師事務所有限公司) for Year 2016, and appointed WUYIGE Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)) and PKF Hong Kong (大信梁學濂(香港)會計師事務所) as the domestic auditor and overseas auditor of the Company, respectively, in the extraordinary general meeting held on 18 January 2017. On 10 May 2017, PKF Hong Kong retired as the overseas auditor of the Company with effect from the conclusion of the 2016 annual general meeting of the Company due to the reorganization of PKF Hong Kong to PKF Hong Kong Limited (大信梁學濂(香港)會計師事務所有限公司).

As approved by the 2016 annual general meeting held on 30 June 2017, the Board re-appointed WUYIGE Certified Public Accountants LLP as the domestic auditor of the Company for Year 2017 and PKF Hong Kong Limited as the overseas auditor of the Company for Year 2017. The Audit Committee reviewed the letter from WUYIGE Certified Public Accountants LLP and PKF Hong Kong Limited to confirm their independence and objectiveness, held meetings with the said auditors to discuss its audit scope and fees, and approved scope and fees for any non-audit service to be provided by the firm as required.

For the year ended 31 December 2017, the remuneration of the external auditor amounted to RMB2,820,000, all of which was audit service fees. There were no non-audit service fees during the year. The audit fee has been approved by the Audit Committee and the Board.

6. Interests of shareholders and investor relations

General meetings

The Company encourages Shareholders' attendance at annual general meetings and gives at least a 45-day prior notice of such meetings. The Chairman shall attend the annual general meetings and invite the chairman of each committee (if he is unable to attend, a member of such committee will be invited) of the Board to attend the annual general meeting, and answer inquiries from the Shareholders. All Directors (especially independent non-executive Directors and non-executive Directors) shall attend the general meetings on a regular basis, including annual general meeting and extraordinary general meeting.

6. Interests of shareholders and investor relations (Continued)

General meetings (Continued)

All Shareholders have rights to request the convening of an extraordinary general meeting and put forward proposals for Shareholders' consideration in accordance with the Articles of Association. At the annual general meeting, each matter is put forward in the form of a separate proposal and voted by way of poll. Voting results of the general meeting are released in the form of announcements and relevant details of the meeting are published on the respective websites of the Stock Exchange and the Company.

On 18 January 2017, an extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 27 April 2017, an extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 30 June 2017, the 2016 annual general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

On 22 December 2017, an extraordinary general meeting of the Company was held at the conference room of the office building of the Company in Xianyang, Shaanxi Province.

Details of the above general meetings are set out on the respective websites of the Stock Exchange and the Company.

The Company Secretary is responsible for day-to-day communications between the Board and substantial Shareholders. Investors and the public may also access the Company's website for detailed data of the Company's businesses. The Company's interim and annual results announcements can also be downloaded from the websites of the Stock Exchange and the Company.

According to the information available to the Company and as far as the Directors are aware, approximately over 25% of the Company's total issued share capital has been held by public Shareholders.

6. Interests of shareholders and investor relations (Continued)

Rights of Shareholders

Convening general meetings by Shareholders

In accordance with the provisions under the Articles of Association, when Shareholders request to convene an extraordinary general meeting or any class meeting, the following procedures shall be followed:

(1) Two or more Shareholders who collectively hold more than 10 percent (including 10 percent) of the voting shares at the proposed meeting, can sign one or a few copies of written requests with the same format and content, with the agenda of the meeting clearly stated, to be submitted to the Board to convene an extraordinary general meeting or any class meetings. The Board shall, after receipt of the aforementioned written request, convene an extraordinary general meeting or class meeting as soon as possible. The aforementioned number of shares held by Shareholders shall be calculated based on the date of the written request.

(2) If the Board, within thirty days after receipt of the aforementioned written request, fails to issue a notice to convene meetings, the Shareholders who have made the said request shall have the right to convene the meeting by themselves within four months after the Board receives the request, using the same procedure as the Board shall convene the meeting as possible.

Enquiry by Shareholders

Shareholders demanding inspection of the relevant information or requesting copies of the materials shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Shareholders may contact the Company through the hotline at (8629) 3333 3850 or by email at chxny@ch.com.cn. Upon verification of the Shareholder's identity, the Company shall provide such information or handle the enquiries in an appropriate way at the Shareholder's request.

Procedures for Shareholders to put forward proposals and contact information

In accordance with the provisions under the Articles of Association, at the annual general meetings of the Company, Shareholders either solely or collectively holding more than three percent (including three percent) of the Company's total voting shares, shall have the right to put forward a new proposal in writing to the Company, and the Company should put the proposed matters that are within the purview of the general meeting in the agenda of the meeting. Shareholders can contact the Company through the hotline at (8629) 3333 3850 or by email at chxny@ch.com.cn.

6. Interests of shareholders and investor relations (Continued)

Information disclosure and investor relations

The Company is committed to increasing transparency and improving investor relations and has attached great importance to Shareholders' responses in this regard. The Company undertakes that it shall make impartial disclosure and provide full and transparent report. The ultimate duty of the Chairman is to ensure efficient communications with investors and to ensure the Board's understanding of the opinions of substantial Shareholders. After the Company's announcements of its interim and annual results, the Board is committed to providing Shareholders with clear and comprehensive results of the Group by publishing interim and annual reports. The Company endeavours to maintain a continuous candid communication with institutional investors and analysts, so as to deepen their understanding of the Group's management, financial condition, operation, strategies and plans. In addition, the Company arranges reverse road shows for analysts and investors from time to time, to foster intercommunication and understanding between investors and the management of the Company. Field visits to inspect plants and business premises of the Company by analysts and investors are welcomed.

7. Change of accounting standards and amendments to Articles of Association

Change of accounting standard

In order to improve efficiency and reduce disclosure costs and audit fees, on 6 November 2017, the Board has considered and approved the adoption of the PRC Accounting Standards for Business Enterprises to replace the Hong Kong Financial Reporting Standards as the basis for preparation of the overseas financial report of the Company with effect from 1 January 2018. For details, please refer to the announcement published by the Company on 6 November 2017.

Amendments to Articles of Association

In light of the change of basis for preparation of the overseas financial report of the Company and in accordance with the spirit of the work meeting on Party construction by state-owned enterprises in the PRC in relation to proactive fulfillment of the requirements of the organizing department of the Central Committee of the Communist Party of China and the State-owned Assets Supervision and Administration Commission of the State Council on incorporating the overall requirements of Party construction into the articles of association of companies, the Board proposed to amend the Articles of Association and the resolution in respect of the amendments to the Articles of Association was approved by the Shareholders at the extraordinary general meeting of the Company held on 22 December 2017. For details, please refer to the announcement and the circular of the Company dated 6 November 2017 and 1 December 2017, respectively. An updated version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

For the year ended 31 December 2017

大信梁學濂（香港）會計師事務所有限公司

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

香港
銅鑼灣
威非路道18號
萬國寶通中心26樓

TO THE SHAREHOLDERS OF IRICO GROUP NEW ENERGY COMPANY LIMITED
(A joint stock company established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of IRICO Group New Energy Company Limited (the "**Company**") and its subsidiaries (together "**the Group**") set out on pages 78 to 181, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the Group's consolidated financial position as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by 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.

Material Uncertainty Related to Going Concern

We draw attention to note 2(c) to the consolidated financial statements which indicates that the Group had net current liabilities of approximately RMB1,872,000,000 as at 31 December 2017. This condition, together with other matters as set out in note 2(c) to the consolidated financial statements, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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.

In addition to the matter described in the "Material Uncertainly to Going Concern" section, we have determined to communicate in our report the following key audit matters for the year ended 31 December 2017:

Business Combination

We identified the accounting for acquisition of subsidiaries as a key audit matter due to the significant degree of judgement by the management of the Group in accordance with HKFRS 3 "Business Combinations" ("HKFRS 3"). As disclosed in note 40 to the consolidated financial statements in relation to the completed acquisition of a subsidiary during the year ended 31 December 2017, in application of HKFRS 3, the management applied significant judgements in assessing the acquisition-date fair values of the identifiable assets and liabilities acquired, including the estimates adopted in calculating the fair value of the identifiable assets and the liabilities assumed. The accounting policy for business combination is disclosed in note 3 to the consolidated financial statements.

Our procedures performed to assess the appropriateness of the accounting for acquisition of a subsidiary:

– Obtain an understanding of how the management accounted for the acquisition of subsidiaries under HKFRS 3;

– Discuss with the management the key estimates adopted by the management in assessing the acquisition-date fair values of the identifiable assets and liabilities acquired;

– Evaluate the appropriateness of the method of valuation and assumptions made by the management;

– Evaluate the valuation techniques and reasonableness of the significant inputs, on a sampling basis, used by the management in relation to calculating the acquisition-date fair values of the identifiable assets and liabilities acquired in business combination to assess the reasonableness of the judgements and estimations used; and

– Evaluate the recognition and measurement criteria used and disclosure made by the management.

Impairment of Goodwill

We identified the impairment assessment of goodwill arising on acquisition of a subsidiary through business combinations as a key audit matter due to the involvement of significant judgements and assumptions made by the management of the Group in the performance of this assessment. As disclosed in notes 4 and 24 to the consolidated financial statements, determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("**CGUs**") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. The estimation uncertainty mainly included gross profit margin, discount rate and growth rate. The carrying amount of goodwill as at 31 December 2017 is RMB41,533,000 and for the purpose of impairment testing, as disclosed in note 24 to the consolidated financial statements, goodwill has been solely allocated to the CGU of Jiangsu IRICO Yongneng New Energy Company Limited. The management of the Group assessed that there is no significant impairment of goodwill.

Our procedures in relation to the impairment assessment of goodwill included:

- Obtain an understanding of the basis adopted in the value in use calculations prepared by the management;

- Assess the reasonableness of the key assumptions made by the management, including growth rates, gross profit margin and expected capital expenditure with reference to current market circumstances;

- Evaluate the reasonableness of the financial budgets approved by the management and the cash flow projections by comparing with the industry or market data and the Group's business plan;

- Evaluate the appropriateness of discount rate applied in the forecast by comparing them to industry and market data; and

- Check the sensitivity analysis performed by management in respect of the growth rates and discount rates to evaluate the extent of impact on the calculations of the value in use.

Impairment of Property, Plant and Equipment

The Group's impairment of property, plant and equipment disclosed in Note 17 to the consolidated financial statements were determined to be a key audit matter because of the significant estimation uncertainty resulted from the use of unobservable inputs and the significant judgement made in selecting the estimation methods.

Our procedures performed to address the matter included:

- Obtain an understanding of the Group's procedures and method of estimation, including any control activities applied, significant assumptions made and management's assessment of estimation uncertainty;
- Re-calculate the estimation made by the management;
- Review outcome of estimation made in prior period;
- Evaluate whether the method of estimation and assumptions made are appropriate;
- Test the data used by the management in the estimation;
- Review subsequent events relevant to the estimation;
- Determine whether indication of possible management bias exists; and
- Evaluate the recognition and measurement criteria used and disclosure made by management.

Provision for Impairment of Trade and Other Receivables

The Group's provision for impairment of trade and other receivables as disclosed in Notes 28 and 29 to the consolidated financial statements was determined to be a key audit matter because of the significance of the balances, and the inherent subjectivity involved in making judgement in relation to credit risk exposure and estimating the provision.

Our procedures included, amongst others:

– evaluate provisioning policy and disclosure;

– assess the recoverability of a sample of outstanding balances by comparing management's views of recoverability of amounts outstanding to historical patterns of receipts, in conjunction with assessing cash received subsequent to year end for its effect In reducing amounts outstanding at year end;

– challenge management's view of credit risk and recoverability by selecting a sample of overdue balances and:

  - note the historical patterns for long outstanding balances;
  - evaluate other evidence including customer, government and legal correspondences; evaluate the plans for recovering the outstanding balances, such as realisation of the pledged assets and enforcement of guarantees;
  - determine whether indication of possible management bias exists;
  - enquire management's knowledge of future conditions that may impact the expected customer receipts; and
  - review the outcome of the estimation made in prior period.

Other Information

The directors are responsible for the other information which comprises the information included in the Group's annual report for the year ended 31 December 2017 ("**Annual Report**") other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and are in compliance with 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other persons for the content 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 skepticism 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

– 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 director on the audit resulting in this independent auditor's report is Lam Kar Bo (Practising Certificate Number: P05453).

