新特能源股份有限公司
Xinte Energy Co., Ltd.

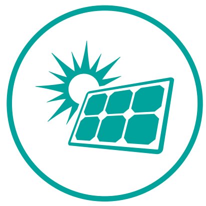
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock code : 1799

2017 ANNUAL REPORT

新特能源股份有限公司

Contents



Corporate Profile

DIRECTORS

Executive Directors

Mr. Zhang Jianxin *(Chairman)*
Mr. Ma Xuping
Mr. Yin Bo

Non-executive Directors

Mr. Zhang Xin
Ms. Guo Junxiang
Mr. Tao Tao[(1)]
Mr. Wang Jian[(2)]

Independent Non-executive Directors

Mr. Qin Haiyan
Mr. Yang Deren
Mr. Wong, Yui Keung Marcellus

SUPERVISORS

Mr. Chen Qijun *(Chairman)*
Ms. Wu Wei
Mr. Hu Shujun
Mr. Zhang Yueqiang
Mr. Cao Huan

AUDIT COMMITTEE

Mr. Wong, Yui Keung Marcellus *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Tao Tao[(1)]
Ms. Guo Junxiang

NOMINATION COMMITTEE

Mr. Qin Haiyan *(Chairman)*
Mr. Yang Deren
Mr. Yin Bo
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Xin

REMUNERATION AND ASSESSMENT COMMITTEE

Mr. Yang Deren *(Chairman)*
Mr. Qin Haiyan
Mr. Ma Xuping
Mr. Wong, Yui Keung Marcellus
Mr. Zhang Jianxin

STRATEGY COMMITTEE

Mr. Zhang Jianxin *(Chairman)*
Mr. Yang Deren
Mr. Qin Haiyan
Mr. Ma Xuping
Mr. Zhang Xin

JOINT COMPANY SECRETARIES

Ms. Zhang Juan
Ms. Ng Wing Shan

AUTHORIZED REPRESENTATIVES

Mr. Wong, Yui Keung Marcellus
Ms. Ng Wing Shan

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central
Hong Kong

LEGAL ADVISERS

As to PRC law

Xinjiang Tianyang Law Firm
7/F, Block A
Greentown Plaza
888 Hong Guang Shan Road
Shuimogou District
Urumqi, Xinjiang
PRC

(1) Mr. Tao Tao was appointed as a non-executive director and the member of the Audit Committee on 16 June 2017
(2) Mr. Wang Jian resigned as a non-executive director and member of the Audit Committee of the Company on 8 March 2017

Corporate Profile

As to Hong Kong law
King & Wood Mallesons
13/F, The Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

REGISTERED OFFICE
No. 2499, Mianguangdong Street
Ganquanpu Economic and Technological
Development Zone (Industrial Park)
High-tech Industrial Development Zone
(New Downtown), Urumqi, Xinjiang, PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 2499, Mianguangdong Street
Ganquanpu Economic and Technological
Development Zone (Industrial Park)
High-tech Industrial Development Zone
(New Downtown), Urumqi, Xinjiang, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
18/F, Tesbury Centre
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COMPUTERSHARE HONG KONG INVESTOR SERVICES LIMITED
Shops 1712–1716
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STOCK CODE
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COMPANY WEBSITE
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INVESTOR COMMUNICATION
TEL: 86 991-3665888
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Definitions

In this annual report, unless the context otherwise requires, the following terms and expressions have the meanings as set forth below:

"Articles of Association" or "Articles"	the articles of association adopted by the Company
"Associate(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Audit Committee"	Audit Committee of the board of Directors
"average utilization hours"	the gross generation in a specified period divided by the average installed capacity in such period
"Board" or "Board of Directors"	the Board of Directors of the Company
"BOO"	Build-Own-Operate, a contracting model in which the contractor undertakes the construction, operations and maintenance of a project. Unlike the BT structure, the contractor owns the project and does not have to transfer it to another entity
"BT"	Build and Transfer, a contracting model in which the contractor serves as the project investor (by setting up a project company as its subsidiary) and undertakes the financing and development of the project. The BT contractor eventually transfers and sells the equity interest in the project company to a third-party purchaser, thereby recovering the construction, subcontracting and/or financing costs on the project
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Company", "our Company", "Xinte Energy", "we" or "us"	Xinte Energy Co., Ltd., a joint stock company with limited liability incorporated under the laws of the PRC on 16 October 2012 and except where the context indicates otherwise in respect of the period before our Company become the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their respective predecessors
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

"Connected Person(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Connected Transaction(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Directors"	the directors of the Company
"DC"	direct current (the unidirectional flow of electric charge)
"Domestic Share(s)"	ordinary shares in the Company's share capital, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"ECC"	Engineering and Construction Contracting, including EPC and BT mode
"EPC"	Engineering-Procurement-Construction, a contracting model in which the contractor undertakes the entire process of designing, procuring, constructing and commissioning the project
"Group", "our Group"	our Company and its subsidiaries
"GW"	gigawatt, a unit of power. 1GW = 1,000MW
"H Share(s)"	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and are listed on the Main Board of the Stock Exchange
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"IAS"	International Accounting Standards and its interpretation
"IFRS"	International Financial Reporting Standards and its interpretation issued by the International Accounting Standards Committee
"installed capacity"	the intended full-load output of a power generating project usually denominated in MW; also known as the rated capacity or the (designed) production capacity

Definitions

"kW"	kilowatt, a unit of power, 1kW = 1,000 watts
"kWh"	kilowatt hour, the unit of measurement for calculating the quantity of power production output. 1kWh is the work completed by a kilowatt generator running continuously for one hour at the rated output capacity
"Latest Practicable Date"	17 April 2018, being the latest practicable date prior to the printing of this annual report for ascertaining certain information contained herein
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Macau"	Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"MW"	megawatt, a unit of power, 1MW = 1,000kW, The capacity of a power project is generally expressed in MW
"NDRC"	National Development and Reform Commission of the PRC
"NEA"	National Energy Administration of the PRC
"Nomination Committee"	Nomination Committee of the Board of Directors
"OFAC"	the United States Treasury Department's Office of Foreign Assets Control
"on-grid tariff"	the selling price of electricity for which a power generating project could sell the electricity it generated to the power grid companies, usually denominated in RMB/kWh
"pipeline projects/resources"	power generating projects that the Group reserved for future development after entering into development agreements with local PRC governments
"PV"	photovoltaic
"province"	a province or, as the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"R&D"	research and development

Definitions

"Remuneration and Assessment Committee"	Remuneration and Assessment Committee of the Board of Directors
"Reporting Period"	for the year ended 31 December 2017
"SVG"	Static VAR generator
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the same meaning as ascribed to it under the Hong Kong Listing Rules
"Supervisor(s)"	any one (or all) of the supervisor(s) of the Company
"Supervisory Board"	the Supervisory Board of our Company
"TBEA"	TBEA Co., Ltd. (特變電工股份有限公司), holding 60.30% equity interest in our Company as at the Latest Practicable Date. TBEA is our Controlling Shareholder
"Xinjiang New Energy"	TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司)
"Xinjiang Tebian"	Xinjiang Tebian (Group) Co., Ltd. (新疆特變電工集團有限公司), holding 5.57% equity interest in our Company as at the Latest Practicable Date. Xinjiang Tebian is a Connected Person of our Company as it is a controlled company with more than 30% of its equity interest being held, directly or indirectly, by Mr. Zhang Xin who is a Connected Person of our Company by virtue of his position as our Director

Major Events in 2017

JANUARY

The Group won the bid of the 20MW solar-forestry complementation PV generation project of Chaori Huoshen Temple (朝日火神廟) in Liaoning, which is the first forestry-solar complementation PV generation EPC contract of the Group.

FEBRUARY

The Group was honoured with the first prize and second prize of Scientific and Technological Progress Award in 2016 in Xinjiang Uygur Autonomous Region of the PRC for the project of Development and Application of Hydrogen Purification Technology in Polysilicon Production (《多晶硅生產中氫氣淨化處理技術開發及應用》), and Development of Polysilicon Production Technology for Large-diameter Reduction Furnace with 48 Pairs of Electrode (《48對棒大直徑還原爐多晶硅生產工藝開發》) respectively.

APRIL

According to the report from IHS Markit, an authoritative international information research institute, in 2016, the Group won the title of "The First in the World for PV EPCs" for the second time.

In the Century PV Power Expo & Conference 2017 organized by PVMate.com and PV Brand Laboratory, the Group won the titles including "First in EPC Brand Value of China PV Brand Ranking in 2016", "Second in Centralized Inverter Brand Value", and the "First AAAAA Brands Award", etc.

MAY

The Group was awarded the first "EPC AAA rating certificate" in China by China General Certification Center (北京鑒衡認證中心).

JUNE

The Group worked jointly with China Southern Power Grid Limited (中國南方電網有限責任公司) and successfully developed the world's first ±800kV/5000MW flexible DC transmission system converter valve.

JULY

The Group developed the "±800kV/5000MW flexible DC transmission system converter valve" and the "PV high voltage direct grid-connection device for power based router", which have passed the technical evaluation of Chinese Society for Electrical Engineering. These two technological achievements represents the major technological breakthroughs in the areas of flexible DC transmission and new energy power generation, respectively, with major performance indicators reaching the advanced international standards.

AUGUST

The Group was awarded the "2017 Asia PV Innovative Enterprises" at the 12th Asia Solar PV Innovation and Cooperation Forum and Technology Expo. Mr. Zhang Jianxin, the Chairman, won the "2017 Asia PV Innovation Outstanding Contribution Award".

Major Events in 2017

SEPTEMBER

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

The Group was granted the title of "Leading Enterprises for Poverty Alleviation" and the "Outstanding Products Award for Poverty Alleviation in Chinese Energy Industry" at the first China Energy Poverty Alleviation Summit Forum.

OCTOBER

The Group's intelligent manufacturing project known as "Construction of Digital Workshops for Key Equipment of PV System based on Independent Intelligent Manufacturing" was recognized as the 2017 Intelligent Manufacturing Pilot Demonstration Project by the Ministry of Industry and Information Technology of the PRC.

The Group was honoured with four prizes in the 10 Most Popular PV Brands Award of "Polaris Cup", including "Top 10 PV Materials and Accessories Brands", "Top 10 PV EPC Brands", "Top 10 Centralized Inverter Brands" and "Top 10 PV Plants Operation and Maintenance Brands".

The Group signed an EPC contract for a 186MW PV project in Egypt, representing a major breakthrough in the international market in the Middle East and North Africa Region.

NOVEMBER

The Group was granted the 19th National Outstanding Patent Award for its invention "A Purification Process for Recovery of Hydrogen in Electronic-grade Polysilicon Production" (《一種電子級多晶硅生產中回收氫氣的淨化處理工藝》).

The Group was awarded the first prize of Scientific and Technological Progress Award 2017 of Chinese Nonferrous Metal Industry for the project "Independent Innovation and Industrialization of Key Technologies For Green Production of High-purity Crystal Silicon" (《高純晶體硅綠色生產關鍵技術自主創新與產業化》).

The Group was recognized as the "National Intellectual Property Demonstration Enterprise" by the State Intellectual Property Office.

DECEMBER

The Group was honoured with eight prizes in the 2017 Annual Ceremony for Good Chinese PV Brands, including "Top 10 Famous Brands", "Top 10 PV Innovative Technology Enterprises", "Best PV Materials Suppliers", "Most Influential PV Leader Enterprises", "Best EPC Service Providers for PV Stations", "Top 10 String Inverter Suppliers", "Top 10 Centralized/Distributed Inverter Suppliers" and "Top 10 PV Stations Operation and Maintenance Service Providers".

Financial Summary

For the year ended 31 December 2017, the Group recorded a revenue of RMB11,420.95 million and net profit of RMB1,073.70 million. Profit attributable to owners of the Company amounted to RMB1,070.67 million.

The Group's business mainly comprises polysilicon production, ECC and BOO.

The following table sets forth the Group's revenue generated from each business segment during the periods as shown and the percentage of revenue in each segment:

	Year ended 31 December				
	2017		2016		
	RMB'000	**Percentage of revenue**	RMB'000	Percentage of revenue	Rate of change
Polysilicon production	**3,462,335**	**30.32%**	2,542,695	21.19%	36.17%
ECC	**6,863,617**	**60.10%**	8,432,010	70.26%	-18.60%
BOO	**308,328**	**2.70%**	127,677	1.06%	141.49%
Others	**786,671**	**6.88%**	898,921	7.49%	-12.49%
Total	**11,420,951**	**100.00%**	12,001,303	100.00%	-4.84%

For the year ended 31 December 2017, the Group's total revenue was RMB11,420.95 million, representing a decrease of 4.84% over the same period last year, mainly attributable to the increase of revenue from polysilicon production and BOO projects, but decrease in revenue from ECC business.

Financial Summary

The Group's consolidated financial statements in 2013, 2014, 2015, 2016 and 2017 prepared in accordance with the IFRS are summarized as follows:

	As of 31 December/Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**31,664,863**	27,812,554	25,229,293	18,763,327	17,582,431
Total liabilities	**22,404,451**	19,500,810	17,778,357	14,376,079	14,473,743
Non-controlling interests	**53,015**	51,442	46,242	39,447	34,490
Owners' equity (excluding non-controlling interests)	**9,207,397**	8,260,302	7,404,694	4,347,801	3,074,198
Revenue	**11,420,951**	12,001,303	9,440,899	7,402,520	5,907,293
Gross profit	**2,493,297**	1,996,172	1,603,573	1,428,501	614,679
Profit before income tax	**1,217,987**	947,865	708,217	661,505	256,664
Profit for the years attributable to owners of the Company	**1,070,671**	801,133	611,817	574,833	193,341

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Company, I am pleased to announce the annual results of the Group in 2017.

2017 is a significant year for the full implementation of China's "13th Five-Year Plan" for energy. It is a year for the deepening of the supply side structural reform in China, and also a milestone in the development history of Xinte Energy. Focusing on improving the quality and efficiency of development, the Group has constantly adapted itself to the new normal, grasped new opportunities and overcame new challenges, laying a solid foundation for a leapfrog development in the "13th Five-Year Plan".

In 2017, the new energy industry in China continued to be positive with steady growth in scale, the newly installed PV capacity in China was 53GW, representing a year-on-year increase of 53.6%, and ranking as the first globally for five consecutive years. The cumulative installed PV capacity was 130GW, ranking as the first globally for three consecutive years. Newly installed capacity for wind power in China was 15GW, ranking as the first again globally.

Chairman's Statement

As a leading polysilicon producer as well as wind and solar resources developer and operator in the world, the Group completed its polysilicon technology transformation and successfully commenced production in 2017, with polysilicon production capacity for over 30,000 tons/year, ranking as the fourth globally and the second in China. As for the development and operation of wind and solar resources, the scale of its on-grid PV power station construction was ranked the first globally for two consecutive years in 2015 and 2016. While ECC projects with revenue recognized in 2017 exceeded 1.5GW and BOO projects which are under construction or completed exceeded 800MW, it continued to outperform other in the industry. For the year ended 31 December 2017, the Group achieved a revenue of RMB11,420.95 million, representing a decrease of 4.84% over the same period last year; a net profit of RMB1,073.70 million, representing an increase of 33.16% over the last year; and the profit attributable to owners of the Company of RMB1,070.67 million, representing an increase of 33.64% over the same period last year.