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong
20 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Revenue	7	2,363,402	1,809,333
Cost of sales		(2,115,514)	(1,599,201)
Gross profit		247,888	210,132
Other operating income	9	207,182	136,689
Gain on disposal of subsidiaries	26	24,946	18,779
Loss on derecognition of an associate	40	(12,625)	–
Selling and distribution costs		(80,758)	(87,382)
Administrative expenses		(176,885)	(129,491)
Other operating expenses		(4,533)	(4,579)
Finance costs	10	(72,172)	(39,847)
Share of (loss)/profit of associates	22	(116)	1,796
Share of loss of a joint venture	23	(270)	(209)
Profit before tax		132,657	105,888
Income tax credit/(expense)	11	1,357	(1,370)
Profit for the year	12	134,014	104,518
Profit for the year			
Profit for the year attributable to:			
– Owners of the Company		123,704	105,712
– Non-controlling interests		10,310	(1,194)
		134,014	104,518
Earnings per share			
– Basic and diluted	16	0.06	0.05

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Profit for the year		134,014	104,518
Other comprehensive income/(expense):			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of a foreign subsidiary		526	173
Available-for-sale financial assets:			
– Changes in fair value		(56,602)	(62,334)
Other comprehensive expense for the year		(56,076)	(62,161)
Total comprehensive income for the year		77,938	42,357
Total comprehensive income for the year attributable to:			
Owners of the Company		67,628	43,551
Non-controlling interests		10,310	(1,194)
		77,938	42,357

Consolidated Statement of Financial Position

As at 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Non-current assets			
Property, plant and equipment	17	1,772,602	1,297,645
Investment properties	18	10,739	16,904
Leasehold land and land use rights	19	192,117	109,186
Intangible assets	20	19,430	22,205
Interests in associates	22	18,640	33,517
Interest in a joint venture	23	35,521	35,791
Prepayment for construction in progress		167,350	–
Deferred tax assets	39	589	–
Goodwill	24	41,533	–
Available-for-sale financial assets	25	364,442	421,044
		2,622,963	1,936,292
Current assets			
Inventories	27	191,166	113,563
Trade and bills receivables	28	942,954	622,119
Other receivables, deposits and prepayments	29	339,392	411,733
Tax recoverable		3,140	3,140
Restricted bank balances	30	222,108	98,034
Bank balances and cash	31	269,400	428,178
		1,968,160	1,676,767
Non-current assets classified as held for sale		–	25,563
		1,968,160	1,702,330
Current liabilities			
Trade and bills payables	32	1,191,318	695,308
Other payables and accruals	33	542,305	572,650
Tax payables		4,035	786
Bank and other borrowings – due within one year	34	2,096,115	1,552,684
Termination benefits	35	6,223	12,099
		3,839,996	2,833,527
Net current liabilities		(1,871,836)	(1,131,197)
Total assets less current liabilities		751,127	805,095

Consolidated Statement of Financial Position (Continued)

As at 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Capital and reserves			
Share capital	36	**2,232,349**	2,232,349
Other reserves	37	**817,341**	874,136
Accumulated losses		**(2,897,067)**	(3,020,771)
Equity attributable to owners of the Company		**152,623**	85,714
Non-controlling interests		**115,052**	66,785
Total equity		**267,675**	152,499
Non-current liabilities			
Bank and other borrowings – due after one year	34	**395,399**	516,610
Deferred income	38	**65,787**	98,797
Termination benefits	35	**21,707**	29,957
Deferred tax liabilities	39	**559**	7,232
		483,452	652,596
		751,127	805,095

The consolidated financial statements on pages 78 to 181 were approved and authorised for issue by the board of directors on 20 March 2018 and are signed on its behalf by:

Si Yuncong	Zou Changfu
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital *RMB'000*	Other reserves *RMB'000* *(Note 37)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2016	2,232,349	936,297	(3,126,483)	42,163	86,090	128,253
Profit/(loss) for the year	–	–	105,712	105,712	(1,194)	104,518
Other comprehensive income/ (expense)						
Exchange differences arising on translation of a foreign subsidiary	–	173	–	173	–	173
Available-for-sale financial assets:						
– Changes in fair value	–	(62,334)	–	(62,334)	–	(62,334)
Total comprehensive income for the year	–	(62,161)	105,712	43,551	(1,194)	42,357
Release on disposal of a subsidiary *(Note 26)*	–	–	–	–	(18,111)	(18,111)
At 31 December 2016	2,232,349	874,136	(3,020,771)	85,714	66,785	152,499

	Attributable to owners of the Company					
	Share capital *RMB'000*	Other reserves *RMB'000* *(Note 37)*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2017	2,232,349	874,136	(3,020,771)	85,714	66,785	152,499
Profit for the year	–	–	123,704	123,704	10,310	134,014
Other comprehensive income/ (expense)						
Exchange differences arising on translation of a foreign subsidiary	–	526	–	526	–	526
Available-for-sale financial assets:						
– Changes in fair value	–	(56,602)	–	(56,602)	–	(56,602)
Total comprehensive income for the year	–	(56,076)	123,704	67,628	10,310	77,938
Acquisition of a subsidiary *(Note 40)*	–	–	–	–	43,226	43,226
Release on disposal of a subsidiary *(Note 26)*	–	(719)	–	(719)	(5,269)	(5,988)
At 31 December 2017	2,232,349	817,341	(2,897,067)	152,623	115,052	267,675

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 *RMB'000*	2016 *RMB'000*
Operating activities			
Profit before tax		132,657	105,888
Adjustments for:			
Allowance for doubtful debts of trade and other receivables		16,971	11,636
Amortisation of deferred income on government grants received		(17,747)	(9,266)
Amortisation of leasehold land and land use rights and intangible assets		6,072	5,743
Depreciation for property, plant and equipment and investment properties		76,384	56,555
Balances borne by the parent company to support the continued operations of a subsidiary of the Group		(25,631)	–
Loss on disposal of trade receivables		–	1,488
Finance costs		71,043	70,692
Gain on disposal of property, plant and equipment		(31,596)	(5,334)
Loss on derecognition of an associate		12,625	–
Gain on disposal of subsidiaries		(24,946)	(18,779)
Gain on deregistration of subsidiaries		(898)	(9,620)
Bank interest income		(1,855)	(2,879)
Reversal of allowance for inventories		(5,960)	(1,782)
Reversal of provision related to legal case		(5,250)	–
Reversal of cash-settled share-based payments		–	(8,622)
Share of loss/(profit) of associates		116	(1,796)
Share of loss of a joint venture		270	209
Operating cash flows before movements in working capital		202,255	194,133
Changes in working capital			
Inventories		47,769	18,837
Trade and bills receivables, other receivables, deposits and prepayments		166,992	(270,843)
Trade and bills payables, other payables and accruals		(222,331)	193,078
Termination benefits		(14,126)	(39,311)
Deferred income		500	5,817

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Cash generated from operations		181,059	101,711
Income tax paid		(3,914)	(1,434)
Net cash from operating activities		177,145	100,277
Investing activities			
Purchases of property, plant and equipment		(488,346)	(199,163)
Purchases of leasehold land and land use rights		(75,195)	–
Interest received		1,855	2,879
Proceeds from disposal of property, plant and equipment		89,847	14,921
Net cash from disposal of subsidiaries	26	31,886	(10,193)
Acquisition of a subsidiary	40	(19,653)	–
Investment in a joint venture		–	(36,000)
Investment in associates		(3,101)	–
Net cash used in investing activities		(462,707)	(227,556)
Financing activities			
Bank and other borrowings raised		963,940	1,510,490
Interest paid		(83,885)	(70,692)
Repayments of bank and other borrowings		(629,720)	(1,134,181)
Placement of restricted bank balances		(124,074)	(2,929)
Net cash from financing activities		126,261	302,688
Net (decrease)/increase in cash and cash equivalents		(159,301)	175,409
Cash and cash equivalents at 1 January		428,178	252,596
Effect of foreign exchange rate changes		523	173
Cash and cash equivalents at 31 December, represented by bank balances and cash		269,400	428,178

1. General Information

IRICO Group New Energy Company Limited (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 10 September 2004 as a joint stock company with limited liability under the Company Law of the PRC. The Company's shares were listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 20 December 2004. The addresses of its registered office and principal place of business are No. 1 Caihong Road, Xianyang, Shaanxi Province, the PRC.

The Company and its subsidiaries (collectively referred to as the "**Group**") are engaged in solar photovoltaic business, new materials business, trading business and others.

The directors of the Company consider that IRICO Group Corporation Limited ("IRICO Group Corporation") is the Company's parent company and the ultimate holding company is China Electronics Corporation ("**CEC**"), a state-owned enterprise established in the PRC.

The consolidated financial statements are presented in Renminbi ("**RMB**") which is also the functional currency of the Company.

2. Basis of Preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations ("**HK(IFRIC)-Int**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (hereinafter collectively referred to as "**Hong Kong Financial Reporting Standards**").

In addition, the consolidated financial statements include applicable disclosures required by the Rules (the "**Listing Rules**") governing the Listing of Securities on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance

2. Basis of Preparation (Continued)

(b) Application of new and revised HKFRSs

In the current year, the Group initially applied the following HKFRSs:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs (2014–2016)	Amendments to HKFRS 12

The amendments to HKAS 12 and Annual Improvements to HKFRSs (2014–2016) have no impact on the preparation of the Group's financial statements.

Amendments to HKAS 7 require the Group to provide disclosures that enable users of its financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Group has provided the information in Note 41 to the consolidated financial statements.

The following HKFRSs in issue at 31 December 2017 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2017:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Annual Improvements to HKFRSs (2014–2016)	Amendments to HKFRS 1 and HKAS 28[1]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined

2. Basis of Preparation (Continued)

(b) Application of new and revised HKFRSs (Continued)

The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below.

HKFRS 9 "Financial Instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 might result in earlier provision of credit losses in relation to the Group's trade receivables measured at amortised costs. However, management expects the effect would not be significant.

2. Basis of Preparation (Continued)

(b) Application of new and revised HKFRSs (Continued)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 supersedes the revenue recognition guidance included in HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

2. Basis of Preparation (Continued)

(b) Application of new and revised HKFRSs (Continued)

HKFRS 16 "Leases"

HKFRS 16 was issued in January 2016. It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases for lessee accounting 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 affects primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group had non-cancellable operating lease commitments of RMB2,943,000 (Note 42) and those related to payments for short-term and low value leases were estimated to be insignificant.

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 adoption of this standard is mandatory for financial years commencing on or after 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.

2. Basis of Preparation (Continued)

(b) Application of new and revised HKFRSs (Continued)

Amendments to HKAS 40 "Transfer of Investment Property"

The HKICPA issued amendments to HKAS 40 in April 2017 to clarify that, to transfer to or from investment properties, there must be a change in use. A change in use would involve (i) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (ii) supporting evidence that a change in use has occurred. The amendments also re-characterised the list of circumstances in HKAS 40.57(a)-(d) as a non-exhaustive list of examples to allow for other circumstances to be accounted for as a transfer, as long as that change is supported by appropriate evidence. The Group has assessed the impact of the amendments and expects that the amendments will not have significant impact, when applied, on the consolidated financial statements of the Group.

Save as discussed above, all other new standards, amendments to standards and interpretations issued but not yet effective are not likely to have significant impact on the Group's consolidated financial statements.

(c) Adoption of going concern basis

The Group had net current liabilities of approximately RMB1,872 million as at 31 December 2017. This condition indicates the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the opinion that the Group and the Company will have sufficient working capital to meet their financial obligations as and when they fall due for the next twelve months from the end of the reporting period given that:

(i) IRICO Group Corporation, the parent company of the Company, has sufficient financial capability and will actively provide financial support to the Group and the Company to meet the Group's and the Company's liabilities and commitments as and when they fall due;

(ii) the directors of the Company anticipate that the Group and the Company will maintain adequate cash flows for their operations and existing investments or financing needs;

(iii) the senior management aims to maintain flexibility in funding by keeping committed credit lines available; and

(iv) the Company will continue to implement measures to improve operational performance and raise funds through the issuance of new shares.

2. Basis of Preparation (Continued)

(c) Adoption of going concern basis (Continued)

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group and the Company be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

3. Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non- controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Business combination and goodwill

Business combination is accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

3. Significant Accounting Policies (Continued)

Business combination and goodwill (Continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability is recognised in accordance with HKFRS 13 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items are lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or group of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

3. Significant Accounting Policies (Continued)

Business combination and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Investments in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Significant Accounting Policies (Continued)

Interests in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds its interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate or a joint venture recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. Significant Accounting Policies (Continued)

Interests in associates and a joint venture (Continued)

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or a joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's accounting policy for recognition of rental income from operating leases is described in the accounting policy for leasing below.

3. Significant Accounting Policies (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Such classification requires the asset or the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs of sell.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position and Company's statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

If an item of property, plant and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in properties revaluation reserve. The properties revaluation reserve in respect of that item will be transferred directly to retained earnings when it is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. Significant Accounting Policies (Continued)

Leasing (Continued)

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land and land use rights" in the consolidated and Company's statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interest as appropriate).

3. Significant Accounting Policies (Continued)

Borrowings costs

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.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and Company's statement of financial positions and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution scheme or state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Pension and housing obligations

The full time employees of the Group are covered by various government-sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. These government-sponsored pension plans are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no legal or constructive obligation for retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Voluntary payments made to certain former employees and which were not made pursuant to a formal or informal plan are expensed as paid.

3. Significant Accounting Policies (Continued)

Retirement benefit costs (Continued)

Pension and housing obligations (Continued)

Full time employees are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. Contributions to these funds are expensed as incurred. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: (1) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (2) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Early retirement benefits

Employee early retirement benefits are recognised in the period in which the Group enters into an agreement with the employee specifying the terms of early retirement or after the individual employee has been advised of the specific terms. The specific terms vary among the early retired employees depending on various factors including position and length of services. Early retirement benefits falling due more than twelve months after the reporting date are discounted at 4.6% to present value.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

3. Significant Accounting Policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses/revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant Accounting Policies (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position and comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets of the Group are classified into the following specified categories: loans and receivables and available-for-sale investment. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments. Loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables, deposits, restricted bank balances and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Available-for sale investment

Available-for-sale investment is non-derivative that is either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Equity and debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on available-for-sale equity investment is recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investment that does not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instrument, it is measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment losses on financial assets below).

Impairment losses on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment losses on financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, and an increase in the number of delayed payments in the portfolio past the average credit period of 90 days.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reserved in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and bills receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and bills receivable or other receivable, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment losses on financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals and bank and other borrowings are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Warranty

Provisions for the expected cost of warranty obligations under the relevant sale of goods legislation are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

3. Significant Accounting Policies (Continued)

Impairment losses on tangible and intangible assets (Continued)

When an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1	–	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern consideration

The assessment of the going concern assumption involves making judgments by the management, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The management considers that the Group and the Company have ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions as set out in Note 2.