The report of the "19th National Congress" clearly stated that the PRC government would advance energy production and consumption revolution, and establish a clean, low-carbon, safe and efficient energy system, which would deliver a long lasting driving force to the development of the new energy industry. The PRC government is determined to promote energy restructuring, transformation and upgrade, and promises that the proportion of non-fossil energy consumption will reach 15% by 2020. The Group seized the development opportunity in the new energy market in China, and successfully completed the polysilicon technological transformation project. With improvements in the wind and solar resource structure, the Group stepped up its wind resources development. Its business scope was diversified from large-scale ground-mounted PV projects to various types of projects including energy bases, decentralized, distributed PV, solar-agriculture complementation and solar-fishery complementation. The development of the BOO project was expedited. At the same time, the Group increased its effort in technology and innovation, including quality improvement of polysilicon products and conversion rates, extension of auxiliary products' industry chain, engineering and technology projects for adjustments and upgrade of new energy power stations, and strengthening the research and application of flexible DC technology. This resulted in the granting of a number of patents, technological awards and new product certifications. With production enhanced by technology, the Group's competitiveness was further bolstered through the realization of increased efficiency by way of increased capacity, lowered costs and improved quality. Looking ahead, with the good opportunities of the new energy industry development, the Group will consistently aim to maximize the interests of the Shareholders, and by thoroughly analyzing the external environment, effectively formulating business development strategies appropriate for the new trend, and to expedite the implementation of reforms and innovations. By embracing the new era and taking up a new mission, the Group will make leapfrog development and focus on creating a new chapter for the making of an outstanding green and intelligent energy service provider in the world, contributing green energy to the society and creating a better lives for mankind.

Finally, I would like to express my sincere gratitude to the management team and all the staff members for their efforts and hard work in 2017 on behalf of the Board of Directors. I also wish to extend my gratitude to our shareholders, clients, suppliers and business partners for their support and encouragement over the past year.

Chairman
Zhang JianXin

23 March 2018 in Xinjiang

Management Discussion and Analysis

I. REVIEW OF INDUSTRY DEVELOPMENT TRENDS

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

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

(1) Promoting energy restructuring

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

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

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

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

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

(3) Promoting parity grid connection for new energies

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

Management Discussion and Analysis

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

2. Review of Development Trends of the Polysilicon Industry

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

Management Discussion and Analysis

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

3. Review of Development Trends of the PV Generation Industry

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

Management Discussion and Analysis

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

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

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

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

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

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

II. THE MAIN BUSINESS OPERATIONS OF THE GROUP

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

1. Polysilicon Production

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

Management Discussion and Analysis

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

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

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

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

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

3. BOO Projects

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

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

4. International Market

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

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

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

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

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

Management Discussion and Analysis

5. New Energy Power Electronics Business

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

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

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

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

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

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

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

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

In terms of polysilicon production, the Group's patents were granted the National Outstanding Patent Award for "A Purification Process for Recovery of Hydrogen in Electronic-grade Polysilicon Production" (《一種電子級多晶硅生產中回收氫氣的淨化處理工藝》), the first prize of Scientific and Technological Progress Award of Chinese Nonferrous Metal Industry for the project of "Independent Innovation and Industrialization of Key Technologies For Green Production of High-purity Crystal Silicon" (《高純晶體硅綠色生產關鍵技術自主創新與產業化》) and the first prize of Scientific and Technological Progress Award in Xinjiang Uygur Autonomous Region for the project of "Development and Application of Hydrogen Purification Technology in Polysilicon Production" (《多晶硅生產中氫氣淨化處理技術開發及應用》). Furthermore, 92 technological innovation projects such

as “Research and Development on Electronic Grade One Polycrystalline Silicon” (《電子一級多晶硅研發》), “Enhancing the Conversion Rate of Cold Hydrogenation of Silicon Tetrachloride” (《冷氫化四氯化硅轉化率提升》) , “The Efficient Usage and Pollutant Prevention of High-Alkali Coal Cleaning” (《高鹼煤清潔高效利用與污染物防治》) and “The Extension of Industrial Chain of Silicon Nitride Powder and Others” (《氮化硅粉體等產業鏈延伸》) have also been initiated. These patents and scientific researches provide strong technical supports to improve the quality and reduce the cost of polysilicon production.

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

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

Management Discussion and Analysis

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

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

III. OPERATING RESULTS AND ANALYSIS

Financial Review

Business Performance Table

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

Revenue

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

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

For the year ended 31 December 2017, the revenue of polysilicon production segment was RMB3,462.34 million, representing an increase of RMB919.64 million or 36.17% over RMB2,542.70 million in the corresponding period of last year, mainly attributable to the completion of the polysilicon technology upgrade project which resulted in increased capacity and sales volume while at the same time the average price of polysilicon has increased during the Reporting Period.

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

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

Cost of sales

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

Management Discussion and Analysis

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

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

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

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

Gross profit and gross profit margin

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

Other income

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

Other (losses)/gains — net

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

Selling and marketing expenses

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

General and administrative expenses

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

Financial expenses — net

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

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

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

Income tax expense

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

Management Discussion and Analysis

Profit attributable to the owners of the Company

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

Profit attributable to the non-controlling interests

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

Cash Flows

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

Net cash generated from/(used in) operating activities

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

Net cash used in investing activities

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

Net cash generated from financing activities

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

Operation Fund

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

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

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

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

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

Capital expenditure

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

Contingent liabilities

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司) ("Jiangsu Zhongneng") filed a claim with Jiangsu Province People's Court against the Company for the infringement of certain patents and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed by the Company, the Supreme People's Court of the PRC ruled that the case should be under the jurisdiction of Xinjiang Province People's Court. As at the Latest Practicable Date, the aforementioned litigation is in the process of transfer, therefore no trial session has been conducted by Xinjiang

Province People's Court yet. After considering the opinion of an independent legal counsel, the Directors are of the opinion that this litigation is still at a very early stage, and there are no sufficient grounds to anticipate and assess the outcome and the contingent liabilities. As such, no provision is made with respect to the aforementioned claim as of 31 December 2017.

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

Employees, remuneration, retirement and employees benefit scheme

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

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

Assets mortgage

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

Major acquisition and disposal of assets

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

Major investments

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

Foreign exchange risks

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

Cash flow interest rate risk

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

Capital liquidity

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

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

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

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

Management Discussion and Analysis

Borrowings and notes payable

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

Credit risk

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

Events after the balance sheet date

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

IV. PROSPECTS

Market Prospects

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

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

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

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

Business Plan for 2018

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

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

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

The total investment amount of the 36,000-ton Polysilicon Project is approximately RMB4,065 million, with a construction period of two years. The Group will formulate a rigorous work plan and proceed with the project in strict compliance with the plan. A specially-assigned person will be responsible for the progress, quality and production acceptance of the project to ensure the completion of the project with high quality. The investment

Management Discussion and Analysis

amount of the 36,000-ton Polysilicon Project will be contributed by the Company and the proposed investor. The other construction funds will be supported by other means such as bank loans and finance leases.

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

2. Strengthening the management of safety responsibility, and improve the level of professional safety management

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

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

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

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

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

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

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

V. RISK FACTORS AND RISK MANAGEMENT

1. Risks associated with falling price of polysilicon

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

Management Discussion and Analysis

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

2. Risks associated with market competition

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

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

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

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

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

4. Risks associated with downward adjustment of tariff

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

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

Profile of Directors, Supervisors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Jianxin, aged 45, currently serves as chairman and executive Director. Mr. Zhang has attained his PhD and he is also an economist of economic management. Mr. Zhang worked as the director of Investment and Development Department, the deputy chief economist of TBEA, the chairman of Xinjiang New Energy, etc. Mr. Zhang has joined the Company since February 2008, served as executive Director of the Company since February 2008, and also served as chairman since July 2012.

Mr. Yin Bo, aged 39, currently serves as executive Director and general manager. Mr. Yin is a doctoral candidate he is a senior engineer of chemical engineering and process. Mr. Yin served as a clerk of polysilicon preparatory team of TBEA, the head of technology department, deputy chief engineer, the general manager of polysilicon workshop, and the deputy general manager of the Company, etc. Mr. Yin has joined the Company since February 2008, served as executive Director and deputy general manager of the Company since June 2015, and also served as general manager of the Company since March 2016.

Mr. Ma Xuping, aged 44, currently serves as executive Director. Mr. Ma holds a master's degree and he is a senior engineer of transformer. Mr. Ma worked as general engineer, deputy general manager of TBEA Xinjiang Transformer Factory, deputy general manager of Xinjiang Joinworld Co., Ltd., deputy general manager, executive Director and general manager of the Company. Mr. Ma has joined the Company since March 2008. He served as executive director and general manager of the Company from July 2012 to March 2016 and served as executive Director since July 2012.

Non-executive Directors

Mr. Zhang Xin, aged 56, currently serves as non-executive Director. Mr. Zhang obtained associate degree, and he is an electrical engineer as well as a senior engineer of machinery and electronics. Mr. Zhang currently serves as the chairman of TBEA Co., Ltd. (Stock code: 600089.SH), which is the Controlling Shareholder of our Company, and director of Xinjiang Joinworld Co., Ltd. (Stock code: 600888.SH). Mr. Zhang worked as factory manager of Changji City Special Transformers Factory, the chairman of TBEA Silicon Industry Co., Ltd. (特變電工硅業有限公司) (the predecessor of our Company), the chairman of Xinjiang New Energy. Mr. Zhang has served as non-executive Director since February 2008.

Ms. Guo Junxiang, aged 47, currently serves as non-executive Director. Ms. Guo obtained bachelor degree and is a senior economist in industrial economics. Ms. Guo currently serves as the board secretary, the director of TBEA and a supervisor of Xinjiang Joinworld Co., Ltd. She worked as deputy director of general manager office, director of bond department of TBEA, supervisor of Xinjiang New Energy. Ms. Guo has served as non-executive Director since February 2008.

Profile of Directors, Supervisors and Senior Management

Mr. Tao Tao, aged 35, currently serves as non-executive Director. Mr. Tao holds a master's degree and currently serves as the deputy general manager in equity investment division of Minsheng CMH Investment Company Limited (中民華恆投資有限公司). Previously, he served as a researcher of First Futures Co., Ltd. (一德期貨有限公司), a researcher of PICC Asset Management Company Limited (中國人保資產管理股份有限公司) and director of design division No. 1 (new energy division) of China Minsheng Investment Corporation (中國民生投資有限公司). Mr. Tao has served as non-executive Director since June 2017.

Independent Non-executive Directors

Mr. Qin Haiyan, aged 48, currently serves as independent non-executive Director. Mr. Qin holds a master's degree, and he currently serves as director of China General Certification Center Co., Ltd. (北京鑒衡認證中心有限公司主任), a member and the secretary general of the National Wind Power Machinery Standardization and Technology Committee (全國風力機械標準化技術委員會), a member of the 27th Council of the Climate Change and Low Carbon Development Committee of the Chinese Meteorological Society (中國氣象學會第27屆理事會氣象變化與低碳發展委員會), the deputy director of the Special Committee by Chinese Renewable Energy Industries Association (中國資源綜合利用協會可再生能源專業委員會)/the Industry Committee of Chinese Renewable Energy Society (中國可再生能源學會產業委員會專委會), the vice-chairman of the IEC System For Certification to Standards Relating to Equipment for Use in Renewable Energy Applications (IECRE) (國際電工委員會可再生能源設備認證互認體系). Mr. Qin has served as independent non-executive Director since June 2015.

Mr. Qin currently serves as independent non-executive director of China Suntien Green Energy Co., Ltd. (新天綠色能源股份有限公司) (Stock code: 956.HK), independent non-executive director of Huaneng Renewables Corporation Limited. (華能新能源股份有限公司) (Stock code: 958.HK), independent non-executive director of Ningxia Jiaze New Energy Co., Ltd. (寧夏嘉澤新能源股份有限公司) (Stock code: 601619.SH), and independent non-executive director of CECEP Wind-power Corporation (中節能風力發電股份有限公司) (股票代碼：601016.SH).

Mr. Yang Deren, aged 54, currently serves as independent non-executive Director. Mr. Yang obtained Phd and the title of professor. He is an academician of the Chinese Academy of Sciences (中國科學院院士). Mr. Yang now serves as director of State Key Laboratory of Silicon Materials (硅材料國家重點實驗室主任) and the director of Institute of Semiconductor Materials (半導體材料研究所所長) in Zhejiang University. He was named Distinguished Professor under the Yangtze River Scholar Award Scheme (長江學者獎勵計劃特聘教授), Senior Specialist of Zhejiang Province (浙江省特級專家), was awarded the National Science Fund for Distinguished Young Scholars (國家傑出青年基金) and the 9th Chinese Youth Science and Technology Prize (曾獲得第九屆中國青年科技獎). Mr. Yang was awarded the National Natural Science Award (Second Class Award) by his research project on "silicon doped nitrogen with single crystal helium and relevant defect (摻氮直接硅單晶氦及相關缺陷的研究項目)" as well as the "controllable plant and its mechanism of one-dimensional nanometer semiconductor materials (一維納米半導體材料的可控生產長及其機理)". Mr. Yang has served as independent non-executive Director since June 2015.

Mr. Yang now also serves as independent non-executive director of Hangzhou First PV Material Co., Ltd. (杭州福斯特光伏材料股份有限公司) (Stock code: 603806.SH) and independent non-executive director of Zhejiang Jingsheng Mechanical & Electrical Co., Ltd. (浙江盛晶機電有限公司) (Stock code: 300316.SZ).

Mr. Wong, Yui Keung Marcellus, aged 64, currently serves as independent non-executive Director. Mr. Wong obtained bachelor degree, and he is a Certified Tax Adviser in Hong Kong and a Fellow of the Hong Kong Institute of Certified Public Accountants (香港會計師公會) as well as CPA Australia. Mr. Wong currently serves as vice chairman of the global advisory board of L.R. Capital Management Company (Cayman) Limited, vice chairman of the board of directors of AMTD Group, honorary adviser of CPA Australia, chairman of Tax Policy Committee of Hong Kong, a member of the joint contacting group in Inland Revenue Department of Hong Kong. He served as a partner of PricewaterhouseCoopers, a member of the Working Group on Long-Term Fiscal Planning of the Government of the Hong Kong Special Administration Region, the president of the Taxation Institute of Hong Kong and the president of CPA Australia (Greater China Division). Mr. Wong has served as independent non-executive Director since June 2015.

Supervisors

Mr. Chen Qijun, aged 47, currently serves as chairman of Supervisory Board. He obtained an associate degree and is a senior economist of economic management. Mr. Chen is now serving as the chief risk controller and chairman of Supervisory Board of TBEA. He worked as the deputy factory manager and executive deputy factory manager of Xinjiang Transformers Factory of TBEA, the general manager of TBEA Shandong Luneng Taishan Cable Co., Ltd. (特變電工山東魯能泰山電纜有限公司), and the deputy general manager of TBEA. Mr. Chen has served as Supervisor since June 2015.

Ms. Wu Wei, aged 49, currently serves as Supervisor. She holds a master's degree and is a senior economist of enterprise management, senior political engineer, electrical insulation and cable engineer. Ms. Wu now serves as deputy general manager of TBEA Shenyang Transformer Group Co., Ltd. (特變電工瀋陽變壓器集團有限公司), and she worked as the director of sales company, the assistant to the general manager and the vice president of marketing of TBEA Xinjiang Transformers Factory, and has served as the director of Beijing office and deputy general manager of TBEA. Ms. Wu has served as Supervisor since July 2012.

Mr. Hu Shujun, aged 45, currently serves as Supervisor, obtained an associate degree and is a senior electrical engineer. Mr. Hu now serves as chairman and general manager of Xinjiang Tebian. He worked as iron core workshop director, head of production department, assistant to the factory manager and deputy factory manager of TBEA Xinjiang Transformers Factory, and the assistant to the general manager and deputy general manager of TBEA. Mr. Hu has served as Supervisor since June 2015.

Mr. Cao Huan, aged 34, currently serves as an employee representative Supervisor. He obtained bachelor degree. Mr. Cao now serves as director of audit department. He worked as the purchasing supervisor of purchase department, assistant to the director of audit department and deputy director of audit department. Mr. Cao joined the Company in June 2008 and has served as Supervisor since June 2015.

Profile of Directors, Supervisors and Senior Management

Mr. Zhang Yueqiang, aged 40, currently serves as an employee representative Supervisor. He obtained bachelor degree and has acquired the first-class qualification of Corporate Culture Expert. He is currently the chairman of labor union of the Company and was the assistant to the director and deputy director of corporate governance department, the director of corporate affairs department and the vice-chairman of labor union of TBEA. Mr. Zhang joined the Company in February 2008 and has been an employee representative Supervisor since April 2016.

Other Senior Management Members

Mr. Yin Bo, aged 39, currently serves as executive Director and general manager. Biographical details of Mr. Yin Bo as at the Latest Practicable Date are set out on page 37 of this annual report.

Mr. Peng Jianghua, aged 42, currently serves as deputy general manager. He holds a master's degree and is a senior engineer of industrial automation. Mr. Peng worked as a member of the polysilicon preparatory group of TBEA, head of electric department and deputy head of engineering department and assistant to the general manager of the Company. Mr. Peng joined the Company in February 2008 and has served as deputy general manager since August 2012.

Mr. Gan Xinye, aged 42, currently serves as deputy general manager. He holds a master's degree and is an electrical engineer. Mr. Gan worked as the director of Inner Mongolia Office of TBEA Hengyang Transformer Co., Ltd. (特變電工衡陽變壓器有限公司), head of strategic development department, deputy general manager of marketing department, assistant to the general manager and general manager of international complete engineering branch of the Company. Mr. Gan joined the Company in February 2008 and has served as deputy general manager since December 2012.

Mr. Liu Weizeng, aged 40, currently serves as deputy general manager and the general manager of TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司). He holds a Phd degree and is a senior engineer of power electronic technology. Mr. Liu worked as executive deputy general manager and chief engineer of TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司), and the chief engineer of Xinjiang New Energy. Mr. Liu has served as deputy general manager since June 2015.

Mr. Mian Yulong, aged 49, currently serves as the safety director. He holds a master degree and is currently a registered safety engineer. Mr. Mian worked as the deputy director of safety management division of safety and environmental protection department, deputy director of safety and technical supervision division of safety and environmental protection department, deputy director of quality, safety and environmental protection department, and the director and deputy chief engineer of safety management division of quality, safety and environmental protection department of Urumqi Petrochemical Company (烏魯木齊石化公司). Mr. Mian has joined the Company since August 2014 and has served as safety director since June 2015.

Profile of Directors, Supervisors and Senior Management

Mr. He Yongjian, aged 51, currently serves as the chief engineer. He holds a bachelor's degree and is a senior mechanical engineer. Mr. He worked as deputy equipment director of and team leader of the mechanical team of the synthesis of rubber factory, deputy manager of project department under the large-scale ethylene project commanding department (大乙烯指揮部聚丙烯項目), director of mechanics division and deputy chief equipment engineer of the project department of the polyolefin business unit (聚烯烴事業部) as well as deputy chief equipment engineer of the ethylene plant of Lanzhou Petrochemical Company. Mr. He joined the Company in January 2013 and has served as the chief engineer since June 2015.

Mr. Zheng Weijie, aged 40, currently serves as the chief accountant. He holds a bachelor's degree and is an intermediate economist. Mr. Zheng worked as a bank and tax accountant and the head of financing in the finance department, and director of the fund management center of TBEA; deputy chief accountant and chief accountant of Xinjiang New Energy. Mr. Zheng has served as the chief accountant since June 2015.

Ms. Zhang Juan, aged 29, currently serves as the secretary to the Board. She holds a bachelor's degree and is a Certified General Accountant of Canada (加拿大註冊會計師). Ms. Zhang served as a staff member in the securities department of TBEA and assistant to head of securities department of the Company. Ms. Zhang joined the Company in October 2014 and has served as the secretary to the Board since June 2015.

Report of the Board of Directors

MAJOR BUSINESS

The Company is mainly engaged in producing and sales of polysilicon and inverter, and the developing and operating of PV and wind power resources.

MANAGEMENT DISCUSSION AND ANALYSIS

The details of discussion and analysis of the management of the Company during this year are set out in pages 14 to 36 of this annual report.

DEBENTURES ISSUANCE

For the year ended 31 December 2017, the Group does not have any debentures issuance.

RESULTS

The audited result of the Group for the year ended 31 December 2017 are set out in the Consolidated Statement of Comprehensive Income on page 103. The financial position of the Group as at 31 December 2017 are set out in the Consolidated Balance Sheet from page 101 to page 102. The consolidated cash flow of the Group for the year ended 31 December 2017 is set out in the Consolidated Statement of Cash Flows on page 105. The discussion and analysis on result performances, the important factors effecting the results and financial position relevant to the Group during the year are set out in the Management Discussions and Analysis from page 14 to page 36 in the annual report.

SHARE CAPITAL

As of 31 December 2017, the structure of the share capital issued of the Company is as follow:

Classification of Shares	Number of Issued Shares on 31 December 2017	The percentage of the number of shares issued on 31 December 2017 (%)
Domestic Shares	731,529,532	70%
H Shares	313,475,630	30%
Total	1,045,005,162	100%

On 31 December 2017, the total share capital of the Company was 1,045,005,162 Shares, divided into 731,529,532 Domestic Shares with nominal value of RMB1 each and 313,475,630 H Shares with nominal value of RMB1 each.

DISTRIBUTABLE RETAINED EARNINGS

As of 31 December 2017, the Company had distributable retained earnings of RMB1,848,959,000.

RESERVES

Movements in the reserves of the Company for the year are set out in Note 19 to the consolidated financial statements.

PROFIT DISTRIBUTION AND PROPOSED DIVIDEND

On 23 March 2018, the Board proposed the distribution of a final dividend of RMB0.2 per share (including tax) for the year ended 31 December 2017, after the appropriations to the statutory surplus reserve according to the relevant regulations. The proposal of distributing final dividend is subject to the approval by shareholders of the Company at the annual general meeting to be held on 15 June 2018, and is expected to be paid before Wednesday, 15 August 2018. Details of the dividend payment will be announced after the holding of Annual General Meeting.

The distribution of dividend will be completed within two months after the annual general meeting (if approved). The final dividend will be paid by RMB to domestic shareholders and H shareholders will be paid by Hong Kong dollars. The actual amount of dividend of H-share to be paid by Hong Kong dollars is calculated basing on the average of the middle rate of RMB against Hong Kong dollars for five business days preceding the date of approval of the dividend declaration at the annual general meeting published by the People's Bank of China.

CLOSURE OF REGISTER OF MEMBERS

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

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

WITHHOLDING AND PAYMENT OF FINAL DIVIDEND INCOME TAX

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

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

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

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

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

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

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

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Group has not purchased, redeemed or sold any of the Company's listed securities for the year ended 31 December 2017.

USE OF PROCEEDS

The Company conducted the initial public offering of its H Shares and had its H Shares listed on the Main Board of the Stock Exchange in December 2015. The proceeds of H Shares offering were the equivalent of approximately RMB1,191.67 million in HKD. According to the plan of the use of the proceeds of the Company, as of 31 December 2017, accumulated used proceeds were the equivalent of approximately RMB1,137.17 million, and the unused proceeds were the equivalent of approximately RMB54.50 million.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group's revenue from operations attributed to our five major customers and the major customer were 22.05% and 5.58%, respectively.

During the same period, the Group's total procurement amount attributed to our five major suppliers and the major supplier were 19.99% and 4.78%, respectively.

The customers of the Group were mainly the wafer production enterprises in the middle stream of new energy industry and the operation enterprises of PV and wind power plant in the downstream of new energy industry, mainly including state-owned enterprises, central enterprises and private enterprises, who have established cooperation with the Group in the recent 5 years. Major customers were similar to other customers in these aspects, such as delivery method, payment method, settlement conditions, without special terms. The settlement of major customers's accounts receivable was strictly complied with the requirements of the contract, and provision was made for accounts receivable in accordance with the Group's accounting policy.

TBEA is one of the five major suppliers of the Group for the year ended 31 December 2017, and has 60.30% equity interest in the Company as of the Latest Practicable Date.

Save as those disclosed in this annual report, to the best knowledge of the Directors, none of the Directors, their associates or substantial shareholders who own more than 5% of the issued share capital of the Company has any equity interest in the five major customers and the five major suppliers.

The Group has been keeping a sustained and stable relationship with customers and suppliers. The Group has not relied on any individual customer and supplier as regard to the business which has a significant impact on the Group.

RELATIONSHIP WITH EMPLOYEES

The Group always adhered to the corporate culture with "employee-based development for the sake of staff and sharing of development achievements with employees", actively practiced the concept of "innovation and participation", and deepen the projects in public interest, to promote a harmonious corporate continuously. In 2017, the labor union of the Group at different levels continued to conduct "livelihood projects", which covered various aspects, such as staff's children education, support of the employees who have difficulties, medicine, training and marriage matters of employees, based on the most direct livelihood problems that were urgently necessary to deal with for employees. The Group delivered a satisfactory "result on livelihood" to extensive employees by practical actions, promoting a higher level of producing, living, working, learning environment and welfare and security of employees.

Meanwhile, the Group's employees have one or two meetings with their seniors in a regular basis each year based on their positions and responsibilities, discuss their work performance and challenges they're facing, and set their goals and achieve them. The Group will evaluate their working quality, attitude and room for improvement and performance, which are primarily considered as the evaluation bases of significant decision-making, such as wage/salary adjustment, promotion/demotion and job relocation. Employees can receive guidance and consultation, training or career development plan as appropriate. For details of staff development and training, please refer to environmental, social and governance report in 2017 issued by the Company in due course.

BANK LOAN AND OTHER BORROWING

Details of the bank loan and other borrowing for the Group on 31 December 2017 are set out in Note 20 to the consolidated financial statements.

CHARITABLE DONATION

For the year ended 31 December 2017, the Group has made charitable donation of approximately RMB3.45 million. The donation is mainly used for people's livelihood projects, construction of infrastructure facilities at the donated places, etc.

PROPERTY, PLANT AND EQUIPMENT

Details of change on the property, plant and equipment of the Group during the year are set out in Note 6 to the consolidated financial statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of Directors of the Company for the year ended 31 December 2017 and up to the reporting date are as follows:

Executive Directors
Zhang Jianxin *(Chairman of the Board of Directors)*
Ma Xuping
Yin Bo

Non-executive Directors
Zhang Xin
Guo Junxiang
Tao Tao[(1)]
Wang Jian[(2)]

Independent non-executive Directors
Qin Haiyan
Yang Deren
Wong, Yui Keung Marcellus

For the year ended 31 December 2017, biographies of Directors, Supervisors and senior management of the Company are set out in page 37 to page 41 to this report.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered that all independent non-executive Directors are independent from the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered into service contracts with each of the Directors. The principal particulars of such service contracts are (1) from the date of appointment to the date of expiry of the term of the current session of the Board/Supervisory Board; and (2) are subject to termination in accordance with their respective terms.

Each of the Directors and Supervisors has entered into a contract in respect of, among others, compliance of relevant laws and regulations, observations of the Articles of association and arbitration and other provisions with the Company.

Save as disclosed above, none of the Directors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

(1) Mr. Tao tao was appointed as a non-executive director and a member of Audit Committee on 16 June 2017

(2) Mr. Wang Jian resigned as a non-executive director and member of the Audit Committee of the Company with effect from 8 March 2017 due to change in job allocation

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S REMUNERATION

Details of the remuneration of the Company's Directors and Supervisors for the year ended 31 December 2017 are as follows:

	Total RMB'000
Executive Directors	
Zhang Jianxin	2,761
Ma Xuping	—
Yin Bo	2,243
Non-executive Directors(1)	
Zhang Xin	—
Guo Junxiang	—
Tao Tao	—
Wang Jian (resigned on 8 March 2017)	—
Independent non-executive Directors	
Yang Deren	120
Qin Haiyan	120
Wong, Yui Keung Marcellus	120
Supervisors	
Chen Qijun(2)	—
Wu Wei(2)	—
Hu Shujun(2)	—
Zhang Yueqiang	737
Cao Huan	433

Notes:

(1) Non-executive Directors would not receive any remuneration from the Company

(2) Mr. Chen Qijun, Ms. Wu Wei and Mr. Hu Shujun are Supervisors appointed by the Shareholders and shall not receive any remuneration from the Company

The emoluments of the senior management of the Company for the year ended 31 December 2017 are within the following bands:

Remuneration bands	No. of persons
RMB200,000 to RMB800,000	4
RMB800,001 to RMB1,600,000	3
RMB1,600,001 to RMB2,500,000	1

The Company's internal policies on the Directors and Supervisors remuneration are as follows:

1. Independent non-executive Directors will receive their remuneration from the Company. The Company will pay each Independent Non-executive Director RMB120,000 annually (before tax, paid on a quarterly basis, the Company being responsible for withholding and paying personal income tax). Travel expenses incurred by independent non-executive Directors in attending Board meetings of the Company, general meetings and relevant activities organized by the Board will be borne by the Company;

2. Non-executive Directors without holding offices in the Company will not receive any remuneration from the Company;

3. Executive Directors holding offices in the Company will receive their remuneration from the Company. The remuneration of an executive Director will be determined based on the senior management position held by such executive Director, in accordance with rules relating to the management of remuneration of the Company; and

4. Supervisors without holding offices in the Company will not receive any remuneration from the Company; employee supervisors of the Company will receive their remuneration from the Company where they currently hold a position. The remuneration of an employee Supervisor of the Company will be determined with reference to the duties of the management position where he holds, in accordance with rules relating to the management of remuneration of the Company.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

At the end of the year or at any time during the year, there was no transaction, arrangement or contract of significance to the Group's business in which the Company was a party, and in which a Director or Supervisor or an entity connected with the Director or Supervisor had a material interest, either directly or indirectly, and subsisted during the year or at the end of the year.