Ownership of the buildings

Despite the Group has paid the full purchase consideration as detailed in note 17, certain of the Group's rights to the use of the buildings were not granted formal titles from the relevant government authorities. Despite the fact that the Group has not obtained the relevant legal titles, the directors of the Company determine to recognise the buildings that they expect the legal titles being obtained in future should have no major difficulties and the Group is in substance controlling the buildings.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Income tax expense

Determining income tax provisions involves estimation on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Where the final tax outcome of these transactions is different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Allowance for inventories

The directors of the Company review the ageing analysis at the end of the reporting period, and make allowance for obsolete and slow-moving inventory items. The directors of the Company estimate the net realisable value for raw materials and finished goods based primarily on the latest invoice prices and current market conditions. The directors of Company carries out an inventory review on a product-by-product basis at the end of the reporting period and makes allowance for obsolete items. As at 31 December 2017, the carrying amounts of the Group's inventories are approximately RMB191,166,000 (2016: RMB113,563,000), net of allowance of inventories of approximately RMB8,276,000 (2016: RMB14,236,000).

Fair value measurements

Some of the Group's assets are measured and disclosed at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value. Notes 6(c) and 18 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flow management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash-generating units containing goodwill are disclosed in Note 24.

Impairment of property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights

The Group tests at the reporting date whether property, plant and equipment, intangible assets, investment properties and leasehold land and land use rights have suffered any impairment in accordance with accounting policies stated in Note 3. The recoverable amounts of those assets have been determined based on the higher of their fair value less costs to dispose and their value-in-use calculations which are prepared on the basis of management's assumptions and estimates taking into account the existing business expansion plan going forward, the current sales orders on hand and other strategic new business development. These calculations require the use of estimates such as the future revenue and discount rates.

The Group did not recognise any impairment loss (2016: nil) during the year.

Depreciation of property, plant and equipment and investment properties

Property, plant and equipment and investment properties are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and investment properties and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Amortisation of leasehold land, land use rights and intangible assets

Leasehold land, land use rights and intangible assets are amortised on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the leasehold land, land use rights and intangible assets and if the expectation differs from the original estimate, such a difference may impact the amortisation in the year and the estimate will be changed in the future period.

Impairment of interests in associates

Determining whether the interests in associates are impaired requires an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amounts of Group's interests in associates are approximately RMB18,640,000 (2016: RMB33,517,000). The Group did not recognise any impairment loss (2016: nil) during the year.

Allowance for doubtful debts of trade and bills receivables and other receivables

The directors of the Company regularly review the recoverability and age of the trade and bills receivables and other receivables. Appropriate impairment for estimated irrecoverable amounts is recognised in the consolidated statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

In determining whether allowance for doubtful debts is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the Group's carrying amount of trade and bills receivables is approximately RMB942,954,000 (2016: RMB622,119,000), net of allowance for doubtful debts of approximately RMB42,495,000 (2016: RMB29,626,000). The Group's carrying amount of other receivables is approximately RMB54,922,000 (2016: RMB67,654,000), net of allowance for doubtful debts of approximately RMB1,609,000 (2016: RMB418,000).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the bank and other borrowings as disclosed in Note 34, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, other reserves and accumulated losses.

The directors of the Company review the capital structure on a regular basis and monitor on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital. Gearing ratio is calculated as the proportion of total debt to total capital.

The Group aims at maintaining a gearing ratio of about 90% (2016: 90%). Based on the recommendations of the Company's directors, the Group intends to maintain a suitable ratio of share capital to liabilities, so as to maintain an effective capital structure from time to time.

The gearing ratio at the end of the reporting period was as follows:

	2017 *RMB'000*	2016 *RMB'000*
Total debt[(a)]	**2,491,514**	2,069,294
Net debt[(b)]	**2,222,114**	1,641,116
Total equity	**267,675**	152,499
Total capital (based on total debt)[(c)]	**2,759,189**	2,221,793
Net capital (based on net debt)[(d)]	**2,489,789**	1,793,615
Gearing ratio (based on total debt and total capital) *(%)*	**90.3**	93.1
Gearing ratio (based on net debt and net capital) *(%)*	**89.2**	91.5

Notes:

(a) Total debt equals to bank and other borrowings.

(b) Net debt equals to total debt less bank balances and cash.

(c) Total capital (based on total debt) equals to total debt plus total equity.

(d) Net capital (based on net debt) equals to net debt plus total equity

6. Financial Instruments

(a) Categories of financial instruments

	2017 *RMB'000*	2016 *RMB'000*
Financial assets		
Loans and receivables		
(including cash and cash equivalents)		
Trade and bills receivables	**942,954**	622,119
Other receivables	**58,219**	70,621
Restricted bank balances	**222,108**	98,034
Bank balances and cash	**269,400**	428,178
	1,492,681	1,218,952
Available-for-sale financial assets	**364,442**	421,044
Financial liabilities		
Other financial liabilities measured at amortised cost		
Trade and bills payables	**1,191,318**	695,308
Other payables and accruals	**538,496**	563,591
Bank and other borrowings	**2,491,514**	2,069,294
	4,221,328	3,328,193

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, other receivables, restricted bank balances, bank balances and cash, available-for sale financial assets, trade and bills payables, other payables and accruals and bank and other borrowings. Details of the financial instruments are disclosed in respective notes or below. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

Currency risk

The Group mainly operates in the PRC. Majority of its revenue and operating costs and cost of sales are denominated in RMB. Certain trade receivables and bank balances and cash of the Group are denominated in the United States Dollars ("**USD**") and Euro ("**EUR**"). Such USD and EUR denominated trade receivables and bank balances and cash are exposed to fluctuations in the value of RMB against USD and EUR in which these trade receivables, bank balances and cash, and bank and other borrowings are denominated. Any significant appreciation/depreciation of RMB against USD and EUR may result in significant exchange loss/gain (2016: loss/gain) which would be recorded in the consolidated statement of profit or loss and other comprehensive income.

At the end of the reporting period, included in the trade receivables and bank balances and cash are the following amounts denominated in USD and EUR which is other than the functional currency of the relevant group entities to which it relates.

	2017 *RMB'000*	2016 *RMB'000*
Trade receivables, denominated in		
– USD	11,849	21,896
– EUR	83,946	–
	95,795	21,896
Bank balances and cash, denominated in		
– USD	16,471	34,800
– EUR	14,752	–
	31,223	34,800
	127,018	56,696

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company closely monitor currency risk and will consider hedging significant currency risk exposure should the need arise.

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis

The following details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in RMB against USD. 10% (2016: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

As of 31 December 2017, if RMB had strengthened/weakened 10% (2016: 10%) against USD and EUR, with all other variables held constant, the Group's profit for the year would have been approximately RMB12,702,000 lower/higher (2016: RMB5,670,000), mainly as a result of foreign exchange losses/gains on translation of the USD and EUR denominated trade receivables and bank balances and cash.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank balances (Note 30) and fixed-rate bank borrowings (Note 34). The Group currently does not have an interest rate hedging policy. However, the directors of the Company closely monitor interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 31) and variable-rate bank and other borrowings (Note 34). It is the Group's policy to keep its bank and other borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of London Interbank Offered Rate and the People's Bank of China Prescribed Interest Rate arising from the Group's variable-rate bank and other borrowings and variable-rate obligations under finance leases respectively.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Sensitivity analysis (Continued)

If interest rates had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year would increase/decrease by approximately RMB24,915,000 (2016: RMB15,520,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and variable-rate bank and other borrowings.

Other price risk

The Group is exposed to equity price risk through its investments in available-for-sale financial assets. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Shanghai Stock Exchange.

Credit risk

As at 31 December 2017, the Group's maximum exposures to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk on bank balances is limited because the restricted bank balances, bank balances of the Group are maintained with state-owned banks in the PRC and banks in Hong Kong with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for approximately 93% (2016: 93%) of the total trade and bills receivables as at 31 December 2017.

For the year ended 31 December 2017, the Group has concentration of credit risk 5% (2016: 9%) and 14% (2016: 25%) of the total trade and bills receivables was due from the Group's largest customer and the five largest customers respectively. Sales to the largest customer and aggregate sales to the five largest customers represents 17% (2016: 8%) and 50% (2016: 24%) of the Group's revenue respectively.

The Group has policies in place to ensure that sale of products are made to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate impairment loss of trade and bills receivables have been made in the consolidated financial statements.

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigates the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group is exposed to liquidity risk as at 31 December 2017 as the Group had net current liabilities of approximately RMB1,872,000,000. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations and the details of which are set out in Note 2.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management aims to maintain flexibility in funding by keeping committed credit lines available.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	On demand or within 1 year *RMB'000*	1–5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2017 *RMB'000*
2017				
Trade and bills payables	1,191,318	–	1,191,318	1,191,318
Other payables and accruals	538,496	–	538,496	538,496
Bank and other borrowings	2,162,715	456,791	2,619,506	2,491,514
	3,892,529	456,791	4,349,320	4,221,328

	On demand or within 1 year *RMB'000*	1–5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount at 31/12/2016 *RMB'000*
2016				
Trade and bills payables	695,308	–	695,308	695,308
Other payables and accruals	572,650	–	572,650	572,650
Bank and other borrowings	1,607,118	595,550	2,202,668	2,069,294
	2,875,076	595,550	3,470,626	3,337,252

6. Financial Instruments (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value measurement of financial instruments

Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31/12/2017 *RMB'000*	31/12/2016 *RMB'000*		
Listed equity securities classified as available-for-sale financial assets	261,426	318,028	Level 1	Quoted bid prices in active market

There were no transfers into or out in level 1 in both reporting years.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

7. Revenue

Revenue represents revenue arising from solar photovoltaic business, new materials business, trading business and others.

8. Segment Information

The Group's reportable and operating segments, based on information reported to the chief executive officer, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance with focuses on types of goods. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows;

1. Solar photovoltaic business
2. New materials business – production and sales of luminous materials and lithium battery anode materials
3. Trading business – trading of solar modules and other related accessories
4. Others

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments.

For the year ended 31 December 2017

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External sales	1,682,440	319,014	361,948	–	2,363,402
Segment profit	180,452	6,979	3,938	630	191,999
Unallocated income					207,182
Unallocated expenses					(206,287)
Finance costs					(72,172)
Gain on disposal of subsidiaries					24,946
Loss on derecognition of an associate					(12,625)
Share of loss of associates					(116)
Share of loss of a joint venture					(270)
Profit before tax					132,657

8. Segment Information (Continued)

For the year ended 31 December 2016

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Total *RMB'000*
REVENUE					
External sales	1,027,631	257,155	524,321	226	1,809,333
Segment profit	66,453	1,024	14,806	1,790	84,073
Unallocated income					136,689
Unallocated expenses					(95,393)
Finance costs					(39,847)
Gain on disposal of a subsidiary					18,779
Share of profit of associates					1,796
Share of loss of a joint venture					(209)
Profit before tax					105,888

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, depreciation of investment properties, directors' salaries, share of profit/(loss) of associates, share of loss of a joint venture, other operating income, finance costs, gain on disposal of subsidiaries and loss on derecognition of an associate. This is the measure reported to the chief executive officer with respect to the resource allocation and performance assessment.

8. Segment Information (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2017 *RMB'000*	2016 *RMB'000*
Solar photovoltaic business	**2,875,791**	1,930,681
New materials business	**348,477**	344,580
Trading business	**406,009**	229,857
Others	**38,766**	100,036
Total segment assets	**3,669,043**	2,605,154
Unallocated assets	**922,080**	1,033,468
Consolidated total assets	**4,591,123**	3,638,622

Segment liabilities

	2017 *RMB'000*	2016 *RMB'000*
Solar photovoltaic business	**1,240,911**	879,269
New materials business	**71,872**	83,852
Trading business	**290,344**	233,361
Others	**164,116**	126,574
Total segment liabilities	**1,767,243**	1,323,056
Unallocated liabilities	**2,556,205**	2,163,067
Consolidated total liabilities	**4,323,448**	3,486,123

8. Segment Information (Continued)

Segment liabilities (Continued)

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets other than interests in associates, interest in a joint venture, investment properties, available-for-sale financial assets, restricted bank balances, tax recoverable, deferred tax assets, goodwill, bank balances and cash and certain unallocated head office assets are allocated to operating segments. Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual reportable segments; and

– all liabilities other than tax payables, deferred tax liabilities, bank and other borrowings, and certain unallocated head office liabilities are allocated to operating segments. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

Other segment information

For the year ended 31 December 2017

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:						
Additions to non-current assets	573,731	1,696	956	–	–	576,383
Amortisation of leasehold land and land use rights and intangible assets	5,964	108	–	–	–	6,072
Depreciation of property, plant and equipment	72,246	960	1,581	–	–	74,787
Allowance/(reversal of allowance) for doubtful debts of trade and other receivables	3,867	11,241	2,143	(280)	–	16,971
Reversal of allowance for inventories	(5,694)	–	–	(266)	–	(5,960)

8. Segment Information (Continued)

Other segment information (Continued)

For the year ended 31 December 2017 (Continued)

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Gain on disposal of property, plant and equipment	(30,086)	–	–	(1,510)		(31,596)
(Gain)/loss on sales of raw materials, scraps and packaging materials	(5,357)	762	–	–		(4,595)
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:						
Grant and amortisation of deferred income on government grants received	(107,668)	(11,850)	(369)	–	–	(119,887)
Interests in associates	–	–	–	–	18,640	18,640
Share of profit of associates	–	–	–	–	116	116
Interest in a joint venture	–	–	–	–	35,521	35,521
Share of loss of a joint venture	–	–	–	–	270	270
Interest income	–	–	–	–	(1,855)	(1,855)
Finance costs	–	–	–	–	72,172	72,172
Income tax expenses	–	–	–	–	(1,357)	(1,357)
Depreciation of investment properties	–	–	–	–	1,597	1,597

8. Segment Information (Continued)

Other segment information (Continued)

For the year ended 31 December 2016

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or loss for segment assets:						
Additions to non-current assets	164,899	5,606	3,095	–	–	173,600
Amortisation of leasehold land and land use rights and intangible assets	5,497	108	–	138	–	5,743
Depreciation of property, plant and equipment	50,622	1,943	1,097	1,757	–	55,419
Allowance for doubtful debts of trade and other receivables	6,475	5,258	48	(145)	–	11,636
Allowance for inventories	7,710	(3,790)	(5,702)	–	–	(1,782)
Gain on disposal of property, plant and equipment	(4,326)	–	(984)	(24)	–	(5,334)
Gain on sales of raw materials, scraps and packaging materials	(1,034)	(329)	(5,084)	(24)	–	(6,471)

8. Segment Information (Continued)

Other segment information (Continued)

For the year ended 31 December 2016 (Continued)

	Solar photovoltaic business *RMB'000*	New materials business *RMB'000*	Trading business *RMB'000*	Others *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts regularly provided to the chief executive officer but not included in the measure of segment profit or loss or segment assets:						
Grant and amortisation of deferred income on government grants received	(40,229)	(4,835)	(1,711)	–	–	(46,775)
Interests in associates	–	–	–	–	33,517	33,517
Share of profit of associates	–	–	–	–	(1,796)	(1,796)
Interest in a joint venture	–	–	–	–	35,791	35,791
Share of loss of a joint venture	–	–	–	–	209	209
Interest income	–	–	–	–	(2,879)	(2,879)
Finance costs	–	–	–	–	39,847	39,847
Income tax expenses	–	–	–	–	1,370	1,370
Depreciation of investment properties	–	–	–	–	1,136	1,136

8. Segment Information (Continued)

Geographical information

The Group's operation is located in the PRC (country of domicile).

Information about the Group's revenue from external customers is presented based on the location of the operations as below:

	2017 *RMB'000*	2016 *RMB'000*
The PRC (excluding Hong Kong)	2,084,906	1,727,933
Hong Kong	2,188	–
Other countries	276,308	81,400
	2,363,402	1,809,333

An analysis of non-current assets excluding financial instruments, deferred tax assets and goodwill, by geographical location in which the assets are located has not been presented as the Group's non-current assets are all located in the PRC.

Information about major customers

The Group has identified 2 customers (2016: nil) which individually represented over 10% of the Group's total external sales.

The sales to the major customers during the years are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Customer A[1]	405,730	–
Customer B[1]	251,930	–
	657,660	–

1 Revenue from production of photovoltaic business products.

9. Other Operating Income

	2017 *RMB'000*	2016 *RMB'000*
Gain on disposal of property, plant and equipment *(Note a)*	31,596	5,334
Net foreign exchange gain	3,236	–
Interest income	1,855	2,879
Gain on sales of raw materials, scraps and packaging materials	4,595	6,471
Reversal of allowance for inventories	5,960	1,782
Rental income *(Note b)*	7,865	21,106
Reversal of provision related to legal case	5,250	–
Grant and amortisation of deferred income on government grants received	119,887	46,775
Overprovision of tax expense for disposal of A Share company	–	30,391
Gain on deregistration of subsidiaries	898	9,620
Reversal of cash-settled share-based payments	–	8,622
Balances borne by the parent company to support the continued operations of a subsidiary of the Group	25,631	–
Others	409	3,709
	207,182	136,689

Note:

(a) Gain on disposal of property, plant and equipment includes the gain of RMB28,940,000 arising from the sales of the 10 KV or more power supply and distribution equipment to Shaanxi IRICO Energy Services Corporation* ("**IRICO Energy Services**") (陝西彩虹能源服務有限公司), an associate of CEC and IRICO Group.

(b) The direct operating expenses from investment properties that generated rental income amounted to approximately RMB48,000 (2016: RMB230,000) for the year ended 31 December 2017.

* *English name for identification purpose only*

10. Finance Costs

	2017 *RMB'000*	2016 *RMB'000*
Interest on:		
Bank and other borrowings	45,851	9,442
Discounted trade receivables to banks	–	625
Termination benefits *(Note 35)*	1,129	3,854
Amount due to parent company *(Note 43C(ii))*	25,192	25,926
Total borrowing costs	72,172	39,847

11. Income Tax (Credit)/Expense

	2017 *RMB'000*	2016 *RMB'000*
PRC Enterprise Income Tax		
Current tax	4,410	1,370
Deferred tax *(Note 39)*	(5,767)	–
Income tax (credit)/expense	(1,357)	1,370

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for both years ended 31 December 2017 and 2016.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of certain subsidiaries of the Group in the PRC is 25%.

Companies are entitled to the Tax Preference Policies for the Western Development in the PRC ("**TPPWD Policy**") if they are engaged in the projects listed in the Catalogue for Industries, Products and Technologies Currently and Particularly Encouraged by the State for Development (as amended in year 2000) and Guiding Catalogue for Industrial Structure Adjustment (2011), and their principal business and the revenue from the principal operations account for over 70% of their total revenue. The applicable reduced preferential EIT rate under the TPPWD Policy is 15%. From 10 September 2004, date of incorporation of the Company, the operations of the Company have met the requirements under the TPPWD Policy, and accordingly, EIT has been paid at the reduced rate of 15%.

The operation of the subsidiary, Shaanxi IRICO New Material Co., Ltd* (陝西彩虹新材料有限公司) has met the requirements under the TPPWD Policy, and accordingly, EIT has also been provided at 15% for the year ended 31 December 2017 (2016: nil).

The subsidiary, Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司) (formerly known as Jiangsu Yongneng Photovoltaic Technology Company Limited, "**Jiangsu Yongneng**") is entitled to the preferential tax treatment for High and New Technology Enterprise ("**HNTE Policy**"). The applicable reduced preferential EIT rate under the HNTE Policy is 15%.

* *English name for identification purpose only*

11. Income Tax (Credit)/Expense (Continued)

The income tax (credit)/expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and comprehensive income as follows:

	2017 *RMB'000*	2016 *RMB'000*
Profit before tax	132,657	105,888
Tax calculated at the statutory tax rate of 25% (2016: 25%)	33,164	26,472
Effect on differential tax rate	(3,287)	–
Tax effect of share of loss of associates	29	50
Tax effect of share of loss of a joint venture	68	52
Tax effect of expenses not deductible for tax purpose	734	40,251
Tax effect of income not taxable for tax purposes	(18,198)	(15,784)
Tax effect of tax losses not recognised	(24,633)	(27,774)
Tax effect of deductible temporary differences not recognised	10,766	(21,897)
Income tax (credit)/expense	(1,357)	1,370

Details of deferred taxation are shown in Note 39.

12. Profit for the Year

Profit for the year has been arrived at after charging:

	2017 *RMB'000*	2016 *RMB'000*
Cost of inventories recognised as an expense	2,103,396	1,588,755
Depreciation for property, plant and equipment	74,787	55,419
Depreciation for investment properties	1,597	1,136
Amortisation of leasehold land and land use rights	3,297	2,967
Amortisation of intangible assets	2,775	2,776
Allowance for doubtful debts of trade and other receivables (included in administrative expenses)	16,971	11,636
Research and development costs recognised as an expense	26,187	3,603
Operating lease rentals in respect of property, plant and equipment	8,382	11,340
Net foreign exchange losses	–	1,004
Auditor's remuneration	2,820	2,520
Share of tax of associates (included in share of loss of associates)	–	1,103

13. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments

(a) Directors', chief executive's, supervisors' and senior management's emoluments

(i) The emoluments of each director, chief executive, supervisor and senior management pursuant to Section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation for the year ended 31 December 2017 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Pension scheme contribution *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Zou Changfu (Chief Executive)	–	432	65	497
Mr. Si Yuncong	–	–	–	–
Non-executive directors				
Mr. Huang Mingyan	–	–	–	–
Mr. Chen Changqing	–	–	–	–
Independent non-executive directors				
Mr. Feng Bing	100	–	–	100
Mr. Wang Jialu	100	–	–	100
Mr. Wang Zhicheng	100	–	–	100
Supervisors				
Mr. Tang Haobo	–	224	65	289
Mr. Sun Haiying	80	–	–	80
Ms. Wu Xiaoguang	80	–	–	80
Mr. Zhao Lefei	–	182	65	247
Mr. Zhu Yiming *(Note 2)*	–	–	–	–
Mr. Ding Wenhui *(Note 3)*	–	–	–	–
Senior management				
Mr. Hong Yuan *(Note 4)*	–	302	65	367
Mr. Ma Zhibin	–	312	65	377
Mr. Chen Xiaoning	–	315	65	380
Mr. Yuan Guanqing	–	245	82	327
Mr. Gu Qiang	–	286	65	351
Mr. Wu Wenchao	–	315	65	380
Mr. Chu Xiaohang	–	223	65	288
Mr. Ni Huadong *(Note 6)*	–	123	64	187
	460	2,959	731	4,150

13. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments (Continued)

(a) Directors', chief executive's, supervisors' and senior management's emoluments (Continued)

(ii) The emoluments of each director, chief executive, supervisor and senior management pursuant to Section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation for the year ended 31 December 2016 are set out below:

Name	Fee *RMB'000*	Salaries and allowance *RMB'000*	Pension scheme contribution *RMB'000*	Total *RMB'000*
Executive directors				
Mr. Zou Changfu (Chief Executive)	–	301	61	362
Mr. Si Yuncong	–	–	–	–
Non-executive directors				
Mr. Huang Mingyan	–	–	–	–
Mr. Jiang Ahe *(Note 7)*	–	–	–	–
Mr. Chen Changqing *(Note 1)*	–	–	–	–
Independent non-executive directors				
Mr. Feng Bing	100	–	–	100
Mr. Wang Jialu	100	–	–	100
Mr. Wang Zhicheng	100	–	–	100
Supervisors				
Mr. Tang Haobo	–	235	61	296
Mr. Sun Haiying	80	–	–	80
Ms. Wu Xiaoguang	80	–	–	80
Mr. Zhao Lefei	–	176	59	235
Mr. Zhu Yiming	–	–	–	–
Senior management				
Mr. Hong Yuan	–	292	61	353
Mr. Ma Zhibin	–	284	61	345
Mr. Ma Jianchao *(Note 8)*	–	41	15	56
Mr. Chen Xiaoning *(Note 5)*	–	263	61	324
Mr. Yuan Guanqing *(Note 5)*	–	136	47	183
Mr. Gu Qiang *(Note 5)*	–	153	46	199
Mr. Wu Wenchao (*(Note 5)*	–	246	46	292
Mr. Chu Xiaohang	–	212	61	273
	460	2,339	579	3,378

13. Directors', Chief Executive's, Supervisors' and Senior Management's Emoluments (Continued)

(a) Directors', chief executive's, supervisors' and senior management's emoluments (Continued)

During the year ended 31 December 2017 and 2016, an executive and all non-executive directors emoluments are borne by IRICO Group Corporation. No apportionment has been made as the directors of the Company consider that it is impracticable to apportion this amount between their services to the Group and their services to IRICO Group. The amounts disclosed above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking. No emoluments were paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

Notes:

1. Appointed on 18 May 2016.
2. Resigned on 18 January 2017.
3. Appointed on 18 January 2017.
4. Resigned on 18 February 2018.
5. Appointed on 6 April 2016.
6. Appointed on 8 May 2017.
7. Resigned on 18 May 2016.
8. Resigned on 6 April 2016.

(b) Five highest paid individuals

During the year 2017, the five individuals whose emoluments were the highest in the Group for the year include four senior management and one executive director (2016: four senior management and one supervisors) whose emoluments are reflected in the analysis presented above. Their emoluments were within the band of less than HK$1,000,000 (equivalent to approximately RMB832,000 (2016: RMB856,000) for the year).

During the two years ended 31 December 2017 and 2016, no directors, chief executive, supervisors and senior management or the five highest paid individuals of the Company waived or agreed to waive any emoluments and no emolument was paid by the Group to any of the directors, chief executive, supervisors and senior management or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. Employee's Emoluments (Excluding Directors', Chief Executive's Supervisors' and Senior Management's Emoluments)

	2017 *RMB'000*	2016 *RMB'000*
Wages and salaries	**169,437**	133,714
Retirement benefit contributions		
– pension obligations *(Note)*	**20,523**	22,814
– one-off termination benefits	**3,273**	5,265
– early retirement benefits	**19,319**	16,046
Welfare and social security costs	**33,104**	27,413
	245,656	205,252

Note: As stipulated by the rules and regulations in the PRC, the Group has participated in state-managed defined contribution retirement plans for its employees in the PRC. The Group and the eligible employees are required to contribute 20% and 8% (2016: 20% and 8%), respectively, of the employee's basic salary. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees. The Group has no further pension obligation beyond the above contributions. During the year ended 31 December 2017, the amount of RMB20,523,000 (2016: RMB22,814,000) of retirement benefit contributions for employees was recognised to profit and loss.