INTEREST OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed below, during the year of 2017, no Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group.

Name of Director	Position in the Company	Other interests
Mr. Zhang Xin	Non-executive Director	Chairman of the board of directors and executive director of TBEA
Ms. Guo Junxiang	Non-executive Director	Secretary of the board of directors and executive director of TBEA

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES AND SHARE OPTION SCHEME

As of 31 December 2017, so far as known to the Company, the interest and short positions of the Directors, Supervisors or chief executive of the Company in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which will have to be notified to the Company and the Stock Exchange (including those being taken or deemed to have by them under such provisions of the SFO); or (b) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code") are as follows:

Name	Nature of Interest	The Company/ relevant corporation (including associated corporation)	Number/type of shares of the Company/ relevant corporation (including associated corporation) held	Approximate percentage of shareholdings in the total share capital of the Company/ relevant corporation (including associated corporation)[1]	Approximate percentage of shareholdings in the relevant class of Shares of the Company[2]	Long position/ short position
Directors						
Mr. Zhang Xin	Interest in a controlled corporation[3]	The Company	58,246,308 Domestic Shares	5.57%	7.96%	Long position
	Beneficial Owner	TBEA[4]	406,403 Shares	0.01%	N/A	Long position
	Interest in a controlled corporation[5]	TBEA[4]	446,982,637 Shares	12.02%	N/A	Long position
Mr. Ma Xuping	Beneficial Owner	TBEA[4]	312,516 Shares	0.01%	N/A	Long position
Ms. Guo Junxiang	Beneficial Owner	TBEA[4]	346,880 Shares	0.01%	N/A	Long position
Supervisors						
Ms. Wu Wei	Beneficial Owner	TBEA[4]	404,694 Shares	0.01%	N/A	Long position
Mr. Hu Shujun	Beneficial Owner	TBEA[4]	69,376 Shares	0.00%	N/A	Long position

(1) The calculation is based on the total number of 3,718,647,789 shares of TBEA and 1,045,005,162 Shares of the Company in issue as of 31 December 2017.

(2) The calculation is based on the total number of 731,529,532 Domestic Shares of the Company in issue as of 31 December 2017.

(3) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, and as of 31 December 2017, Xinjiang Tebian directly holds 5.57% equity interest of the Company.

(4) TBEA is our Company's Controlling Shareholder and therefore an "associated corporation" of our Company within the meaning of Part XV of the SFO. As of 31 December 2017, TBEA held 628,926,449 Domestic Shares of our Company, TBEA (HONGKONG) CO., LIMITED, a wholly owned subsidiary of the TBEA, held 1,170,400 H shares of our Company, which in total accounted for approximately 60.30% of the total share capital of the Company.

(5) Mr. Zhang Xin directly holds 40.08% equity interest of Xinjiang Tebian, which directly holds 446,982,637 shares of TBEA.

Save as disclosed above, as at 31 December 2017, none of the Directors, Supervisors and chief executive of the Company have any interest or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO, which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including those being taken or deemed to have by them under such provisions of the SFO); or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTOR INSURANCE

As of the date of this annual report, the Company has bought effective Director insurance for the Directors (current and resigned).

PERMITTED INDEMNITY PROVISIONS

During the year of 2017 and up to the date of this annual report, the Company has in force indemnity provisions as permitted under the relevant statutes for the benefit of the Directors (including former Directors) of the Company or its associated companies. The permitted indemnity provisions are provided for in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against such Directors.

RIGHTS OF DIRECTORS AND SUPERVISORS TO ACQUIRE SHARES OR DEBENTURES

During the Reporting Period, no right to subscribe the Shares in or debentures of the Company or any of its associated corporations was granted by the Company to any Director, Supervisor or chief executive of the Company or their respective spouses or children aged under 18, and no such rights to subscribe the above Shares or debentures were exercised by them.

During the Reporting Period, TBEA, the Controlling Shareholder of the Company, granted restricted shares to some Directors, Supervisors and senior executives of the Company as equity incentive.

FINANCIAL, BUSINESS OR RELATIVE RELATIONSHIPS BETWEEN THE MEMBERS OF THE BOARD OF DIRECTORS

As at the date of the report, there is no financial, business or relative relationships between the members of the Board of Directors.

EQUITY INCENTIVE TO THE DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVE

The Company did not make equity incentive to the Directors, Supervisors and senior executives of the Company, but TBEA, the Controlling Shareholder of the Company, granted restricted shares to some Directors, Supervisors and senior executives of the Company as equity incentive.

EVENTS AFTER THE BALANCE SHEET DATE

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

Report of the Board of Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As of 31 December 2017, so far as known to the directors of the Company after reasonable enquiry, the following persons (other than the Directors, supervisor or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and has been entered in the register required to be kept by the Company according to Section 336 of the SFO:

Name of Shareholder	Nature of interest	Class of Shares held	Number of Shares held	Approximate percentage of shareholdings in the relevant class of Shares of the Company [1]	Approximate percentage of shareholdings in the total share capital of the Company[1]	Long position/ short position
TBEA	Beneficial Owner	Domestic Shares	628,926,449	85.97%	60.18%	Long position
Xinjiang Tebian	Beneficial Owner	Domestic Shares	58,246,308	7.96%	5.57%	Long position
Mr. Chen Weilin[2]	Interest in a controlled corporation	Domestic Shares	58,246,308	7.96%	5.57%	Long position
L.R. Capital Asia Markets Limited[3]	Beneficial Owner	H Shares	47,894,956	15.28%	4.58%	Long position
CM International Capital Limited	Beneficial Owner	H Shares	43,859,649	13.99%	4.20%	Long position
Keystone Group Ltd.[4]	Beneficial Owner	H Shares	26,420,400	8.43%	2.53%	Long position
Ms. Ouyang Xinxiang[4]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
LRC. Belt and Road Investment Limited[5]	Beneficial Owner	H Shares	26,420,400	8.43%	2.53%	Long position
Strategic Global Investment Corporation Limited[5]	Interest in a controlled corporation	H Shares	26,420,400	8.43%	2.53%	Long position
Union Sky Holding Group Limited[6]	Beneficial Owner	H Shares	17,618,800	5.62%	1.69%	Long position
Abhaya Limited[6]	Interest in a controlled corporation	H Shares	17,618,800	5.62%	1.69%	Long position
Wickhams Cay Trust Company Limited[6]	Trustee	H Shares	17,618,800	5.62%	1.69%	Long position
Ms. Shi Jing[6]	Settlor	H Shares	17,618,800	5.62%	1.69%	Long position
GF Securities Co., Ltd.[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Holdings (Hong Kong) Corporation Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Investment (Hong Kong) Company Limited[7]	Interest in a controlled corporation	H Shares	29,239,766	9.33%	2.80%	Long position
GF Energy Investment Limited[7]	Beneficial Owner	H Shares	29,239,766	9.33%	2.80%	Long position
Fubon Financial Holding Co., Ltd.[8]	Interest in a controlled corporation	H Shares	17,613,600	5.62%	1.69%	Long position
Fubon Life Insurance Co., Ltd.[8]	Beneficial Owner	H Shares	17,613,600	5.62%	1.69%	Long position
Perfect Splendour Limited	Beneficial Owner	H Shares	15,943,702	5.09%	1.53%	Long position

Notes:

(1) The calculation is based on the total number of 1,045,005,162 shares of the Company in issue on 31 December 2017, in which 313,475,630 are H Shares and 731,529,532 are Domestic Shares.

(2) Mr. Chen Weilin holds 33.61% equity interest in Xinjiang Tebian, while Xinjiang Tebian holds 5.57% equity interest of the Company directly. As a result, Mr. Chen Weilin was deemed to have an interest in 58,246,308 Domestic Shares held by Xinjiang Tebian under the SFO.

(3) According to the Company's current information, as of 31 December 2017, L.R. Capital Asia Markets Limited holds 47,894,956 H Shares.

(4) Keystone Group Ltd. is 100% owned by Ms. Ouyang Xinxiang. Therefore, Ms. Ouyang Xinxiang is deemed or taken to be interested in all the Company's Shares held by Keystone Group Ltd. for the purpose of the SFO.

(5) Chan Mei Ching and Chan Min Chi hold 47% and 51% equity interest in Strategic Global Investment Corporation Limited, respectively. Strategic Global Investment Corporation Limited holds 99% equity interest in LRC. Belt and Road Investment Limited. Therefore, each of Chan Mei Ching, Chan Min Chi and Strategic Global Investment Corporation Limited is deemed or taken to be interested in all the Company's Shares held by LRC. Belt and Road Investment Limited for the purpose of the SFO.

(6) Union Sky Holding Group Limited is 100% owned by Abhaya Limited. Abhaya Limited is 100% owned by Wickhams Cay Trust Company Limited, and Ms. Shi Jing is the settlor of the trust and Wickhams Cay Trust Company Limited is the trustee. Therefore, Ms. Shi Jing, Wickhams Cay Trust Company Limited and Abhaya Limited are deemed or taken to be interested in all the Company's shares held by Union Sky Holding Group Limited for the purpose of the SFO.

(7) GF Investment (Hong Kong) Company Limited holds 81% of the equity interest of GF Energy Investment Limited, GF Holdings (Hong Kong) Corporation Limited holds 100% of the equity interest of GF Investment (Hong Kong) Company Limited and GF Holdings (Hong Kong) Corporation Limited is 100% owned by GF Securities Co., Ltd.. Accordingly, under SFO, GF Securities Co., Ltd, GF Holdings (Hong Kong) Corporation Limited and GF Investment (Hong Kong) Company Limited are deemed to be interested in the 29,239,766 H Shares held by GF Energy Investment Limited.

(8) Fubon Financial Holding Co. Ltd. holds 100% equity interests in Fubon Life Insurance Co. Ltd.. Accordingly, under SFO, Fubon Financial Holding Co.,Ltd. is deemed to be interested in the Company's shares held by Fubon Life Insurance Co., Ltd..

Save as disclosed above, as at 31 December 2017, the Directors of the Company are not aware that any other person (other than the Directors, supervisors and chief executive Members of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or has to be entered in the register kept by the Company according to Section 336 of the SFO.

COMPLIANCE WITH OFAC UNDERTAKINGS

During the Listing of the Company, an undertaking ("OFAC Undertakings")is made to the Hong Kong Stock Exchange by the Company that the Company would not use any proceeds from the Global Offering to directly or indirectly provide to or prompt in any activities or businesses (no matter what purpose) conducted by any sanctioned objects. Hence, the Directors of the Company confirmed that the Company complied with the OFAC Undertakings during the reporting period and will continue to comply with the OFAC Undertakings in the normal course of business in future.

MANAGEMENT CONTRACT

The Company did not enter into or establish any management and administrative contracts relating to all or any material part of business during the Reporting Period.

SIGNIFICANT CONTRACTS

Apart from as disclosed under the heading of the "Connected Transaction" in this report, neither the Company nor any one of its subsidiaries has signed significant contracts with the Controlling Shareholder or any one of its subsidiaries other than the Group, and no significant contract for delivery of service has been signed between the Group and the Controlling Shareholder or any one of its subsidiaries other than the Group.

CONNECTED TRANSACTIONS

The following disclosed connected transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules, and conform to the relevant disclosure requirements. In relation to the connected transactions mentioned below, the Directors are of the opinions that the Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules. Please refer to the announcements disclosed on the website of the Stock Exchange and the website of the Company.

The following disclosed amounts in respect of the continuing connected transactions in this section are not equivalent to transactions with related parties in Note 35 to the consolidated financial statements. The differences are attributable to: (i) the amount of transactions which were one-off transactions between the Company and the respective associates of TBEA; (ii) the amount of the fully exempt continuing connected transactions.

Apart from the below and the connected transactions and continuing connected transactions as disclosed in this annual report, none of the related party transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules, which are subject to announcement or independent shareholder's approval requirements.

EXEMPT CONNECTED TRANSACTIONS

The Group conducted certain exempt continuing connected transactions.

The cap of relevant transactions for the year ended 31 December 2017 as announced has not been exceeded.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Group has the following non-exempt continuing connected transactions during the year.

For type 1 to type 3 of the non-exempt continuing connected transactions mentioned below, the Company was granted approval of an annual cap for such continuing connected transactions by Hong Kong Stock Exchange upon the listing of H Shares and exempted from the requirements relating to announcement and approval of independent shareholders. For type 1 to type 3 of the continuing connected transactions, the Group has published an announcement on the continuing connected transactions for 2016 and 2017 on 24 March 2016, and the Board proposed that the annual caps shall be revised, and obtained the approval of type 1 of the continuing connected transactions from the Independent Shareholders to amend the annual caps for 2016 and 2017.

For type 4, type 5 of the non-exempt continuing connected transactions mentioned below, the Group has published an announcement on the annual caps for continuing connected transactions for 2016 and 2017 on 24 March 2016, and the Board proposed that the annual caps for the TBEA and Xinjiang Tebian Miscellaneous Construction Services Framework Agreement for the year ending 31 December 2016 and 31 December 2017 shall be revised. By virtue of Rule 14A.76 of the Listing Rules, at least one of the annual percentage ratios of the transaction amount calculated for the purpose of the Listing Rules is more than 0.1% but less than 5%, the Company shall re-comply with annual reporting, annual review and announcement requirements in relation to such continuing connected transaction, but is exempted from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Report of the Board of Directors

The following table stated the annual cap and actual transaction amount of such transactions in 2017:

Connected Matters of the transactions	Connected Person	2017 annual cap (RMB'000,000)	2017 Actual annual transaction amounts (RMB'000,000)
1. Products Procurement Framework Agreement (Type 1)	TBEA	600	338.83
2. Coal Procurement Framework Agreement (Type 2)	TBEA	200	139.73
3. Products Procurement Framework Agreement (Type 3)	Xinjiang Tebian	50	12.04
4. Miscellaneous Construction Services Framework Agreement (Type 4)	TBEA	250	59.72
5. Miscellaneous Construction Services Framework Agreement (Type 5)	Xinjiang Tebian	250	44.91

Product Procurement Framework Agreement (Type 1)

Our Company entered into a products procurement framework agreement with TBEA, being the Controlling Shareholder of our Company on 30 October 2015, pursuant to which, TBEA and/or its associates shall provide the Company with transformers (including ancillary equipment), wires, cables and other equipment. The Products Procurement Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Products Procurement Framework Agreement.