15. Dividend

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

16. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2017 *RMB'000*	2016 *RMB'000*
Profit for the year attributable to the owners of the Company *(RMB'000)*	**123,704**	105,712
Weighted average number of ordinary shares in issue *('000 shares)*	**2,232,349**	2,232,349

17. Property, Plant and Equipment

	Buildings	Machinery for electronics production	Machinery for glass production	Other machinery	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost							
At 1 January 2016	634,799	347,141	645,846	25,565	43,014	2,066,667	3,763,032
Additions	1,110	229	25,790	4,159	1,270	166,605	199,163
Eliminated when transfer to asset held for sales	–	–	(25,563)	–	–	–	(25,563)
Reclassification upon completion	–	245,638	470,128	–	2,318	(718,084)	–
Transfer from investment properties	2,481	–	–	–	–	–	2,481
Release upon disposal of a subsidiary	(36,144)	(467)	(43,745)	–	–	–	(80,356)
Disposals	–	(17,494)	(98,272)	–	(1,289)	–	(117,055)
Transfer to investment properties	(25,012)	–	–	–	–	–	(25,012)
At 31 December 2016 and 1 January 2017	577,234	575,047	974,184	29,724	45,313	1,515,188	3,716,690
Additions	–	1,283	–	19,230	505	480,170	501,188
Reclassification from asset held for sales	–	–	25,563	–	–	–	25,563
Additions upon acquisition	39,978	514	–	71,666	4,620	–	116,778
Reclassification upon completion	15,445	10,306	–	57,378	29	(83,158)	–
Disposals	(116)	(61,948)	–	(42,866)	(755)	–	(105,685)
Release upon disposal of subsidiaries	(18,890)	(10,394)	–	(18,824)	(702)	–	(48,810)
At 31 December 2017	613,651	514,808	999,747	116,308	49,010	1,912,200	4,205,724

17. Property, Plant and Equipment (Continued)

	Buildings RMB'000	Machinery for electronics production RMB'000	Machinery for glass production RMB'000	Other machinery RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
Depreciation and impairment							
At 1 January 2016	163,290	271,361	641,786	14,498	37,936	1,422,437	2,551,308
Depreciation charged for the year	19,066	11,503	22,372	754	1,724	–	55,419
Transfer from investment properties	1,398	–	–	–	–	–	1,398
Transfer to investment properties	(13,053)	–	–	–	–	–	(13,053)
Reclassification upon completion	–	106,936	279,365	–	1,382	(387,683)	–
Release upon disposal of a subsidiary	(25,229)	(453)	(42,877)	–	–	–	(68,559)
Eliminated on disposals	–	(17,000)	(88,343)	(1,167)	(958)	–	(107,468)
At 31 December 2016 and 1 January 2017	145,472	372,347	812,303	14,085	40,084	1,034,754	2,419,045
Depreciation charged for the year	16,054	13,406	10,793	33,486	1,048	–	74,787
Release upon disposal of subsidiaries	(6,856)	(509)	–	(5,304)	(607)	–	(13,276)
Eliminated on disposals	(40)	(39,761)	–	(2,808)	(4,825)	–	(47,434)
At 31 December 2017	**154,630**	**345,483**	**823,096**	**39,459**	**35,700**	**1,034,754**	**2,433,122**
Carrying values							
At 31 December 2017	**459,021**	**169,325**	**176,651**	**76,849**	**13,310**	**877,446**	**1,772,602**
At 31 December 2016	431,762	202,700	161,881	15,639	5,229	480,434	1,297,645

17. Property, Plant and Equipment (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives:

Buildings	10 to 40 years
Machinery for electronics production	15 years
Machinery for glass production	6 to 18 years
Other machinery	18 years
Office equipment and others	5 years

The Group's depreciation charge of approximately RMB62,230,000 (2016: RMB39,470,000), nil (2016: nil) and RMB12,557,000 (2016: RMB15,949,000) have been included in cost of sales, selling and distribution costs and administrative expenses respectively.

The official property title certificates of the Group's buildings with carrying value of approximately RMB363,972,000 (2016: RMB423,153,000) have not yet been issued by the relevant local government authorities. The directors of the Company are of the opinion that the Group's right and interest in such buildings will not be therefore severely prejudiced and the application of the title certificates are in progress.

As at 31 December 2017, bank borrowings of the Group are secured by the Group's buildings with the carrying value of approximately RMB4,001,000 (2016: RMB7,519,000) (Note 34(i)).

As at 31 December 2017, the carrying values of property, plant and equipment pledged for the Group's other loans amounted to approximately RMB36,718,000 (2016: RMB44,432,000).

As at 31 December 2017, the interest expenses capitalised into construction in progress amounting to approximately RMB12,842,000 (2016: RMB34,699,000).

18. Investment Properties

	RMB'000
Cost	
At 1 January 2016	9,079
Reclassification from property, plant and equipment	25,012
Transfer to property, plant and equipment	(2,481)
At 31 December 2016 and 1 January 2017	31,610
Release upon disposal of a subsidiary	(7,834)
At 31 December 2017	**23,776**
Depreciation	
At 1 January 2016	1,915
Depreciation charged for the year	1,136
Reclassification from property, plant and equipment	13,053
Transfer to property, plant and equipment	(1,398)
At 31 December 2016 and 1 January 2017	14,706
Depreciation charged for the year	1,597
Release upon disposal of a subsidiary	(3,266)
At 31 December 2017	**13,037**
Carrying values	
At 31 December 2017	**10,739**
At 31 December 2016	16,904

18. Investment Properties (Continued)

The above investment properties were depreciated on a straight-line basis at 3.33% per annum.

The investment properties were located in the PRC and were held to earn rentals or for capital appreciation. The investment properties are carried at cost less subsequent accumulated depreciation and any accumulated impairment losses.

As at 31 December 2017 and 2016, in the opinion of the directors of the Company, the fair values of the investment properties were approximated to their carrying values with reference to the recent market prices for similar properties in the same locations and conditions. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2017 are as follows:

	Level 2 *RMB'000*	Fair value as at 31 December 2017 *RMB'000*
Residential properties located in the PRC	10,739	10,739

The valuation technique used for the investment properties is direct comparison method. Direct comparison method is based on market observable transactions of similar properties and adjusts to reflect the conditions and locations of the subject properties.

19. Leasehold Land and Land Use Rights

	RMB'000
Cost	
At 1 January 2016	128,892
Release upon disposal of a subsidiary	(2,806)
At 31 December 2016 and 1 January 2017	126,086
Additions for the year	75,195
Acquire upon acquisition of a subsidiary	18,936
Release upon disposal of a subsidiary	(6,659)
At 31 December 2017	**213,558**
Amortisation	
At 1 January 2016	11,632
Provided for the year	2,967
Release upon disposal of a subsidiary	(664)
At 31 December 2016 and 1 January 2017	13,935
Provided for the year	3,297
Acquire upon acquisition of a subsidiary	2,062
Release upon disposal of a subsidiary	(1,150)
At 31 December 2017	**18,144**
Carrying values	
At 31 December 2017	**195,414**
At 31 December 2016	112,151

The Group's leasehold land and land use rights comprise:

	2017 *RMB'000*	2016 *RMB'000*
Analysed for reporting purposes as:		
– current asset (included in other receivables, deposits and prepayments)	**3,297**	2,965
– non-current asset	**192,117**	109,186
	195,414	112,151

As at 31 December 2017, bank borrowings of the Group are secured by certain leasehold land and land use rights.

20. Intangible Assets

	Licences for technical knowledge *RMB'000*	Computer software *RMB'000*	Mining right *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	364,116	2,089	27,757	393,962
Amortisation				
At 1 January 2016	364,116	2,089	2,776	368,981
Provided for the year	–	–	2,776	2,776
At 31 December 2016 and 1 January 2017	364,116	2,089	5,552	371,757
Provided for the year	–	–	2,775	2,775
At 31 December 2017	**364,116**	**2,089**	**8,327**	**374,532**
Carrying values				
At 31 December 2017	**–**	**–**	**19,430**	**19,430**
At 31 December 2016	–	–	22,205	22,205

20. Intangible Assets (Continued)

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Licences for technical knowledge	20 years
Computer software	5 years
Mining right	10 years

The Group's amortisation of approximately RMB2,775,000 (2016: RMB2,776,000) has been included in the administrative expenses.

All of the Group's intangible assets were acquired from third parties.

21. Investment in Subsidiaries

	2017 *RMB'000*	2016 *RMB'000*
Investments, at cost:		
Unlisted equity interest	1,417,213	1,586,928
Less: impairment loss on unlisted equity investments	(220,242)	(624,373)
	1,196,971	962,555

As at 31 December 2017 and 2016, the Company had direct and indirect interests in the following subsidiaries, all of which were established and operated in the PRC. The particulars of the principal subsidiaries are set out below:

Name	Registered capital	Proportion ownership interest/voting power held by the Company Directly	Indirectly	Principal activities
Shaanxi IRICO New Material Co., Ltd. (formerly known as Shaanxi IRICO Phosphor Material Co., Ltd.)	RMB95,000,000	47.89%	28.42%	Production of luminous materials and lithium battery anode materials
IRICO (Heifei) Photovoltaic Co., Ltd.	RMB1,150,000,000	100%	–	Production and sales of photovoltaic glasses

21. Investment in Subsidiaries (Continued)

Name	Registered capital	Proportion ownership interest/voting power held by the Company Directly	Indirectly	Principal activities
Zhuhai Caizhu Industrial Co., Ltd.	RMB50,000,000	100%	–	Investment in properties
IRICO Group Electronics (Hong Kong) Company Limited	HK$260,000	100%	–	Investment holding
漢中佳潤澤礦業開發有限責任公司	RMB3,000,000	51%	–	Mining exploration
咸陽彩虹綠色能源有限公司	RMB100,000,000	100%	–	Operation of solar photovoltaic power station
南京彩虹新能源有限公司	RMB70,000,000	–	100%	Operation of solar photovoltaic power station
彩虹(延安)新能源有限公司	RMB300,000,000	100%	–	Production of photovoltaic glasses and operation of solar photovoltaic power station
江蘇彩虹永能新能源有限公司 Jiangsu IRICO Yongneng New Energy Company Limited	RMB100,831,697	51%	–	Production of photovoltaic glasses and operation of solar photovoltaic power station
陝西彩虹新能玻璃有限公司	RMB6,500,000	100%	–	Research and development and manufacturing of solar cells, solar modules and research and development, design, installation, maintenance and sales of solar photovoltaic systems and photovoltaic integrated products

None of subsidiaries had issued any debt securities at the end or at any time during the year ended 31 December 2017 (2016: nil).

21. Investment in Subsidiaries (Continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests:

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of the subsidiary	Place of incorporation and principal place of business	Proportion ownership interest and voting power held by the non-controlling interests		Profit/(loss) allocated to non-controlling		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Shaanxi IRICO Phosphor Material Co., Ltd	The PRC	23.69%	23.69%	2,223	417	54,827	52,604
漢中佳潤澤礦業開發有限責任公司	The PRC	49.00%	49.00%	(1,418)	(1,387)	7,475	8,893
Kunshan IRICO Industry Co., Ltd	The PRC	–	10.00%	(19)	(217)	–	5,288
Jiangsu IRICO Yongneng New Energy Company Limited	The PRC	49.00%	–	9,524	–	52,750	–
Xianyang IRICO Electronic Parts Co., Ltd.	The PRC	–	–	–	(7)	–	–
				10,310	(1,194)	115,052	66,785

22. Interest in Associates

	2017	2016
	RMB'000	*RMB'000*
Cost of investment in associates		
– unlisted equity interests in the PRC	18,756	78,464
Share of post-acquisition loss and other comprehensive expense, net of dividends received	(116)	(4,802)
	18,640	73,662
Less: provision for impairment loss on investments in associates	–	(40,145)
	18,640	33,517

As at 31 December 2017, the Group had interests in the following associates, all of which were established and operated in the PRC.

22. Interest in Associates (Continued)

Name	Registered paid in capital *RMB'000*	Proportion ownership interest/voting power held by the Company Directly	Indirectly	Principal activities
禮泉彩虹新能源有限公司 IRICO New Energy (Liquan) Co., Ltd.	6,500	49%	–	Operation of solar photovoltaic power station
陽江彩虹勝高綠色能源有限公司 Yangjiang IRICO Gaosheng Green Energy Co., Ltd.	3,000	49%	–	Operation of solar photovoltaic power station
長武彩虹新能源有限公司 IRICO New Energy (Changwu) Co., Ltd	6,000	49%	–	Operation of solar photovoltaic power station
武漢彩虹綠色能源有限公司 IRICO New Energy (Wuhan) Co., Ltd.	21,754	49.19%	–	Operation of solar photovoltaic power station

All of these associates are accounted for using the equity method in these consolidated financial statements.

Information of the associates that are not individually material, the aggregated financial information of associates is summarised as below:

	2017 *RMB'000*	2016 *RMB'000*
The Group's share of (loss)/profit for the year	(116)	1,796
The Group's share of other comprehensive expense for the year	–	–
The Group's share of (loss)/profit for the year and total comprehensive expense for the year	(116)	1,796
Carrying amount of the Group's interests in the associates	18,640	33,517

23. Interest in a Joint Venture

	2017 *RMB'000*	2016 *RMB'000*
Cost of investment in joint venture – unlisted equity interests in the PRC	**36,000**	36,000
Share of post-acquisition loss and other comprehensive expense, net of dividends received	**(479)**	(209)
	35,521	35,791

As at 31 December 2017, the Group had interests in the following joint venture, which was established and operated in the PRC.