Coal Procurement Framework Agreement (Type 2)

Our Company entered into a coal procurement framework agreement with TBEA on 30 October 2015, pursuant to which, TBEA and/or its associates shall provide coal to us. Pursuant to Coal Procurement Framework Agreement, Xinjiang Tianchi Energy Co., Ltd, a subsidiary of TBEA, provided coal to the Company for power generation and heating. The Coal Procurement Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Coal Procurement Framework Agreement.

Procurement of Products Framework Agreement (Type 3)

Our Company entered into a procurement of products framework agreement with Xinjiang Tebian on 30 October 2015, pursuant to which we will procure equipment and cabinets such as high-low voltage switch cabinet, control cabinet, electricity control cabinet, power distribution cabinet from Xinjiang Tebian and its associates. The Products Procurement Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreements which will set out the specific terms and conditions (including the pricing, quality and service standards) according to the normal commercial terms provided in the Products Procurement Framework Agreement.

Miscellaneous Construction Services Framework Agreement (Type 4)

The Company entered into a miscellaneous construction service framework agreement with TBEA on 30 October 2015, pursuant to which TBEA and/or its associates shall provide the Company with Miscellaneous Construction service (such as engineering construction, greening service, installation of water, electricity, gas and heat) (the "TBEA Miscellaneous Construction Services"). The Miscellaneous Construction Services is mainly in supporting nature which is different from the main construction service for our EPC and BT business. The TBEA Miscellaneous Construction Service Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the TBEA Miscellaneous Construction Service Framework Agreement.

Miscellaneous Construction Services Framework Agreement (Type 5)

The Company entered into a miscellaneous construction service framework agreement with Xinjiang Tebian on 30 October 2015, pursuant to which the Company shall purchase miscellaneous service (such as engineering labor, installation of electricity and gas) from Xinjiang Tebian and/or its associates. The Xinjiang Tebian Miscellaneous Construction Service Framework Agreement is for a term of 3 years commencing on the Listing Date and is subject to renewal upon mutual consent, and the relevant subsidiaries or associated companies of both parties will enter into separate agreement which will set out the specific terms and conditions (including the pricing and quality standards) according to the normal commercial terms provided in the Xinjiang Tebian Miscellaneous Construction Service Framework Agreement.

Information relating to TBEA

TBEA is a joint stock company incorporated in the PRC on 26 February 1993. As of the date of this announcement, its registered capital amounted to RMB3,718,647,789. TBEA and its close associates (excluding our Group) (the "TBEA Group") are principally engaged in: (i) the manufacturing and sale of power transformers, reactors, wires, cables and other electrical and mechanical equipment and (ii) domestic and overseas engineering and construction contracting for power transmission project, water power and thermal power station project. As of the Latest Practicable Date, TBEA is interested in approximately 60.30% of the total issued share capital of the Company, and thus is a Controlling Shareholder of the Company. Accordingly, TBEA is a connected person of the Company as defined under Chapter 14A of the Listing Rules.

Information relating to Xinjiang Tebian

Xinjiang Tebian is a company with limited liability incorporated in the PRC on 27 January 2003, with a registered capital of RMB75,000,000 as of the date of this annual report. Xinjiang Tebian is principally engaged in the production and sales of electromechanical products and transformer accessories, and industrial investment. Mr. Zhang Xin is a connected person of our Company by virtue of his position as our Director as defined under Chapter 14A of the Listing Rules. Xinjiang Tebian, being the company in which Mr. Zhang Xin holds 30% or more interest, is a connected person of the Company by virtue of it being an associate of Mr. Zhang Xin as defined under Chapter 14A of the Listing Rules.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In preparation for the Company's listing on the Main Board of Stock Exchange, the Board proposed and the Shareholders approved the Management Rules on Connected Transaction of Xinte Energy Co., Ltd. (the "Management Rules on Connected Transaction") on the Company's third extraordinary general meeting on 2 June 2015 to identify, record and monitor the Company's connected transactions (including continuing connected transactions) to confirm with the requirements of the Listing Rules. The Management Rules on Connected Transaction sets out the detailed authorisation criteria for the connected transactions (including continuing connected transactions), provides that such review and approval by the Company shall comply with the applicable rules and regulations, including the Listing Rules, and the Company's Articles of associations.

The Audit Committee of the Company are responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms; it would discuss with our subsidiaries and business departments to determine the annual caps and performance of the Company's connected transactions; it shall also report to the secretary of the board of directors and the Supervisors on the Group's continuing connected transactions on a regular basis. If based on the monitoring report it is anticipated that there is a need to revise the annual caps, the Company will comply with the relevant requirements under Listing Rules to issue an announcement, report to the Independent Board Committee and/or seek for independent Shareholders' approval after the Board's review and approval (as the case may be).

The directors of the Company (including the independent non-executive directors) has monitored and supervised the compliance of the connected transactions with the Chapter 14A of the Listing Rules of Hong Kong in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have also provided the continuing connected transactions related information to the directors (including the independent non-executive directors) mentioned above and the finalization of the internal control procedures. Under the overseeing of the management, the Company has strictly implemented the risk management and internal control procedures in relation to the continuing connected transactions in accordance with the Management Rules on Connected Transaction, and the Company's internal auditors have audited the continuing connected transactions above on the same basis. The Company's internal control advisor has also reviewed the Rules and confirmed that the Rules are sufficient enough to manage the Company's internal control in connection with the Company's connected transactions. The designing of the existing related-party transaction policy is effective. The directors of the Company (including the independent non-executive directors) has also reviewed the relevant information in accordance with the Management Rules on Connected Transaction to ensure that each of the ongoing continuing transactions above is conducted within the price policy or system under the Framework Agreement.

The independent non-executive directors of the Company have reviewed the continuing connected transactions above, taking into consideration of the report from executives of the risk management and internal control as well as information about continuing connected transactions, and confirmed that such transactions:

(1) conducted in the normal course of business of the Group;

(2) conducted pursuant to normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, those terms should not be less favorable than the terms accepted or provided by independent parties; and

(3) conducted in accordance with the terms of agreement related to the transactions and the terms were fair and reasonable and in the interests of shareholders of the Company as a whole.

CONFIRMATION OF AUDITORS

The Group's external auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA. The external auditor has issued their letter containing their findings and conclusions in respect of the above mentioned transactions in accordance with Rule 14A.56 of Listing Rules. The Company has provided a copy of the said unqualified letter to Hong Kong Stock Exchange.

Based on its work, the auditor of the Company has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

(1) nothing has come to the auditor's attention that causes auditor to believe that the aforesaid continuing connected transactions under the section headed "Non-exempt continuing connected transactions" have not been approved by the Company's board of directors.

(2) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes auditor to believe that the aforesaid continuing connected transactions under the section headed "Non-exempt continuing connected transactions" were not, in all material respects, in accordance with the pricing policies of the Group.

(3) nothing has come to the auditor's attention that causes auditor to believe that the aforesaid continuing connected transactions under the section headed "Non-exempt continuing connected transactions" were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) with respect to the aggregate amount of each of the aforesaid continuing connected transactions under the section headed "Non-exempt continuing connected transactions", nothing has come to the auditor's attention that causes auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

For the connected transactions, Directors had also confirmed the Group's compliance with the disclosure requirements of Chapter 14A of Listing Rules.

BUSINESS REVIEW

In 2017, the Group conscientiously implemented the Electric Power Law of the People's Republic of China (《中華人民共和國電力法》) and the Renewable Energy Law of the People's Republic of China, Notice Regarding the Adjustment to Benchmark On-Grid Tariffs of PV and Onshore WindPower Generation (《關於調整光伏發電陸上風電標桿上網電價的通知》) issued by the NDRC and the Guidance Views on Renewable Energy Development in the Implementation of the "13th Five-year Plan" (《關於可再生能源發展「十三五」規劃實施的指導意見》) issued by NEA. The Group has strictly complied with the relevant laws and regulations and has not been punished by the relevant regulatory authorities in 2017. For more details, please see the sections in "Management Discussion and Analysis" and "Human Resources".

A review of the business of the Group during the year and a discussion on the Group's future business development are set out in pages 32 to 35 of this report. Description of possible risks and uncertainties that the Group may face can be found in pages 35 to 36 of this report. Particulars of the important events affecting the Group since the end of this year are set out in page 67 of this report. An analysis of the Group's performance during the year using financial key performance indicators is set out in pages 24 to 32 of this report.

ENVIRONMENTAL POLICY AND PERFORMANCE

In compliance with the laws and regulations of environmental protection under the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and Law of the People's Republic of China on Appraising of Environment Impacts (《中華人民共和國環境影響評價法》), the Group formulated relevant internal system focusing on areas such as management on emission of waste gas, waste water and solid residue, site management on the environment, environmental monitoring, clean manufacturing, evaluation and performance, for the purpose of a standardized production environment to ensure the environmental quality, and improved the environmental governance level of the Group with the correct policies and guidelines on an ongoing basis.

The Group has established environmental management systems (ISO14001) and obtained the relevant certifications. The Group has also implemented a comprehensive pollution and environmental protection control system, adopting stringent measures to control the discharge of pollutants during our business operations. In particular, our advanced closed-loop polysilicon production process not only promotes production efficiency but also significantly reduced pollution. The Group has taken various measures to reduce the impact of our polysilicon production on the environment. These measures include monitoring and controlling solid waste, waste water, exhaust fumes, and noise.

In our ECC and BOO business, the Group placed an emphasis on environmental protection and strive to conduct our research and development activities on an environmentally friendly basis and use environmentally-friendly technologies and products.

In 2017, the Group did not suffer any material environmental accidents or instances of pollution and we were not subject to any material administrative penalties due to environmental accidents or pollution. As of the Latest Practicable Date, the Group had not been subject to any material fines or legal action involving non-compliance with any PRC environmental law or regulation, or received any warning or pending action from any environmental regulatory authority in China or overseas.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

Our Controlling Shareholder TBEA has undertaken on 16 June 2015 (the "Non-competition Undertaking"), that TBEA, its subsidiaries and its associates (except for any members of our Group) will not carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved or interested (economically or otherwise) in any business investment activities (excluding the CNNC EPC Project, the EGing Project and the Roof EPC Project) which compete or are likely to compete, alone or with other persons, directly or indirectly, with our business (the "Restrained Businesses").

The Non-competition Undertaking does not apply to (i) the holding of any equity interests in any members of our Group; and (ii) the holding of securities in a company that is engaged in the Restrained Business and whose securities are listed on any stock exchange; provided that TBEA or its associates do not individually or in aggregate hold or control the voting rights in respect of 10% or more of the issued share capital of such company; provided that such holding of voting rights does not grant TBEA or its close associates any right to control the composition of the board of directors of such company, none of the members of TBEA group controls the board of directors of such company and such holding of voting rights does not grant TBEA or its close associates any right to participate, directly or indirectly, in such company.

As of the Latest Practicable Date, no decisions are required to be made by our independent non-executive Directors as stipulated by the Non-competition Undertaking relating to exercise or non-exercise of options for New Business Opportunities, pre-emptive rights and Option for purchase which would need to be disclosed in the annual report.

The independent non-executive Directors have reviewed TBEA's compliance with the "Non-competition Undertaking". As of the Latest Practicable Date, there is no breach of Non-competition Undertaking by TBEA.

PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

Pursuant to the PRC laws and requirements of the Articles of Associations, the Company has no pre-emptive rights or share option.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 27 to the consolidated financial statements.

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

EQUITY-LINKED AGREEMENT

For the year ended 31 December 2017, the Group has not entered into any equity-linked agreement.

PUBLIC FLOAT

Based on the publicly available information to the Group, so far as to the Directors knowledge, no less than 25% of the shares of the Group in issue are held by the public as at the Latest Practicable Date prior to the publication of this annual report, which complied with the requirement of the Listing Rules.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODES

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

ARTICLES OF ASSOCIATION

On 28 December 2017, the amendments to the Articles of Association of the Company were considered and approved at the first extraordinary general meeting in 2017.

MAJOR LEGAL PROCEEDING

As of 31 December 2017, the Group was involved in one major legal proceedings, which have been disclosed in the 2017 interim report:

Jiangsu Zhongneng Case:

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. ("Jiangsu Zhongneng") initiated a civil lawsuit against us with the People's Court in Jiangsu for alleged infringements by us of certain intellectual property rights and trade secrets which claimed to be owned by Jiangsu Zhongneng, including STC hydrochlorination technology, high-efficiency and energy saving CVD reactor and silane-based FBR technology. Jiangsu Zhongneng sought a compensatory damage of RMB60 million against us, while demanding that the Company to bear reasonable costs of RMB2 million and legal costs of this case. In December 2014, after our appeals, the Supreme People's Court in China ruled in our favour that the People's Court in Jiangsu lacked jurisdiction and this case should be heard in a court based in Xinjiang. In addition, Jiangsu Zhongneng has withdrawn its claim against us in relation to the infringement of intellectual property rights in December 2014.

Given that (i) we have never applied the silane-based FBR technology in our Polysilicon Production business, and (ii) the STC hydrochlorination technology and high-efficiency and energy saving CVD reactor which we used in our production were both purchased from legitimate third-party suppliers under valid purchase agreements, the Company believe that we did not infringe upon the intellectual property rights and trade secrets of Jiangsu Zhongneng. As of the Latest Practicable Date, this legal proceeding is being transferred to a court based in Xinjiang and therefore has not been commenced, and Jiangsu Zhongneng has not submitted any substantive evidence for the court to review and judge the case on the merits.

Save as the relevant information disclosed in 2017 Interim report of the Company, there is no other update for the case.

Except for the above-mentioned proceeding, as of 31 December 2017, the Group was not involved in any major legal proceedings or arbitrations. So far as the Directors are aware, no such litigation or claims are pending or threatened against the Group.

AUDIT COMMITTEE

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

AUDITOR

PricewaterhouseCoopers has been appointed as the auditor of the Company's consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2017. PricewaterhouseCoopers has audited the accompanying consolidated financial statements, which were prepared in accordance with the IFRS. The Company has retained PricewaterhouseCoopers since the date of preparation of its Listing.

FINANCIAL SUMMARY

The summary of operating results, assets and liabilities of the Group for the year ended 31 December 2017 is set out on pages 10 to 11 of this annual report.

張建新

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

Xinjiang, 23 March 2018

Report of Supervisory Board

The current session of the Supervisory Board was re-elected upon approval by the 3rd Extraordinary General Meeting and the first meeting of the second session of the Supervisory Board of the Company convened on 2 June 2015, and consists of five Supervisors, two of which are employee representative supervisors. In 2017, the Supervisory Board of the Company, for the long-term interests of the Company and rights and interests of Shareholders, dutifully supervised the performance of duties by Directors and senior management personnel of the Company in strict accordance with laws such as PRC Company Law, regulations, rules and normative documents, the Articles and Rules of Procedure for Meetings of the Supervisory Board of the Company, as well as the Listing Rules of Hong Kong Stock Exchange. Following is a report of the principal work of the Supervisory Board during the Reporting Period:

1. SUPERVISORY BOARD MEETINGS

During the year, a total of 5 Supervisory Board meetings took place. The Supervisory Board has considered and approved, among others, the annual report and results announcement, the report of the supervisory board for the year ended 31 December 2016, the proposal of non-exempt continuing connected transactions for the year of 2016, the announcement of the key financial information for the first quarter of 2017, the results announcements for the first half and the third quarter of 2017, and the resolution in relation to non-exempt continuing connected transactions between the Company and TBEA and Xinjiang Tebian from 2018 to 2020.

All the Supervisors attended the above meetings.

2. INDEPENDENT OPINIONS OF THE SUPERVISORY BOARD

The Supervisory Board made the following observations regarding relevant aspects of the Company during the year:

1. Compliance with Laws and Regulations in the Course of Company Operations

During the Reporting Period, the Supervisory Board attended all Board meetings and general meetings. The Supervisory Board also supervised the Board and general meeting procedures and proposal discussions, the Board's implementation of decisions made during general meetings, the ability of senior management employees to perform their duties, the implementation of various management policies of the Group, and the Group's operational performance. The Supervisory Board believes that the Company operated in compliance with required standards, made lawful and rational decisions, acted in compliance with its corporate governance structure, and established adequate internal controls. Directors and senior management of the Company performed their duties with responsibility, integrity and diligence, and strictly implemented the various decisions of the general meetings. The Supervisory Board did not find any activities that were unlawful, out of compliance with government or Company regulations, or damaging to the Company or shareholders' interest.

Report of Supervisory Board

2. **Financial Position of the Group**

   The Supervisory Board carefully inspected the Group's periodic financial report and financial policies during the Reporting Period. The Supervisory Board believes that the Group's financial department's internal control system is complete, and is continuously being improved. The Supervisory Board believes all policies and systems were strictly implemented, and therefore effectively guaranteed the successful functioning of the Group's production and operation. During 2017, the Group's financial position was sound, financial management was effective, the consolidated financial statements were complete and objective, and truthfully reflected the Group's financial position and operational performance. The Supervisory Board believes that the 2017 annual audit report with unqualified opinion issued by PricewaterhouseCoopers was true and fair.

3. **Connected Transactions of the Group**

   During the Reporting Period, the pricing method of the connected transaction agreements were in accordance with accepted business practices and the relevant rules and regulations, demonstrating the principles of fairness and equality. The Supervisory Board believes that, during the year 2017 there were no abuse of power that would damage the Group or shareholders', especially medium and small shareholders' interests.

Chen Qijun
Chairman of the Supervisory Board
Xinjiang, 23 March 2018

Corporate Governance Report

The Board of the Company hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2017.

1. THE BOARD

1.1 Composition of the Board

As of 31 December 2017, the Board consisted of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors.

The biographical details of the Directors as at the date of this report are set out on pages 37 to 39 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among members of the Board. The structure of the Board is well balanced with each Director having sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the Shareholders.

Since the Listing of the Company, the Board has been in compliance with the requirement of the Listing Rules in relation to the appointment of at least three independent non-executive Directors. It has also complied with the requirement which requires that independent non-executive Directors shall represent at least one third of the Board. The three independent non-executive Directors of the Company fully meet the requirements under Rule 3.10(1) and (2) of the Listing Rules. In addition, the Company has received annual confirmations from each of independent non-executive Directors as to their respective independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considers all independent non-executive Directors to be independent pursuant to the requirements as set out in the Listing Rules.

Corporate Governance Report

The composition of the Board is set out as follows:

Name	Position	Term of office
Mr. Zhang Jianxin	Chairman and Executive Director	2015.6-2018.6
Mr. Ma Xuping	Executive Director	2015.6-2018.6
Mr. Yin Bo	Executive Director	2015.6-2018.6
Mr. Zhang Xin	Non-executive Director	2015.6-2018.6
Ms. Guo Junxiang	Non-executive Director	2015.6-2018.6
Mr. Tao Tao(1)	Non-executive Director	2017.6-2018.6
Mr. Wang Jian(2)	Non-executive Director	2015.6-2017.4
Mr. Qin Haiyan	Independent Non-executive Director	2015.6-2018.6
Mr. Yang Deren	Independent Non-executive Director	2015.6-2018.6
Mr. Wong, Yui Keung Marcellus	Independent Non-executive Director	2015.6-2018.6

(1) Mr. Tao Tao was appointed as a non-executive director and the member of the Audit Committee on 16 June 2017

(2) Mr. Wang Jian resigned as a non-executive director and member of the Audit Committee of the Company on 8 March 2017

Pursuant to the Corporate Governance Code and the Corporate Governance Report of Appendix 14 to the Listing Rules, the Company has adopted the Board Diversity Policy of Xinte Energy Co., Ltd. (《新特能源股份有限公司董事會成員多元化政策》).

1.2 Board Meetings

Pursuant to the Articles of Association, the Board is required to hold at least four meetings each year and such meetings shall be convened by the Chairman. A notice of the Board meeting shall be sent to all Directors at least 14 days prior to the convening of the meeting, to enable them to attend the meeting and incorporate the related matters in the agenda.

In 2017, the Board convened 13 meetings and submitted 13 resolutions to the general meeting. The attendance of the Directors at Board meetings is as follows:

Name	Number of meetings required to be attended	Number of meetings attended	Number of meetings attended by proxy
Mr. Zhang Jianxin	13	13	0
Mr. Ma Xuping	13	13	0
Mr. Yin Bo	13	13	0
Mr. Zhang Xin	13	13	0
Ms. Guo Junxiang	13	13	0
Mr. Tao Tao(1)	6	6	0
Mr. Qin Haiyan	13	13	0
Mr. Yang Deren	13	13	0
Mr. Wong, Yui Keung Marcellus	13	13	0
Mr. Wang Jian (resigned on 8 March 2017)	1	1	0

(1) Mr. Tao Tao was appointed as a non-executive director and the member of the Audit Committee on 16 June 2017

1.3 Duties and Powers Exercised by the Board of Directors and Management

The Board of Directors has the following, among others, duties and powers according to the Articles of Association:

- convening general meetings and presenting reports thereto;
- implementing the resolutions made at the general meetings;
- determining the Company's business and investment plans;
- working out the Company's annual financial budget plans and final account plans;
- working out the Company's profit distribution plans and loss recovery plans;
- working out the Company's plans on the increase or reduction of registered capital, as well as on the issuance of shares, bonds or other securities and listing plans;
- formulating proposals for material acquisitions, purchase of shares of the Company, merger, split-up, dissolution and change of the nature of the Company;

- deciding on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, etc. of the Company within the scope authorized by the general meeting;

- deciding on the establishment of the Company's internal management departments;

- the appointment or dismissal of general manager and the Board secretary of the Company; the appointment or dismissal of the Board secretary and deputy general manager, chief accountant and other senior management personnel according to the nomination of Chairman of the Board and the general manager, respectively as well as deciding on their remuneration and incentives;

- formulating the Company's basic management system;

- formulating the plan for modification of the Articles of Association of the Company;

- proposing the employment or replacement of the accounting firm which audits the Company's accounts to the general meeting;

- hearing the manager's work report and check the general manager's work;

- reviewing any major transaction, very material disposal, very material acquisition and anti-acquisition action of the Company under the Hong Kong Listing Rules, and presenting the same to the general meeting for approval;

- approving any notifiable transaction under the Hong Kong Listing Rules except for those major transactions, very material disposal, very material acquisitions and anti-acquisition actions;

- approving the connected transactions not subject to the approval at the general meeting or announcement under the Hong Kong Listing Rules;

- reviewing the connected transactions requiring the approval at the general meeting under the Hong Kong Listing Rules;

- other duties and powers stipulated by laws, regulations and the listing rules of the stock exchange where the Company's Shares are listed and conferred by the general meeting and the Articles of Association of the Company.

The Board of Directors shall also be responsible for the followings: implementing, reviewing and improving the corporate governance system and condition of the Company; reviewing and supervising the training and continuing professional development of Directors and senior management; reviewing and supervising the Company's policies pursuant to and the compliance with laws and relevant regulations of the securities regulatory authority where the Shares are listed and making relevant disclosure; formulating, reviewing and supervising the code of conduct and relevant compliance manual of the Company's employees and directors.

The Company's management comprises general manager, deputy general manager, chief accountant, the secretary of the Board, chief machinist and chief safety director. The general manager is accountable to the Board and exercises the duties and powers below:

- to take charge of the production operations and management tasks and organize the implementation of the Board's resolution, and to report his/her work to the Board;
- to organize the implementation of the Company's annual operating plan and investment plan;
- to devise the set-up of the Company's internal management structure;
- to formulate the basic management policy of the Company;
- to formulate the specific rules of the Company;
- to propose the appointment or dismissal of the deputy general manager, chief accountant, chief machinist, chief safety director and other senior management;
- to appoint or dismiss management personnel, apart from those requiring the approval from the Board for their appointment or dismissal;
- other duties and powers conferred by the Articles of Association of the Company or the Board.

1.4 Chairman and General Manager

The positions of the Chairman and the General Manager (i.e., the chief executive officer under the Listing Rules) of the Company are held by different persons in order to ensure independence and accountability of their respective functions and balanced distribution of power and authority between them. Mr. Zhang Jianxin and Mr. Yin Bo served as the Chairman and the General Manager respectively, whose powers and responsibilities were clearly divided according to the Articles of Association.

1.5 Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall be elected at Shareholders' meetings with a term not more than three years, subject to re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts have a term of three years.

1.6 Directors' Remuneration

During the Reporting period, the Company paid RMB120,000 to each independent non-executive Director (before tax, individual income tax shall be withheld by the Company). Non-executive Directors will not receive remuneration from the Company. While executive Directors will receive their remuneration corresponding to their management position according to the regulations about remuneration of the Company.

1.7 Training of Directors

All Directors participated in continuous professional development in 2017 to develop and refresh their knowledge and skills in order to ensure that their contribution to the Board remains informed and relevant. Details of the Directors' training during the year 2017 are set out as belows:

Name	Position	Training hours	Areas covered in the training
Mr. Zhang Jianxin	Chairman and Executive Director	No less than 60 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Mr. Yin Bo	Executive Director and general manager	No less than 75 hours	Corporate governance and relevant regulations, corporate management, industry research, human resources, market analysis, etc.
Mr. Ma Xuping	Executive Director	No less than 60 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Zhang Xin	Non-executive Director	No less than 60 hours	Corporate governance and relevant regulations, macro economy, corporate management, industry research, strategy planning, human resources, capital operation, etc.
Ms. Guo Junxiang	Non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, information disclosure, corporate governance, finance, corporate management, capital operation, etc
Mr. Tao Tao(1)	Non-executive Director	No less than 80 hours	Corporate governance and relevant regulations, corporate management, industry research, strategy planning, etc.
Mr. Qin Haiyan	Independent non-executive Director	No less than 72 hours	Corporate governance and relevant regulations, corporate management, strategy planning, industry research, etc.
Mr. Yang Deren	Independent non-executive Director	No less than 70 hours	Corporate governance and relevant regulations, corporate management, research of new energy materials, etc.
Mr. Wong, Yui Keung Marcellus	Independent non-executive Director	No less than 20 hours	Corporate governance and relevant regulations, corporate governance, audit, accounting, tax and financial management, etc.

(1) Mr. Tao Tao was appointed as a non-executive director and the member of the Audit Committee on 16 June 2017

1.8 Corporate Governance Functions

The corporate governance functions were performed by the Board. The corporate governance functions are to develop and review the Company's policies and practices on corporate governance to comply with the Corporate Governance Code and other legal or regulatory requirements and make recommendations to the Board, to oversee the Company's orientation program for new Directors, to review and monitor the training and continuous professional development of Directors and senior management, to develop, review and monitor the code of conduct applicable to employees and Directors and compliance manual, and to review the Company's disclosure in the Corporate Governance Report.

The Board of the Company has developed the corporate governance policy of the Company and has fulfilled its duties. Meanwhile, it has developed and reviewed the Company's policies and practices on corporate governance and made recommendations to the Board. In addition, it has reviewed and confirmed the following matters:

- Compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report;
- the Company has complied with the policies and practices on legal and regulatory requirements;
- the code of conduct applicable to employees and Directors of the Company has been implemented;
- the Directors, Supervisors and senior management of the Company have participated in training and continuous professional development.

2. BOARD COMMITTEES

There are four Board committees, namely the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee.

2.1 Audit Committee

The Audit Committee consists of five Directors, including three independent non-executive Directors, namely Mr. Wong, Yui Keung Marcellus, Mr. Yang Deren, Mr. Qin Haiyan and two non-executive Directors, namely Mr. Tao Tao and Ms. Guo Junxiang, with Mr. Wong, Yui Keung Marcellus as the chairman of the Committee.

The Audit Committee is mainly responsible for the internal and external communication on audit, supervision and checking work of the Company, including:

1. to make suggestions to the Board for the appointment, re-appointment and change of external auditors, handle issues relating to the resignation or removal of such external auditors and make suggestions for the appointment contracts and audit fees of the relevant external auditors; to evaluate the work of external auditors, and supervise the independence, objectivity, and the effectiveness, quality and results of work procedures of external auditors;

2. to supervise the internal audit system of the Company and its implementation;

3. to guide and evaluate the work of the internal auditing department, and to make suggestions as to the appointment and removal of the head of the internal auditing department;

4. to audit the financial statements of the Company and its disclosure;

5. to review and supervise the effective implementation of the financial reporting system, internal control system and risk management system of the Company;

6. to reivew and discuss the following arrangements made by the Company: whistle blower system for employees of the Company to report on any potential misconducts regarding the financial reporting, internal control and other aspects; to ensure that the Company has put in place appropriate arrangements to carry out fair and independent investigations and follow-up actions to such issues; to serve as the major channel between the Company and the external auditors and to supervise their relationship;

7. to review and supervise connected transactions and to evaluate the suitability of the connected transactions;

8. other duties as conferred by the Board;

9. to review the routine matters on risk as presented by the management and internal review team, including but not limited to the Company's corporate risk management structure, evaluation of internal monitoring system, appendix to the global risk tolerance structure, risk tolerance and latest information on risks in business market; and

10. to review the sufficiency in terms of allocation, qualification and experience of staff in the risk and compliance monitoring department of the Company and the training and budget for them.

The Audit Committee held six meetings during the Reporting Period. The Audit Committee considered and approved the matters in relation to, among others, the Company's final financial report of 2016, annual report of 2016, the resolution for non-exempt continuing connected transactions in 2016, results announcements for the interim and the third quarter of 2017, and proposals for the non-exempt continuing connected transactions expected to be entered into between the Company and TBEA and Xinjiang Tebian from 2018 to 2020. The Audit Committee has held regular meetings with the risk monitoring team on an annual basis in accordance with its terms of reference without the presence of management.