Name	Registered paid in capital *RMB'000*	Proportion ownership interest and voting power held by the Company Directly	 Indirectly	Principal activities
神木彩景光伏發電有限公司	72,000	–	50%	Operation of solar photovoltaic power station

The joint venture is accounted for using the equity method in these consolidated financial statements. The financial information of the joint venture is summarised as below:

	2017 *RMB'000*	2016 *RMB'000*
The Group's share of loss for the year	**270**	209
The Group's share of other comprehensive expense for the year	**–**	–
The Group's share of loss for the year and total comprehensive expense for the year	**270**	209
Carrying amount of the Group's interests in the joint venture	**35,521**	35,791

24. Goodwill

	2017 RMB'000	2016 RMB'000
Cost:		
At 1 January	–	–
Business combination	41,533	–
At 31 December	41,533	–
Impairment:		
At 1 January	–	–
Charge for the year	–	–
At 31 December	–	–
Carrying amount:		
At 31 December	41,533	–

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

There was one cash-generating unit ("CGU") in the year related to photovoltaic components business in the PRC. For the purpose of impairment testing, the recoverable amount of the CGU is determined from value in use calculations.

The Group prepares cash flow projection covering a 5-year period. The cash flow projections are based on financial budgets approved by management. The financial budgets are prepared based on the management's expectations for the market development taking into account the stage of the development of the solar photovoltaic components business. The growth rates are based on management's best estimates with consideration of both internal and external factors relating to the CGU.

The Directors estimate discount rates using pre-tax rates by reference to the average rates for a similar industry and the risks specific to the CGU and determined the discount rate to be 10.63%.

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed the recoverable amount of the CGU.

25. Available-for-sale Financial Assets

	2017 *RMB'000*	2016 *RMB'000*
Listed equity securities, at fair value *(Note a)*	**261,426**	318,028
Unlisted equity securities, at cost *(Note b)*	**103,016**	103,016
	364,442	421,044

Notes:

(a) As at 31 December 2017, the listed investments substantially comprise of the investment in equity interests in IRICO Display Devices Co., Ltd.* (彩虹顯示器件股份有限公司) ("A Share Company"), which is directly held as to approximately 0.99% (2016: 4.80%) by the Group. During the year, A Share Company issued additional 2.85 billion shares through a private placement, thereby diluting the Company's equity stake from 4.80% to 0.99%. A Share Company is a company listed on the Shanghai Stock Exchange. During the year, the Company recorded RMB56,602,000 as other comprehensive loss on fair value changes.

As at 31 December 2017, bank borrowings of the Group are secured by the Group's 35,375,673 unrestricted tradable shares in A Share Company.

(b) As at 31 December 2017, the unlisted equity securities are 7.30% (2016: 7.30%) equity interest issued by an unlisted stated-owned enterprise, Shaanxi Caihong Electronics Glass Co., Ltd.* (陝西彩虹電子玻璃有限公司), incorporated in the PRC. They are measured at cost less impairment at the end of each reporting period because the range of reasonable fair value estimates is significantly wide that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

* *English name for identification purpose only*

26. Gain on Disposal of Subsidiaries

For the year ended 31 December 2017

On 28 February 2017, the Company and Xianyang IRICO Electronics Shadow Mask Co., Ltd* (咸陽彩虹電子網版有限公司) ("**IRICO Shadow Mask**") entered into the equity transfer agreement with Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Zhongdian IRICO**"), a subsidiary of CEC, pursuant to which the Company and IRICO Shadow Mask agreed to sell, and Zhongdian IRICO agreed to acquire 90% equity interest in Kunshan IRICO Industry Co., Ltd.* (昆山彩虹實業有限公司) ("**Kunshan IRICO**") at a cash consideration of approximately RMB71,439,750. As a result of such disposal, the Company and IRICO Shadow Mask ceased to have any interest in Kushan IRICO. On 8 September 2017, the Company has completed the relevant procedures for equity transfer and registration.

The assets and liabilities of Kunshan IRICO at the date of disposal as at 30 April 2017 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities disposed of:	
Property, plant and equipment	12,605
Investment properties	4,568
Leasehold land and land use rights	5,509
Inventories	1,001
Trade and bills receivables	2,406
Other receivables, deposits and prepayments	10,321
Bank balances and cash	38,439
Trade and bills payables	(215)
Other payables, accruals and deferred income	(21,764)
Tax payables	(179)
	52,691

26. Gain on Disposal of Subsidiaries (Continued)

For the year ended 31 December 2017 (Continued)

	Total *RMB'000*
Gain on disposal of a subsidiary:	
Consideration received	71,440
Net assets disposed of	(52,691)
Non-controlling interests	5,269
Gain on disposal	24,018
Net cash inflow arising on disposal:	
Cash consideration	71,440
Cash and cash equivalents disposed of	(38,439)
	33,001

During the period from 1 January 2017 to 30 April 2017, Kunshan IRICO contributed a profit and net cash outflows of RMB194,000 and RMB398,000 to the Group's profit and cash flows respectively.

26. Gain on Disposal of Subsidiaries (Continued)

For the year ended 31 December 2017 (Continued)

On 30 April 2017, Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司), a fellow subsidiary of the Group, injected RMB3,779,100 to IRICO New Energy (Liquan) Co., Ltd.* (禮泉彩虹新能源有限公司) ("**IRICO Liquan**"), a wholly-owned subsidiary of the Group, and the Group injected capital of RMB780,900 to IRICO Liquan.

These injections resulted in a dilution of the Group's equity interest in IRICO Liquan from 100% to 49% and constituted a disposal of the Group's equity interest in a subsidiary.

The assets and liabilities of IRICO Liquan were deconsolidated from the Group's consolidated consolidated statement of financial position and the resulting interest in IRICO Liquan has been accounted for as an associate using equity method.

The gain on disposal of RMB177,000 (detailed calculation is stated below) is recorded in profit or loss of the Group for the year ended 31 December 2017. The assets and liabilities of IRICO Liquan at the date of disposal as at 30 April 2017 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities (before equity injections on 30 April 2017) disposed of:	
Property, plant and equipment	9,871
Trade and bills receivables	114
Other receivables, deposits and prepayments	1,329
Bank balances and cash	335
Trade and bills payables	(1,343)
Other payables and accruals	(7,800)
Tax payables	(1)
	2,505

26. Gain on Disposal of Subsidiaries (Continued)

For the year ended 31 December 2017 (Continued)

	Total *RMB'000*
Gain on disposal of a subsidiary:	
Capital injection by the Group	(781)
Net assets disposed of	(2,505)
Fair value of retained interest	3,463
Gain on disposal	177
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(335)

During the period from 1 January 2017 to 30 April 2017, IRICO Liquan contributed a loss and net cash outflow of approximately RMB14,000 and RMB417,000 to the Group's profit and cash flows respectively.

On 31 December 2017, Shaanxi IRICO Optoelectronic Materials Company* (陝西彩虹光電材料總公司) ("IRICO Shaanxi"), a fellow subsidiary of the Group, and IRICO New Energy (Wuhan) Co., Ltd.* (武漢彩虹新能源有限公司) ("IRICO Wuhan"), a wholly-owned subsidiary of the Group, entered into a debt-to-equity conversion wherein loan payable by IRICO Wuhan to IRICO Shaanxi in the amount of RMB12,500,000 was fully converted to equity in IRICO Wuhan.

The equity interest arising from the conversion represents 50.81% of the enlarged paid in capital of IRICO Wuhan and resulted in a loss of control and dilution of the Group's equity interest in IRICO Wuhan from 100% to 49.19% and constituted a disposal of the Group's equity interest in a subsidiary.

The assets and liabilities of Wuhan were deconsolidated from the Group's consolidated statement of financial position and the resulting interest in IRICO Wuhan has been accounted for as an associate using equity method.

26. Gain on Disposal of Subsidiaries (Continued)

For the year ended 31 December 2017 (Continued)

The gain on disposal of RMB751,000 (detailed calculation is stated below) is recorded in profit or loss of the Group for the year ended 31 December 2017. The assets and liabilities of IRICO Wuhan at the date of disposal as at 31 December 2017 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities (before transfer of shares on 31 December 2017) disposed of:	
Property, plant and equipment	13,058
Other receivables, deposits and prepayments	10,408
Bank balances and cash	780
Trade and bills payables	(731)
Other payables and accruals	(12,886)
Tax payables	(6)
	10,623
Gain on disposal of a subsidiary:	
Net assets disposed of	(10,623)
Fair value of retained interest	11,374
Gain on disposal	751
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(780)

During the year ended 31 December 2017, IRICO Wuhan contributed a loss and net cash outflow of approximately RMB55,000 and RMB1,502,000 to the Group's profit and cash flows respectively.

26. Gain on Disposal of Subsidiaries (Continued)

For the year ended 31 December 2016

On 9 May 2016, the Company and Xianyang Zhongdian IRICO Group Holdings Ltd.* (咸陽中電彩虹集團控股有限公司) ("**Zhongdian IRICO**"), a subsidiary of CEC, entered into the agreement, pursuant to which the Company agreed to sell, and Zhongdian IRICO agreed to acquire 60% of equity interests in Xianyang IRICO Electronic Accessories Co., Ltd.* (咸陽彩虹電子配件有限公司) ("**IRICO Accessories**") at a cash consideration of approximately RMB45,945,900. As a result of such disposal, the Company ceased to have any interest in IRICO Accessories. The relevant procedures for equity transfer and registration was completed on 7 December 2016.

The assets and liabilities of IRICO Accessories at the date of disposal as at 30 April 2016 were as follows:

	Total *RMB'000*
Analysis of assets and liabilities disposed of:	
Property, plant and equipment	11,797
Leasehold land and land use rights	2,123
Trade and bills receivables	26,667
Other receivables	3
Bank balances and cash	10,193
Trade and bills payables	(456)
Other payables	(2,927)
Termination benefits	(2,122)
	45,278
Gain on disposal of a subsidiary:	
Consideration received	45,946
Net assets disposed of	(45,278)
Non-controlling interests	18,111
Gain on disposal	18,779
Net cash outflow arising on disposal:	
Cash consideration	45,946
Settlement through current account included in other payables and accruals	(45,946)
Cash and cash equivalents disposed of	(10,193)
	(10,193)

26. Gain on Disposal of Subsidiaries (Continued)

For the year ended 31 December 2016 (Continued)

During the period from 1 January 2016 to 30 April 2016, IRICO Accessories contributed a loss and net cash outflow of approximately RMB16,000 and RMB23,000 to the Group's profit and cash flows respectively.

* *English name for identification purpose only*

27. Inventories

	2017 *RMB'000*	2016 *RMB'000*
Raw materials	**67,119**	30,978
Work in progress	**12,729**	2,834
Finished goods	**95,628**	68,366
Consumables	**23,966**	25,621
	199,442	127,799
Allowance of inventories	**(8,276)**	(14,236)
	191,166	113,563

28. Trade and bills receivables

	2017 *RMB'000*	2016 *RMB'000*
Trade receivables		
Third parties	485,463	469,549
Related parties *(Note 43E)*	61,419	35,401
	546,882	504,950
Less: allowance for doubtful debts	(42,495)	(29,626)
Trade receivables – net	504,387	475,324
Trade bills receivables		
Third parties	434,967	146,795
Related parties *(Note 43E)*	3,600	–
Total trade and bills receivables	942,954	622,119

The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

The Group allows an average credit period of 90 days (2016: 90 days) to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts at the end of the reporting period, presented based on the invoice date, which approximated the respective revenue recognition dates are as follows:

	2017 *RMB'000*	2016 *RMB'000*
0 to 90 days	595,622	388,337
91 to 180 days	218,699	160,242
181 to 365 days	97,862	32,506
Over 365 days	30,771	41,034
	942,954	622,119

Included in the Group's trade receivables are debtors (see below for aged analysis) with aggregate carrying amount of approximately RMB135,485,000 (2016: RMB122,914,000) which are past due at the end of the reporting period for which the Group has not provided for allowance for doubtful debts. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default.

28. Trade and bills receivables (Continued)

The aging analysis of trade receivables that are not considered to be impaired was as follow:

	2017 *RMB'000*	2016 *RMB'000*
Neither past due nor impaired	807,469	499,205
Past due but not impaired:		
91 to 180 days	37,584	85,564
181 to 365 days	67,130	30,507
Over 365 days	30,771	6,843
	135,485	122,914
Total	942,954	622,119

The Group's past due but not impaired trade receivables mainly represent sales made to a large number of diversified and recognised and creditworthy customers. Customers who trade on credit terms are subject to credit verification procedures. No impairment loss is required for the past due balance based on the historical payment records.

The Group's trade receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The movement in the allowance for doubtful debts of trade receivables is as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	29,626	17,289
Disposal of a subsidiary	(275)	(156)
Impairment losses recognised on trade receivables	13,436	12,803
Amounts directly written-off/recovered during the year	(292)	(310)
At 31 December	42,495	29,626

Included in the allowance for doubtful debts of the Group is individually impaired trade receivables with an aggregated balance of approximately RMB42,495,000 (2016: RMB29,626,000) which has either been placed under liquidation or in severe financial difficulties.

28. Trade and bills receivables (Continued)

As at 31 December 2017, the Group has approximately RMB11,848,920 (2016: RMB11,418,000) and RMB83,945,890 (2016: nil) of trade receivables were denominated in USD and EUR respectively while the remaining were denominated in RMB.

As at 31 December 2017, other borrowings of the Group amounting to approximately RMB370,900,000 (2016: RMB401,000,000) are secured by its trade receivables with the carrying amount of approximately RMB100,000,000.