2.2 Remuneration and Assessment Committee

The Remuneration and Assessment Committee of the Company consists of five Directors, including three independent non-executive Directors, namely Mr. Yang Deren, Mr. Qin Haiyan and Mr. Wong, Yui Keung Marcellus, and two executive Directors, namely Mr. Zhang Jianxin and Mr. Ma Xuping, with Mr. Yang Deren as the chairman.

The Company has adopted the model as suggested by Remuneration and Assessment Committee to the Board to determine the remuneration packages of executive directors and senior management.

The main duties of the Remuneration and Assessment Committee are to formulate the appraisal standards of Directors and managers of the Company and to conduct the appraisal, and to develop and review the remuneration policies and schemes of the Directors and managers of the Company. Details are as follows:

1. to make suggestions to the Board for the appraisal standards, general remuneration policies and structure for the Company's Directors and senior management, and for the establishment of formal and transparent procedures for the formulation of such remuneration policies, and to review the performance appraisal standards and conduct appraisal for Directors and senior management, and to provide corresponding suggestions;

2. to review and approve the proposed remuneration of the management according to corporate operating objectives, and to make suggestions to the Board for the specific remuneration packages for Directors and senior management, including performance-based remuneration schemes. The Remuneration and Assessment Committee shall consider factors including the remuneration paid by comparable companies, time commitments and duties of the Directors, employment conditions of other positions of the Company, and whether the remuneration shall be based on the results performance; to make recommendations to the Board on or determine, based on the authorization, the remuneration packages of individual executive Directors and senior management, which include non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their office or appointment);

3. to appraise the work performance of Directors and senior management based on the appraisal scheme, and to decide on their remuneration, incentive and punishment;

4. to make suggestions to the Board for the remuneration package of individual executive Directors and senior management, including non-monetary benefits, pensions and compensation payments (including any compensation for the loss or termination of their office or appointment);

5. to make suggestions to the Board for the remuneration of non-executive Directors;

6. to make suggestions to the Board for the relevant compensation paid to executive Directors and senior management for their loss or termination of office or appointment, and the compensation arrangements regarding the removal or dismissal of Directors due to their misconduct (and to ensure the arrangements conform to the terms of services contracts between such Directors and the Company, or that otherwise the compensation shall be reasonable and appropriate);

7. to ensure that none of the Directors participate in determining his own remuneration;

8. to be responsible for monitoring and supervising the implementation of the Company's remuneration system; and

9. other duties as conferred by the Board.

There was one meeting held by the Remuneration and Assessment Committee during the Reporting Period. The Remuneration and Assessment Committee convened a meeting on 23 March 2017 to consider and approve the remuneration plan for Directors and supervisors of the Company for 2017 and the report for reviewing the remuneration of senior management of the Company for 2017.

2.3 Nomination Committee

The Nomination Committee consists of five Directors, including three independent non-executive Directors, namely Mr. Qin Haiyan, Mr. Yang Deren and Mr. Wong, Yui Keung Marcellus, and an executive Director Mr. Yin Bo, and a non-executive Director Mr. Zhang Xin, with Mr. Qin Haiyan as the chairman.

The main duties of the Nomination Committee are to select the candidates of, as well as the selection criteria and procedures for selecting, Directors and management officers of the Company, and make suggestions therefor. Details are as follows:

1. to review the selection criteria and procedures of Directors and senior management and make suggestions therefor to the Board;

Corporate Governance Report

2. to review the structure, size and composition (including the skills, knowledge and experience of Directors) of the Board at least once a year, and make suggestions in respect of any changes to the Board due to the change of corporate strategies of the Company; and the Nomination Committee shall formulate the Board diversity policy;

3. to identify appropriate candidates from talent markets within and outside China and within the Company;

4. to make suggestions to the Board regarding the candidates of Directors and senior management, to examine the qualifications of candidates for the role of Directors and senior management, and to make suggestions to the Board in respect of the appointment or reappointment of Directors and the succession plans of Directors, particularly the chairman of the Board and president;

5. to evaluate the independence of independent non-executive Directors; and

6. other duties as conferred by the Board.

The Nomination Committee considered that the composition of the Board of the Company was in compliance with the requirement of the “Board Diversity Policy” during the Reporting Period.

There were two meetings held by the Nomination Committee during the Reporting Period. As at 31 December 2017, according to provisions of relevant laws and regulations and the Articles of Association and subject to the Company’s actual situation, the Nomination Committee has reviewed the criteria and procedures for selection and terms of office of the Company’s Directors and senior management. Proposals formed in this regard were submitted to the Board for consideration, approval and implementation, which included reviewing the structure, size and composition of the Board, and making recommendations to the changes of composition of the Board in accordance with the corporate strategy of the Group. The Nomination Committee has evaluated the current structure of the Board, including the size and composition, skills, knowledge and experience, with respect to its diversity policy. The Nomination Committee convened a meeting on 23 March 2017 to consider the matters in relation to the structure, size and composition of the Board of Directors of the Company, and the independence of the independent non-executive Directors. On 17 Arpil 2017, the Nomination Committee convened another meeting to consider the proposal to recommend Mr. Tao Tao as the candidate for a non-executive director of the second session of the Board of Directors of the Company.

2.4 Strategy Committee

The Strategy Committee consists of five Directors, including two independent non-executive Directors, namely Mr. Yang Deren and Mr. Qin Haiyan, executive Director Mr. Zhang Jianxin, Mr. Ma Xuping and a non-executive Director Mr. Zhang Xin, with Mr. Zhang Jianxin as the chairman.

The main duties of the Strategy Committee are to review the Company's long-term development strategy and major investment decisions and to make suggestion therefor. Details are as follows:

1. to review the Company's long-term development strategic plans and propose suggestion;

2. to review major investment financing programs which require the approval of the Board as stated in the Articles of Association and propose suggestion;

3. to review major capital operation and assets management projects which require the approval of the Board as stated in the Articles of Association and propose suggestion;

4. to review other significant matters affecting the Company's development and propose suggestion;

5. to check the implementation of the above matters; and

6. other duties as conferred by the Board.

There were no meetings held by the Strategy Committee during the Reporting Period.

2.5 The attendance of the Directors at the Board committee meetings is as follows:

	Meetings Attended/Held		
Name	**Audit Committee**	**Remuneration and Assessment Committee**	**Nomination Committee**
Zhang Jianxin	N/A	1/1	N/A
Ma Xuping	N/A	1/1	N/A
Yin Bo	N/A	N/A	2/2
Tao Tao[1]	3/6	N/A	N/A
Zhang Xin	N/A	N/A	2/2
Guo Junxiang	6/6	N/A	N/A
Qin Haiyan	6/6	1/1	2/2
Yang Deren	6/6	1/1	2/2
Wong, Yui Keung Marcellus	6/6	1/1	2/2

(1) Mr. Tao Tao was appointed as a non-executive director and the member of the Audit Committee on 16 June 2017

3. INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors of the Company meets the independence guidelines set out in Rule 3.13 of the Listing Rules and has provided to the Company the requisite annual confirmation as to his independence. None of the independent non-executive Directors of the Company has any business with or significant financial interests in the Company or its subsidiaries and therefore all the independent non-executive Directors continue to be considered by the Company to be independent.

4. DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2017.

The Board is responsible for presenting a clear and specific assessment of annual and interim reports, price sensitive information and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment and approval, as appropriate, of the financial information and position of the Group.

There are no material uncertainties relating to events or conditions that may cast material doubts on the Company's ability to continue as a going concern.

In addition, the Company has arranged appropriate insurance cover in respect of possible legal actions and liabilities against the Directors.

5. COMPLIANCE WITH THE CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct governing dealings by its Directors and Supervisors in the securities of the Company. Having made specific enquiry of the Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they have strictly complied with the required standards set out in the Model Code during the Report Period. The Company has also set up guidelines in respect of the dealings by its relevant employees (as defined in the Listing Rules) in the Company's securities, which are on no less exacting terms than the Model Code. The Company is not aware of any breach of the guidelines by its relevant employees.

The Board will examine the corporate governance practices and operation of the Company from time to time in order to ensure compliance with relevant requirements under the Listing Rules and to protect Shareholders' interests.

6. INTERNAL CONTROL SYSTEM

The Board is responsible to maintain a sound and effective internal control. During the Reporting Period, in order to fulfill the relevant regulatory requirements for the Company to list in Hong Kong and strengthen the internal control management of the Company, the Group has established a range of internal control management systems, including documents such as System for Information Disclosure, System for Connected Transactions, Capital Management System, System for Procurement, System for Budget, Internal Audit System, and Risks Management System, thus further completed the internal control system.

The Directors have reviewed the effectiveness of the internal control systems of the Company and its subsidiaries according to code provision C.2.1 of the Corporate Governance Code and Corporate Governance Report set out in the Chapter 14 of the Listing Rules. The review covered financial control, operation control and compliance control and risk management function control.

The Board of Directors conducted a review of financial control, operation control, compliance control, risk management and other internal control systems of the Company and its subsidiaries during the Reporting Period. The total assets of the main entities under such review accounted for 99.85% of the aggregate assets in the consolidated financial statements, and the total operating revenue accounted for 99.55% of the aggregate revenue in the consolidated financial statements. In addition, the Company emphasized on the assessment on operating revenue recognition, project construction contracting, logistics business, investment in fixed assets, factoring business, non-operating income and capitalization of research & development expenditure in high-risk fields. The Company carried out a review work every half year and assessment work once a year, in order to continuously optimize the internal control system.

The internal control system of the Company includes the improvement of organizational structure under the supervision of the Audit Committee, and all-round implementation of policies and standards. The terms of reference of each functional department should be clearly set out in writing, so as to ensure the clear division of labour and effective balance among departments. The Company has also adopted a number of systems and procedures as proposed by the internal control adviser to identify, monitor and report the major risks confronted by the Company.

(1) Supervision and evaluation of risk control and internal control system

Due to the continued construction of risk control system by the Group, the risk management was continuously strengthened. The focus of risk control was placed on completion of the setting of organizations, extending the coverage of risk control system to all branches and subsidiaries, entering into the statement on goals and responsibilities of risk control, monthly risk and internal screening, streamlining risk control talent map, training on risk control and compliance, streamlining and completion of risk case library, etc.; organized and launched over 20 trainings on risk control and compliance involving 7,154 persons, organized full launch of risk control and compliance exams; besides, risk control self-assessment, identification of differences, and effective rectification were conducted. For the remaining rectification items, the risk control office performed weekly follow-up and notification at morning conference, to promote up-to-standard risk control and rectification in an all-round way.

The construction of internal control system of the Group was proceeded with continuously. The construction and streamlining of internal control system for all branches, subsidiaries and business segments of the Company were completed in accordance with the internal control system streamlining plan to ensure the effective operation of internal control system.

In order to let risk and internal control meet standards in the year, the Company and its subsidiaries continued to reinforce the implementation of risk and internal control:

- On the basis of the existing internal control team, the Group updated the staff employment requirements, and engaged the members of internal control team in accordance with the latest employment requirements and organizational structure;

- Through cooperation with the external consulting agency, in streamlining the internal control process, matrix, etc., the Group updated the documents of its internal control system;

- The internal control examination was carried out simultaneously with the rectification for risk control. The stress of the rectification was laid on the lack or failure of system and unreasonable process of system found in the internal control process. All staff has firmly established the idea of integrating business development with risk control and internal control. The Group adhered to corporate governance in accordance with laws and regulations, and regarded internal control as the foundation, with a view to build the three lines of defense for risk management;

- In accordance with the annual arrangement for internal control of the Group, internal control examination was performed for key business units. It was planned to cover all key businesses and help business departments streamline their processes and systems to ensure more efficient and normalized operation and management.

(2) Prevention and control of operating risks

For the key operating sections exposed to risks, the audit system of the Group conducted 85 special audits in terms of tender management, financial management, assets management, bill management, inventory management, accounts receivable management, cost management, quality management, supplier management, engineering project management, safety management, etc., covering all key risky businesses. Moreover, special arrangement and implementation were made for annual operation audit, monthly special audit, audit for economic benefits of project companies, tracking audit for internal and external engineering projects, issues found at risk control communication meetings, problems identified in on-site tour inspection by the discipline inspection department, etc., and continued tracking and rectification were conduced to form closed-loop management, to prevent reoccurrence of similar risks.

In 2017, the Audit Department of the Group participated in various business supervisions and audits in strict accordance with the responsibilities streamlining requirements of the audit system, and tender supervision strictly complied with the "three separations" principle. More efforts were exerted on whole-process management and control for the tender process. The Group avoided contract and capital risks by way of supplier investigation, enquiry, tender supervision, review of contract terms, audit for procurement payment, etc., effectively controlling risks associated with procurement and payment.

The audit system of the Group further strengthened the management and control of the costs of technological transformation projects. The Audit Department participated in the whole process of engineering management with the emphasis on tracking audit for preparation of bill of quantities, review of contract on technological transformation, engineering change, engineering visa, project acceptance, fund payment, engineering settlement, etc.

The Board of Directors believe the risk management and control system of the Group are sufficient and effective. These internal control systems are designed to manage rather than eliminate the risks of failing to achieve the business goals, and the Board can only make reasonable (not absolute) guarantee that no material misrepresentation or loss has been made.

7. AUDITOR AND ITS REMUNERATION

PricewaterhouseCoopers is appointed as the auditor of the Company's consolidated financial statements prepared in accordance with the IFRS for the year ended 31 December 2017.

The fees charged by the auditor of the Company, PricewaterhouseCoopers for rendering audit and related services to the Company for the year of 2017 was RMB4.2 million. In addition, PricewaterhouseCoopers charged RMB1.98 million for rendering of non-audit service (primarily tax advisory services) to the Company for the year of 2017. Save as disclosed above, PricewaterhouseCoopers does not provide any non-audit services to the Company at a fee.

The Audit Committee and the Board of Directors agree to re-appoint PricewaterhouseCoopers as the auditor of the Company for 2018 and authorise the Audit Committee to determine their remuneration, which will be submitted to the annual general meeting of the Company in 2017 for consideration and approval.

8. SHAREHOLDERS' MEETINGS

During the Reporting Period, the Company held two general meetings in total, some of the Directors, Supervisors and senior management attended the general meetings, in which records of the Directors are as follows:

Name	Number of meetings required to be attended	Number of meetings attended
Mr. Zhang Jianxin	2	2
Mr. Ma Xuping	2	0
Mr. Yin Bo	2	2
Mr. Zhang Xin	2	1
Ms. Guo Junxiang	2	2
Mr. Tao Tao(1)	1	1
Mr. Qin Haiyan	2	2
Mr. Yang Deren	2	2
Mr. Wong, Yui Keung Marcellus	2	2
Mr. Wang Jian (resigned on 8 March 2017)	1	1

(1) Mr. Tao Tao was appointed as a non-executive director and the member of the Audit Committee on 16 June 2017

9. COMMUNICATION POLICY WITH SHAREHOLDERS

9.1 Shareholders' Rights

The Board is committed to maintaining an on-going dialogue with Shareholders and makes timely disclosure to Shareholders and investors as to the significant development of the Company. The general meetings of the Company provide a forum for communication between Shareholders and the Board. A forty-five (45) days' prior written notice for convening a general meeting shall be served to notify shareholders, whose names appear in the register of shareholders, of the matters proposed to be considered and the date and venue of the meeting. Shareholders who intend to attend the general meeting shall serve their written replies on the Company twenty (20) days prior to the date of the meeting.