29. Other receivables, deposits and prepayments

	2017 *RMB'000*	2016 *RMB'000*
Other receivables	56,531	68,072
Less: allowance for doubtful debts	(1,609)	(418)
	54,922	67,654
Leasehold land and land use rights *(see Note 19)*	3,297	2,965
Deposits and prepayments	205,502	266,980
Value-added tax recoverables	75,671	74,134
	339,392	411,733

The Group's other receivables are individually determined to be impaired. The individually impaired receivables are recognised based on the age of balances and credit history of the counter parties. Consequently, specific impairment loss was recognised. The Group does not hold any collateral over these balances. The movement in the allowance for doubtful debts of other receivables is as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	418	1,276
Impairment losses recognised on other receivables	3,535	2
Amounts directly written-off/recovered during the year	(2,344)	(860)
At 31 December	1,609	418

Included in the allowance for doubtful debts of the Group are individually impaired other receivables with an aggregated balance of approximately RMB1,609,000 (2016: RMB418,000) which have been placed in severe financial difficulties.

30. Restricted Bank Balances

All restricted bank balances are denominated in RMB.

Restricted bank balances are held in dedicated bank accounts under the name of the Group for the issuance of bank acceptance notes to suppliers.

As at 31 December 2017, the fixed interest rates on restricted bank balances, with maturities from 3 months to 1 year (2016: from 3 months to 1 year), range from 1.85% to 2.25% (2016: 1.85% to 2.25%) per annum.

31. Bank Balances and Cash

The carrying amounts of the Group's bank balances and cash included balance denominated in the following foreign currency:

	2017 *RMB'000*	2016 *RMB'000*
HKD	**73**	78
USD	**16,398**	34,800
EUR	**14,752**	–

The effective interest rate on other bank balances was at 0.31% (2016: 0.31%) per annum.

The conversion of these RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

32. Trade and Bills Payables

	2017 *RMB'000*	2016 *RMB'000*
Trade payables		
Third parties	**523,788**	318,908
Related parties *(Note 43E)*	**101,030**	174,362
	624,818	493,270
Trade bills payables		
Third parties	**493,382**	202,038
Related parties *(Note 43E)*	**73,118**	–
Total trade and bills payables	**1,191,318**	695,308

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period:

	2017 *RMB'000*	2016 *RMB'000*
0 to 90 days	**915,018**	450,171
91 to 180 days	**128,488**	126,919
181 to 365 days	**25,196**	33,607
Over 365 days	**122,616**	84,611
	1,191,318	695,308

The average credit period on purchases of goods is 90 days (2016: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within reasonable timeframe.

33. Other Payables and Accruals

	2017 *RMB'000*	2016 *RMB'000*
Provision of legal compensation	3,809	9,059
Payroll payable	48,574	58,269
Amount due to parent company *(Note 43C(i))*	–	5,188
Others	489,922	500,134
	542,305	572,650

34. Bank and Other Borrowings

	Notes	2017 *RMB'000*	2016 *RMB'000*
Bank loans – secured	(i)	278,299	137,500
Bank loans – unsecured	(ii)	523,899	434,800
Other loans – secured	(iii)	370,900	401,000
Other loans – unsecured	(iv)	1,318,416	1,095,994
		2,491,514	2,069,294

	2017 *RMB'000*	2016 *RMB'000*
Carrying amount repayable:		
On demand or within one year	2,096,115	1,552,684
More than one year, but not exceeding two years	84,700	220,840
More than two years, but not more than five years	310,699	295,770
	2,491,514	2,069,294
Less: Amounts shown under current liabilities	(2,096,115)	(1,552,684)
Amounts shown under non-current liabilities	395,399	516,610

34. Bank and Other Borrowings (Continued)

Notes:

(i) The balances are used for general working capital of the Group. As at 31 December 2017, the Group's secured bank borrowings of approximately RMB278,299,000 (2016: RMB137,500,000) are secured by certain leasehold land and land use rights (note 19), buildings (note 17), available-for-sale financial assets (note 25) and certain bank balances of the Group.

(ii) The Group's unsecured bank loans included specific loans of approximately RMB200,000,000 (2016: RMB233,800,000) for the purpose of acquiring plant and equipment specifically relating to the production of solar photovoltaic glass. The remaining balances are used for general working capital of the Group. The unsecured bank loans are guaranteed by parent company.

(iii) The balances are used for general working capital of the Group. As at 31 December 2017, the Group's secured other borrowings of approximately RMB370,900,000 (2016: RMB401,000,000) are secured by its trade receivable (note 28) and property, plant and equipment (note 17).

(iv) The Group's unsecured other loans included loans amount of approximately RMB912,478,000 (2016: RMB1,042,284,000) from parent company. The remaining balances were for the purpose of general working capital from an independent third party, which were guaranteed by parent company.

As at 31 December 2017 and 2016, all the Company's borrowings are denominated in RMB.

As at 31 December 2017 and 2016, all short term and long term bank and other borrowings are based on fixed and floating interest rates. The ranges of effective interest rates on the borrowings are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Effective interest rates:		
Short term bank borrowings at fixed rate	**4.35%–6.09%**	4.35%–5.7%
Short term bank borrowings at floating rate	**4.79%–5.70%**	4.89%–5.44%
Short term other borrowings at fixed rate	**1.20%–4.99%**	1.2%–5.23%
Long term bank borrowings at fixed rate	**4.89%–5.80%**	4.79%–5.70%
Long term bank borrowings at floating rate	**4.99%**	4.89%
Long term other borrowings at fixed rate	**4.99%**	4.75%–4.99%

35. Termination Benefits

Termination benefits represent early retirement allowance payable to the employees of the Group.

The maturity profile of the termination benefits is as follows:

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	29,957	37,197
Charged to consolidated statement of profit or loss and other comprehensive income	8,188	36,813
Interest *(Note 10)*	1,129	3,854
Payments made during the year	(11,344)	(35,808)
At 31 December	27,930	42,056
Less: Amounts shown under current liabilities	(6,223)	(12,099)
Amounts shown under non-current liabilities	21,707	29,957

The amount represented early retirement allowance payable to the employees of the Group. Compensation for early retirement is recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

36. Share Capital

	Domestic shares		H shares		Total	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*	*'000*	*RMB'000*
Registered, issued and fully paid:						
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	1,601,468	1,601,468	630,881	630,881	2,232,349	2,232,349

Note: The H shares rank pari passu in all respects with the domestic shares and rank equally for all dividends or distributions declared, paid or made except that all dividends in respect of H shares are to be paid by the Company in Hong Kong dollars and H shares may only be subscribed for by, and traded in Hong Kong dollars between legal or natural persons of any other country other than the PRC. The transfer of the domestic shares is subject to such restrictions as the PRC laws may impose from time to time.

37. Other Reserves

	Capital reserve	Statutory surplus reserve	Merger reserve	Exchange reserve	Revaluation reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note (i))	*(Note (ii))*				
At 1 January 2016	908,854	23,530	–	3,913	–	936,297
Exchange difference arising on translation of a foreign subsidiary	–	–	–	173	–	173
Available-for-sale financial assets:						
– Changes in fair value	–	–	–	–	(62,334)	(62,334)
Total other comprehensive expense for the year	–	–	–	173	(62,334)	(62,161)

37. Other Reserves (Continued)

	Capital reserve *RMB'000* *(Note (i))*	Statutory surplus reserve *RMB'000* *(Note (ii))*	Merger reserve *RMB'000*	Exchange reserve *RMB'000*	Revaluation reserve *RMB'000*	Total *RMB'000*
At 31 December 2016 and 1 January 2017	908,854	23,530	–	4,086	(62,334)	874,136
Exchange difference arising on translation of a foreign subsidiary	–	–	–	526	–	526
Available-for-sale financial assets:						
– Changes in fair value	–	–	–	–	(56,602)	(56,602)
Total other comprehensive expense for the year	–	–	–	526	(56,602)	(56,076)
Release on disposal of a subsidiary	(719)	–	–	–	–	(719)
At 31 December 2017	**908,135**	**23,530**	**–**	**4,612**	**(118,936)**	**817,341**

Notes:

(i) Capital reserve

Upon incorporation of the Company on 10 September 2004, the historical net value of the assets, liabilities and interests transferred to the Company were converted into the Company's capital with all the existing reserves eliminated and the resulting difference dealt with in the capital reserve. Accordingly, a capital reserve, being the difference between the amounts of share capital issued and historical net value of the assets, liabilities and interests transferred to the Company, was presented in the reserves of the Group. Separate class of reserves, including accumulated profits, of the Group prior to the incorporation of the Company were not separately disclosed as all these reserves have been capitalised and incorporated in the capital reserve of the Group.

For the Group's capital reserves, it also comprises of reserves from transactions with the non-controlling interests and deemed contributions from owners of the Company.

37. Other Reserves (Continued)

Notes: (Continued)

(ii) Statutory surplus reserve

In accordance with the relevant PRC laws and financial regulations, every year the Company is required to transfer 10% of the profit after taxation determined in accordance with accounting principles and financial regulations applicable to PRC enterprises ("**PRC GAAP**") to the statutory surplus reserve until the balance reaches 50% of the paid-up share capital. Such reserve can be used to reduce any losses incurred and to increase share capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

38. Deferred Income

The deferred income represents government grants and is amortised to the consolidated statement of profit or loss and other comprehensive income over the expected useful life of the relevant assets or when the assets are disposed of or written off. Movements of deferred income during the year are as follows:

	Government grants related to acquisition of property, plant and equipment *RMB'000*	Government grants related to research and development expenditure *RMB'000*	Government Grants related to housing subsidies, training, education and other miscellaneous projects *RMB'000*	Government compensation for relocation of factories *RMB'000*	Total *RMB'000*
At 1 January 2016	31,819	49,298	4,259	16,870	102,246
Additions	–	5,817	–	–	5,817
Amortised during the year	(1,061)	(5,507)	(1,591)	(1,107)	(9,266)
At 31 December 2016 and 1 January 2017	30,758	49,608	2,668	15,763	98,797
Additions	–	500	–	–	500
Release upon disposal of a subsidiary	–	–	–	(15,763)	(15,763)
Amortised during the year	(16,533)	(407)	(807)	–	(17,747)
At 31 December 2017	**14,225**	**49,701**	**1,861**	**–**	**65,787**

39. Deferred Taxation

Deferred taxation is calculated in full on temporary differences under the liability method using principal taxation rate of 25% (2016: 25%) except for certain subsidiaries mentioned in Note 11 which are subject to tax concession to pay income tax at 15% (2016: 15%).

The following are the deferred tax liabilities recognised and movements thereof during the current and prior year:

	Accelerated depreciation allowances *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2016, 31 December 2016, 1 January 2017	(7,232)	–	(7,232)
Acquisition of a subsidiary *(Note 40)*	1,495	–	1,495
Charge for the year *(Note 11)*	5,178	589	5,767
At 31 December 2017	**(559)**	**589**	**30**

The deferred income tax liabilities are to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carry-forwards and other deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group has unused tax losses of approximately RMB781,637,000 (2016: RMB981,492,000) where, in the opinion of the directors of the Company, it is not probable that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses. The Group's unrecognised deferred tax assets in respect of tax losses will expire progressively until 2022 (2016: 2021).

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB1,112,425,000 (2016: RMB1,169,895,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Reconciliation to the deferred tax disclosed in the consolidated statement of financial position:

	2017 *RMB'000*	2016 *RMB'000*
Deferred tax asset recognised in the consolidated statement of financial position	589	–
Deferred tax liability recognised in the consolidated statement of financial position	(559)	(7,232)
	30	(7,232)

40. Acquisition of a Subsidiary

On 22 March 2017, the Group acquired 30% equity interest in Jiangsu IRICO Yongneng New Energy Company Limited* (江蘇彩虹永能新能源有限公司), from certain existing shareholders of Jiangsu Yongneng at a cash consideration of RMB68,000,000. Jiangsu Yongneng was the Group's associate as at 31 December 2016. Upon completion of the acquisition, the equity interest in Jiangsu Yongneng held by the Group increased from 21% of the issued share capital of Jiangsu Yongneng to 51% as enlarged by the acquisition.

The fair value of the identifiable assets and liabilities of Yongneng as at the date of acquisition is as follows:

	Total *RMB'000*
Property, plant and equipment	116,778
Leasehold land and land use rights	16,874
Deferred tax asset	1,495
Inventories	120,413
Trade and bills receivables	560,514
Other receivables, deposits and prepayments	63,539
Bank balances and cash	48,347
Trade and bills payables	(684,252)
Other payables and accruals	(64,546)
Bank borrowings	(88,000)
Tax payables	(2,939)
	88,223
Goodwill arising on acquisition:	
Consideration for acquisition	68,000
Less: Fair value of identifiable net assets acquired	(26,467)
Goodwill	41,533
Net cash outflow on acquisition:	
Cash consideration	68,000
Cash and cash equivalents acquired	(48,347)
	19,653

40. Acquisition of a Subsidiary (Continued)

Jiangsu Yongneng became a non-wholly owned subsidiary of the Group after the acquisition. Its financial results were consolidated into the financial statements of the Company since then and a loss arose from the derecognition of the Group's interest in an associate.

	Total
	RMB'000
Carrying amount of the Group's interest in Jiangsu Yongneng	31,152
Fair value of the Group's interest in Jiangsu Yongneng as at the acquisition date	(18,527)
Loss on derecognition of an associate	12,625

* *English name for identification purpose only*

41. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Total
	RMB'000	*RMB'000*
At 1 January 2017	2,069,294	2,069,294
Changes from financing cash flows:		
New bank borrowings raised	963,940	963,940
Repayment of bank borrowings	(629,720)	(629,720)
Acquire upon acquisition of a subsidiary	88,000	88,000
At 31 December 2017	2,491,514	2,491,514

42. Commitments

Capital expenditure

	2017 *RMB'000*	2016 *RMB'000*
Contracted for but not provided in the consolidated financial statements:		
– Construction of photovoltaic glass production line	1,130,314	200,240
– Construction of solar photovoltaic power station	22,269	14,144
	1,152,583	214,384

Operating leases

As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Leasehold buildings	
	2017 *RMB'000*	2016 *RMB'000*
Within one year	2,943	1,319

Operating lease payments represent rentals payable by the Group for certain of its leasehold buildings. Leases are negotiated for an average term of three years respectively and rentals are fixed for an average of one and three years respectively.

42. Commitments (Continued)

Operating leases (Continued)

As lessor

All the properties held have committed tenants for the next 1 year to 5 years (2016: next 1 year to 5 years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2017 *RMB'000*	2016 *RMB'000*
Within one year	**13,246**	13,055
In the second to fifth years inclusive	**10,672**	19,801
	23,918	32,856

43. Related-Party Transactions

The Group is controlled by IRICO Group Corporation (incorporated in the PRC), which owns 71.74% of the Company's shares. The remaining 28.26% of the shares are widely held.

Related parties include IRICO Group Corporation and its subsidiaries (other than the Group), associates and joint ventures (hereinafter collectively referred to the "**IRICO Group**"), corporations in which the Company is able to control, jointly control or exercise significant influence, key management personnel of the Company and IRICO Group Corporation and their close family members. IRICO Group Corporation does not produce financial statements available for public use.

In accordance with HKAS 24 (Revised), the Group is exempted from disclosures of transactions with other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC government.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties, excluding other state-owned enterprises, during each of the year ended 31 December 2017 and 2016 and balances as at 31 December 2017 and 31 December 2016 with related party transactions.

43. Related-Party Transactions (Continued)

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

A. Sales of goods

	2017 *RMB'000*	2016 *RMB'000*
Sales of goods to the IRICO Group *(Note)*		
Parent company	–	1
IRICO (Hefei) LCD Glass Co., Ltd.	6,432	4,346
Xianyang Cailian Packaging Materials Co., Ltd.	71	401
Xianyang Zhongdian IRICO Group Holdings Ltd.	5,954	–
彩虹能源服務有限公司	–	173
	12,457	4,921
Other state-owned enterprises	55,920	12,743
Provision of services provided to the IRICO Group *(Note)*		
Rental income from Xianyang Zhongdian IRICO Group Holdings Ltd.	4,346	–

Note: Sales of goods and provision of services to related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

43. Related-Party Transactions (Continued)

B. Purchases of goods and provision of services

	2017 *RMB'000*	2016 *RMB'000*
Purchases of goods from the IRICO Group *(Note (i))*		
Xianyang Cailian Packaging Materials Co., Ltd.	35,843	41,711
Xianyang Zhongdian IRICO Group Holdings Ltd	27,138	3,684
	62,981	45,395
Other state-owned enterprises	20,321	24,837
Provision of services from the IRICO Group *(Note (i))*		
Rental expenses to Xianyang Zhongdian IRICO Group Holdings Ltd. *(Note (ii))*	6,881	8,965
Property management fee to Xianyang Zhongdian IRICO Group Holdings Ltd	1,572	2,375
Rental expense to Xianyang Cailian Packaging Materials Co., Ltd	–	100
Trademark license fee to parent company *(Note (iii))*	–	1,285
Network fee to parent company	–	167
Utility charges to 彩虹能源服務公司	91,962	196,387
IRICO Hospital	–	326
Miscellaneous charges to the parent company	126	–
Utility and other charges to IRICO (Hefei) LCD Glass Co., Ltd	69,223	55,781
Utility charges to 彩虹光伏科技公司	400	730
Utility charges to Xianyang Zhougdian IRICO Group Holdings Ltd.	2,239	–
	172,403	266,116

43. Related-Party Transactions (Continued)

B. Purchases of goods and provision of services (Continued)

Notes:

(i) Purchases and provision of services from related parties were conducted with terms mutually agreed by both contract parties with reference to market prices.

(ii) From 1 January 2016, the Group entered into another Premises Leasing Agreement with Xianyang Zhongdian IRICO Group Holdings Ltd which required to pay RMB7.6 per square metre per month for the use of buildings in Xianyang respectively. Accordingly, rental charges for the year ended 31 December 2017 and 2016 amounted to approximately RMB6,881,000 and RMB8,965,000 respectively.

(iii) License fee for using the trademark owned by parent company was paid by the Group, at 0.1% of sales based on the terms stipulated in agreements. In accordance with the agreement signed by one of the subsidiaries, A Share Company, the term is initially for five years from 1998 but renewable automatically unless terminated by either party with a three-month prior notice, and it was revised to end on 31 December 2006. In accordance with the agreement signed by the other entities of the Group, the license fee is to be paid from 1 January 2004 and the agreement is for a term of 3 years up to 31 December 2006 unless terminated by either party with a three-month prior notice, and it was renewed for a term of 3 years up to 31 December 2014. On 14 November 2012, the Group entered renewal agreement with IRICO Group for a term of three years up to 31 December 2015 but renewable automatically unless terminated by either party with a three-month prior notice. The agreement has been renewed automatically in 2016.

C. Balance with parent company

(i) Amount due to parent company (included in other payables)

	2017 *RMB'000*	2016 *RMB'000*
Parent company	–	5,188

The balance is unsecured, non-interest bearing and repayable on demand.

43. Related-Party Transactions (Continued)

C. Balance with parent company (Continued)

(ii) Loans from parent company (included in other borrowings)

	2017 *RMB'000*	2016 *RMB'000*
At 1 January	**1,042,284**	832,071
Loan borrowed	**180,846**	490,000
Repayments	**(335,844)**	(305,713)
Interest expense *(Note 10)*	**25,192**	25,926
At 31 December	**912,478**	1,042,284

The loans from parent company are unsecured, bear interest at variable rate with reference to the People's Bank of China Prescribed Interest Rate and are repayable on demand. The effective interest rate is ranging from 1.2% to 3.48% (2016: 1.2% to 3.48%) per annum.

(iii) Director's emolument borne by parent company

During the years ended 31 December 2017 and 2016, one executive and all non-executive directors emoluments were borne by IRICO Group Corporation.

(iv) Guarantees granted by parent company

As at 31 December 2017 and 2016, parent company provided guarantees for certain bank and other borrowings granted to the Group (Note 34).

43. Related-Party Transactions (Continued)

D. Key management compensation

	2017 *RMB'000*	2016 *RMB'000*
Short-term benefits	3,419	2,799
Post-employment benefits	731	579
At 31 December	4,150	3,378

The remuneration of directors of the Company and key management is determined by the remuneration committee having regard to the performance of individuals and market trends

E. Year-end balances arising from sales/purchases of goods/provision of services

	2017 *RMB'000*	2016 *RMB'000*
Trade and bills receivables from related parties:		
The IRICO Group		
Xianyang Rainbow Photovoltaic Technology Co., Ltd.	3,600	7,162
Parent company	–	8,960
Hefei Epilight Technology Co., Ltd	–	572
咸陽中電彩虹集團控股有限公司	48,179	5,068
	51,779	21,762
Other state-owned enterprises	13,240	13,639
	65,019	35,401

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 6% of the Group's trade and bills receivables as at 31 December 2017 and 2016.

43. Related-Party Transactions (Continued)

E. Year-end balances arising from sales/purchases of goods/provision of services (Continued)

	2017 *RMB'000*	2016 *RMB'000*
Trade and bills payables to related parties:		
The IRICO Group		
Xianyang Cailian Packaging Materials Co., Ltd	12,247	12,096
Parent company	1,638	602
Xianyang Caiqin Electronice Devices Co., Ltd	–	4,740
IRICO (Hefei) LCD glass Co., Ltd.	41,714	9,346
Xianyang IRICO Group CLP Holdings Ltd	10,462	11,133
中國電子系統工程第三建設有限公司	2,044	1,610
Xi'an IRICO Zixun Co., Ltd	781	781
彩虹醫院	590	331
	69,476	40,639
Other state-owned enterprises	104,672	133,723
	174,148	174,362

The balances with other state-owned enterprises and its fellow subsidiaries only accounted for less than 5% of the Group's trade and bills payables as at 31 December 2017 and 2016.

The trade balances in respect of sales and purchases are under the Group's normal trading terms.

F. Disposal of subsidiaries

	2017 *RMB'000*	2016 *RMB'000*
Consideration received from disposal of subsidiaries,		
Kunshan IRICO to Zhongdian IRICO	71,440	–
IRICO Accessories to Zhongdian IRICO	–	45,946
	71,440	45,946

Details of other disposal of which no cash consideration was received are set out in Note 26.

43. Related-Party Transactions (Continued)

G. Disposal of plants and equipment

	2017 *RMB'000*	2016 *RMB'000*
Consideration received from disposal of plant and equipment to:		
IRICO Energy Services	60,764	–
Zhongdian IRICO	–	4,658
	60,764	4,658

H. Disposal of account receivables

	2017 *RMB'000*	2016 *RMB'000*
Consideration received from disposal of trade receivables to CEC	–	36,199

I. Balances borne by the parent company

	2017 *RMB'000*	2016 *RMB'000*
Balances borne by the parent company to support the continued operations of a subsidiary of the Group	25,631	–

44. Information about the Statement of Financial Position of the Company

	Notes	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment		**223,953**	255,009
Investments in subsidiaries	21	**1,196,971**	962,555
Interests in associates		**–**	31,151
Available-for-sale financial assets		**364,442**	421,044
		1,785,366	1,669,759
Current assets			
Inventories		**31,649**	54,607
Trade and bills receivables		**361,957**	381,341
Other receivables, deposits and prepayments		**479,950**	489,665
Tax recoverable		**3,140**	3,140
Restricted bank balances		**58,592**	82,034
Bank balances and cash		**108,596**	130,889
		1,043,884	1,141,676

44. Information about the Statement of Financial Position of the Company (Continued)

	Notes	2017 *RMB'000*	2016 *RMB'000*
Current liabilities			
Trade and bills payables		281,592	425,111
Other payables and accruals		523,698	395,449
Bank and other borrowings			
– due within one year		1,923,915	1,477,884
Termination benefits		5,969	7,528
		2,735,174	2,305,972
Net current liabilities		(1,691,290)	(1,164,296)
Total assets less current liabilities		94,076	505,463
Capital and reserves			
Share capital	36	2,232,349	2,232,349
Other reserves		652,944	735,177
Accumulated losses		(3,034,629)	(2,984,594)
Total equity		(149,336)	(17,068)
Non-current liabilities			
Bank and other borrowings			
– due after one year		210,700	476,610
Deferred income		11,005	11,412
Termination benefits		21,707	29,907
Deferred tax liabilities		–	4,602
		243,412	522,531
		94,076	505,463

45. Major Non-cash Transaction

Balances borne by the parent company to support the continued operations of a subsidiary of the Group of RMB25,631,000 did not involve any cash flow.

Five-Year Financial Summary

Results	For the year ended 31 December 2017 (RMB'000)	2016 (RMB'000)	2015 (RMB'000)	2014 (RMB'000)	2013 (RMB'000)
Revenue	**2,363,402**	1,809,333	1,561,609	2,218,276	2,279,758
Profit/(loss) before tax	**132,657**	105,888	525,949	(1,691,049)	(214,756)
Income tax (expenses) credit	**1,357**	(1,370)	(297)	(1,293)	119
Profit/(loss) before non-controlling interests	**134,014**	104,518	525,652	(1,692,342)	(214,637)
Profit/(loss) attributable to non-controlling interests	**10,310**	(1,194)	(118,344)	(878,062)	11,715
Profit/(loss) attributable to owners of the Company	**123,704**	105,712	643,996	(814,280)	(226,352)
Assets, liabilities and non-controlling interests	**9,029,623**	7,191,530	6,272,849	18,151,357	21,978,596
Total assets	**4,591,123**	3,638,622	3,157,506	8,774,676	10,979,067
Total liabilities	**4,323,448**	3,486,123	3,029,253	8,138,100	9,625,942
Non-controlling interests	**115,052**	66,785	86,090	1,238,581	1,373,587

Profit for the year					
Profit for the year attributable to:					
– Owners of the Company	**123,704**	105,712	643,996	(814,280)	(226,352)
– Non-controlling interests	**10,310**	(1,194)	(118,344)	(878,062)	11,715
Earnings per share					
– basic and diluted	**0.06**	0.05	0.29	(0.36)	(0.10)

Corporate Profile

Executive Directors

Si Yuncong	Chairman
Zou Changfu	

Non-executive Directors

Huang Mingyan
Chen Changqing

Independent Non-executive Directors

Feng Bing
Wang Jialu
Wang Zhicheng

Audit Committee

Wang Zhicheng
Huang Mingyan
Chen Changqing
Feng Bing
Wang Jialu

Chief Financial Officer

Gu Qiang

Secretary to the Board

Ni Huadong

Company Secretary

Chu Xiaohang

Authorized Representatives

Zou Changfu
Chu Xiaohang

Corporate Profile (Continued)

Legal address in the PRC

No. 1 Caihong Road Xianyang Shaanxi Province
The People's Republic of China
Postal code: 712021

Place of business in Hong Kong

Suite 1908, 19/F
9 Queen's Road Central
Hong Kong

Company website

www.irico.com.cn

Legal advisers

Baker & McKenzie
14th Floor, Hutchison House 10, Harcourt Road, Hong Kong

Auditor

PKF Hong Kong Limited
26th Floor, Citicorp Centre, 18 Whitfield Road
Causeway Bay, Hong Kong

Registrar of H Shares in Hong Kong

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Hong Kong

Investor and media relations

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