Two or more Shareholders who jointly hold more than 10% (including 10%) of voting Shares of the Company may request the Board in writing in one or more duplicates, to convene an extraordinary general meeting or a Shareholders' class meeting, with the matters to be considered at the meeting stated in the request. The Board shall as soon as possible after receipt of the written request proceed to convene an extraordinary general meeting or a Shareholders' class meeting. The calculation of the above mentioned shareholdings shall be based on the information as at the date of deposit of the request.

If no notice of convening a general meeting was issued within thirty (30) days after the Board of Directors receiving the above mentioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within four (4) months after the Board of Directors receiving the above mentioned written request(s), and the procedures for convening such meeting shall follow the procedures of the Shareholders' general meeting convened by the Board of Directors as much as possible.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board of Directors to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.

The Company holds the general meetings. Shareholder(s) individually or in aggregate holding over 3% of the Shares in the Company may propose extraordinary proposals and submit the same in writing to the convener 10 days prior to the holding of the shareholders' general meeting. The convener shall issue a supplemental notice of the shareholders' general meeting within 2 days of the receipt of the proposals and announce the contents of the extraordinary proposals.

9.2 Shareholders' Enquiries and Communication

The Company publishes its announcements, financial information and other relevant data on its website at www.xtnysolar.com, as a channel to enhance effective communication. Shareholders are welcomed to make enquiries to the Company by sending the enquiries to the principal place of business of the Company in Hong Kong, or via phone, fax or email. The Company will respond to all enquiries in a timely and appropriate manner.

Information about the principal place of business in Hong Kong of the Company and investors' means of enquiries and communication is set out on page 3 of this annual report.

The Board welcomes Shareholders' views and encourages them to attend general meetings to communicate and raise any concerns they might have with the Board or the management. The Chairman of the Board and the chairmen of the respective Board committees usually attend the annual general meeting and other general meetings to address shareholders' queries.

10. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

As a company listed on the Stock Exchange, the Company consistently commits to maintain high level of corporate governance. During the year ended 31 December 2017, the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, and adopted the recommended best practices set out therein, if applicable.

11. INVESTOR RELATIONS

11.1 Investor Relations Activities

The Company focuses on the maintenance of sound investors relations and maintains effective communication with investors through various means. In 2017, the Company communicated with more than 70 investors and analysts in relation to the operating results and business development trends of the Group by way of telephone conference, reverse roadshows and other means to strengthen communication with investors and facilitate the understanding of the Company by investors. The Company also maintains sound communication with investors through acceptance of investors' visits, attending major investment forums, by telephone and email, etc. and proactively provides investor relations information on the Company's website, with a view to establishing and maintaining a good relationship with investors.

11.2 Information Disclosure

The Company is committed to timely and fairly disclosures of comprehensive and accurate information to investors. In 2017, the Company published 88 pieces of announcements on the Stock Exchange, including announcements of Resignation of Directors, Proposed Appointment of Directors and Entering into the Strategic Cooperation Framework Agreement, etc.

12. COMPANY SECRETARY

Ms. Zhang Juan ("Ms. Zhang"), the joint company secretary of our Company, is responsible for advising the Board regarding corporate governance issues, and ensures to comply with the policies and procedures of the Board, applicable laws, rules and regulations. In order to maintain good corporate governance and make sure to comply with the Listing Rules and applicable laws of Hong Kong, the Company also appointed Ms. Ng Wing Shan ("Ms. Ng"), an assistant vice president of SW Corporate Services Group Limited (the provider of company secretarial services), as the joint company secretary of our Company, who will assist Ms. Zhang in performing her duties as the company secretary of our Company. Ms. Zhang is the major contactor between the Company and Ms. Ng.

During the Reporting Period, in order to more effectively perform their duties and according to the requirements of the Listing Rules, Ms. Zhang and Ms. Ng, the joint company secretaries of the Company accepted professional training not less than 15 hours in total, respectively.

13. HUMAN RESOURCES

13.1 Description of Human Resources

As of 31 December 2017, there are 3,630 employees in total in the Group, and their professional and educational background are as follow:

Items	Categories	Number of people	Percentage to the total number of people
Profession	Operating management	578	15.92%
	Technology	558	15.37%
	Production	1,368	37.69%
	Engineering management	502	13.83%
	Marketing	469	12.92%
	Office Support	155	4.27%
	Total	3,630	100.00%
Education	Postgraduate and above	354	9.75%
	Undergraduate	1,706	47.00%
	Associate degree	1,570	43.25%
	Total	3,630	100.00%

13.2 Incentives for Employees

The Group, according to the requirement of development, further established and improved the overall responsibility management and staff performance assessment system on the basis of clear objectives of each post. The employees' performance is objectively and accurately assessed by breaking down the key tasks specified in the development plan of the Group into different levels and then assigning to various posts, clarifying performance objective of different roles and setting performance standards. The assessment results are quantized to form the scores and are linked to the employees' performance based salary to encourage the potential innovation and working passion of employees, which fully demonstrates the combination of incentive and restraint and has laid a solid foundation for orderly career development of employees.

The Group currently executed three categories of incentives, including: compensation incentive (market-based compensation standards, commission incentive and long-term incentive), work incentive (involved in operating decisions, work authorization, etc.) and promotion incentive (improvement of educational background and job promotion, etc.), and clearly regulated the principle of realization of incentives.

13.3 Employees' Training

The Group always believes that the training is the best welfare for staff, and our training system has been further improved and our capability of professional training has been further enhanced in 2017. The Group adopted several forms of training including mentor coaching, expert's instruction, industry bench marking, monthly brainstorming and work shift, which helped to convert the theoretical knowledge to production results.

In 2017, the trainings of our Group mainly covered a total of 12 categories, including operation and management, professional skills, production skills and etc. The number of employees participated in the trainings reached 11,994 throughout the year and the staff training rate reached 100%.

13.4 Employees' Remuneration Policy

The employees' remuneration comprises of basic salary and performance-based salary, and the performance-based salary is determined based on the performance assessment results of the employees of our Group.

In order to further exert incentive function of the performance-based salary, the Group comprehensively coordinated and adjusted the salary structure, performance appraisal indicators and proportion, and enhanced the application of performance results in the aspects of staff salary adjustment, training, promotion, optimization and etc,. The compensation system is designed to encourage the employees with outstanding performance, achieve the combination of personal skills improvement and salary income growth, break equalitarianism and open the way to promotion based on the improvement of professional skills, so as to match income growth of the employees with operational effectiveness of the enterprise, achieve the objectives of sharing the business development with employees and proactively establish a competitive compensation incentive system.

14. INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company:

- has established Disclosure of Inside Information Policy and Measures ("Measures") System Documents. The Measures ensure that the potential share price-sensitive information or "inside" information be timely confirmed, assessed and reported level by level to the board of directors of the Company (the "Board") to determine whether it is needed to disclose to ensure compliance with the SFO;

- is aware of its obligations under the SFO and the Listing Rules and the overriding principle that inside information should be announced immediately after such information comes to our attention and/or it is the subject of a decision unless it falls within the Safe Harbors set out in the SFO;

- conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" and "Recent Economic Developments and the Disclosure Obligations of Listed Issuers" issued by the Securities and Futures Commission in June 2012 and the Stock Exchange in 2008 respectively; and

- has established and implemented procedures for responding to external enquiries about the Group's affairs. Senior officers of the Group are designated and authorized to act as the Company's spokesperson and respond to such enquiries in specific areas of issues.

15. BOARD DIVERSITY POLICY

Believing that the diversity of the Board is helpful in enhancing the Company's performance, the Company ensures that a variety of aspects are considered when determining the composition of the Board, including but not limited to age, culture and educational background, professional experience, skills and knowledge. The Board makes all the appointments based on merits and considers objectively the benefits to the diversity of the Board when selecting the candidates. The Board selects its members based on an array of diversity standards, including but not limited to age, culture and educational background, professional experience, skills and knowledge.

The Nomination Committee discloses the composition of the Board in the Corporate Governance Report on an annual basis and oversees the enforcement of the Policy. The Nomination Committee reviews the Policy as appropriate to ensure its effectiveness. Any necessary revisions are discussed by the Nomination Committee and proposed to the Board for approval.

Independent Auditor's Report

羅兵咸永道

Independent Auditor's Report
To the Shareholders of Xinte Energy Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Xinte Energy Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 101 to 180, which comprise:

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

Our opinion

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

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Independent Auditor's Report

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Independent Auditor's Report

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

- Net realisable value of power plants under development and held for sale

Key Audit Matter	How our audit addressed the Key Audit Matter
Refer to Note 4 (Critical accounting estimates and judgements) and 12 to the consolidated financial statements. At 31 December 2017, the Group held power plants under development and held for sale inventories of RMB2,931 million, which are carried at the lower of cost and net realisable value ("NRV") in the consolidated financial statements. Management calculates NRV at each period end based on the estimated selling price less cost to sell. The determination of the selling price requires the management to make judgements and estimations on the discounted future cash flows forecast of the projects because sales price negotiations with the customers normally make reference to the discounted cash flow model, based on current market conditions and available information. In addition, the selling price also takes reference of historical experience of selling projects of similar nature. The forecast of the discounted future cash flows adopts the following key assumptions: — Forecast power generation; — Electricity tariff; and — Discount rates We focused on this area because of the significant balance of the power plants held for sale for the year ended 31 December 2017 thereon and the management's NRV assessment involves judgement and assumptions.	We understood the method by which management determined the estimated selling price for such projects being consistent as in prior years where historically there were no material adjustments required as a result of the estimation process. We checked the mathematical accuracy of management's cash flow model. We challenged management's key assumptions in the forecasts for: 1) Forecast power generation, by verifying the installed capacity and comparing with the feasibility study of each project and current electricity market condition; 2) Electricity tariff, by matching with the current market price set and published by local government authorities; 3) Discount rates, by assessing the cost of capital for comparable companies, as well as considering territory specific factors. We also evaluated management's estimation of selling price by comparing with the historical sales of power plant projects with similar size and similar locations, and comparing with the actual prices of recently sold projects subsequent to the year end of 2017. Based on our work, we found the key assumptions and input data adopted in the cash flow model to be in line with our expectations and the results of management's NRV assessment is supported by the evidence we gathered.

Independent Auditor's Report

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

Independent Auditor's Report

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

The engagement partner on the audit resulting in this independent auditor's report is NG Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

Consolidated Balance Sheet

As of 31 December 2017

		As of 31 December	
		2017	2016
	Note	**RMB'000**	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**13,058,520**	11,984,258
Land use rights	7	**557,839**	546,735
Intangible assets	8	**46,510**	48,580
Investments accounted for using the equity method	10	**113,593**	94,441
Available-for-sale financial assets		**1,000**	1,000
Deferred income tax assets	11	**179,663**	136,394
Other non-current assets	15	**1,755,748**	1,091,667
Total non-current assets		**15,712,873**	13,903,075
Current assets			
Inventories	12	**3,874,701**	4,401,280
Amounts due from customers for contract work	13	**2,378,952**	2,387,570
Other current assets	15	**260,716**	269,586
Trade and notes receivable	14	**4,244,084**	3,247,106
Prepayments and other receivables	16	**1,376,627**	755,465
Restricted cash	17	**1,500,300**	950,525
Cash and cash equivalents	17	**2,316,610**	1,897,947
Total current assets		**15,951,990**	13,909,479
Total assets		**31,664,863**	27,812,554

Consolidated Balance Sheet

As of 31 December 2017

	Note	As of 31 December 2017 RMB'000	2016 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	18	**1,045,005**	1,045,005
Share premium	18	**5,030,375**	5,030,375
Other reserves	19	**457,310**	353,024
Retained earnings		**2,674,707**	1,831,898
		9,207,397	8,260,302
Non-controlling interests	9	**53,015**	51,442
Total equity		**9,260,412**	8,311,744
LIABILITIES			
Non-current liabilities			
Borrowings	20	**6,487,970**	6,336,601
Deferred income tax liabilities	11	**78,742**	—
Deferred government grants	21	**378,263**	361,680
Total non-current liabilities		**6,944,975**	6,698,281
Current liabilities			
Trade and notes payable	22	**7,276,778**	6,935,441
Provisions and other payables	23	**2,894,570**	2,253,427
Amounts due to customers for contract work	13	**489,684**	144,563
Current income tax liabilities		**3,972**	36,865
Borrowings	20	**4,794,472**	3,432,233
Total current liabilities		**15,459,476**	12,802,529
Total liabilities		**22,404,451**	19,500,810
Total equity and liabilities		**31,664,863**	27,812,554

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 106 to 180.

These consolidated statements on pages 101 to 180 were approved by the Board of Directors on 23 March 2018 and were signed on its behalf.

Zhang Jianxin
Chairman

Yin Bo
Executive Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	5	**11,420,951**	12,001,303
Cost of sales	24	**(8,927,654)**	(10,005,131)
Gross profit		**2,493,297**	1,996,172
Selling and marketing expenses	24	**(403,039)**	(364,192)
General and administrative expenses	24	**(654,442)**	(593,604)
Other income	25	**89,211**	95,934
Other (losses)/gains — net	26	**(33,011)**	35,223
Operating profit		**1,492,016**	1,169,533
Interest income	28	**25,789**	26,255
Finance expenses	28	**(295,680)**	(249,731)
Financial expenses — net		**(269,891)**	(223,476)
Share of (loss)/profit of investments accounted for using the equity method		**(4,138)**	1,808
Profit before income tax		**1,217,987**	947,865
Income tax expense	29	**(144,290)**	(141,532)
Profit for the year		**1,073,697**	806,333
Profit for the year attributable to:			
Owners of the Company		**1,070,671**	801,133
Non-controlling interests		**3,026**	5,200
		1,073,697	806,333
Other comprehensive (loss)/income:			
Items that may be reclassified to profit and loss			
Currency translation differences		**(31)**	23
Total comprehensive income for the year		**1,073,666**	806,356
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,070,640**	801,156
Non-controlling interests		**3,026**	5,200
		1,073,666	806,356
Earnings per share for profit attributable to owners of the Company			
Basic earnings per share (RMB)	30	**1.02**	0.77
Diluted earnings per share (RMB)	30	**1.02**	0.77

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 106 to 180.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2016	1,024,228	4,902,097	295,378	1,182,991	7,404,694	46,242	7,450,936
Comprehensive income							
Profit for the year	–	–	–	801,133	801,133	5,200	806,333
Currency translation differences	–	–	23	–	23	–	23
Total comprehensive income	–	–	23	801,133	801,156	5,200	806,356
Transactions with owners							
Issuance of the over-allotment shares (Note 18(a))	20,777	132,878	–	–	153,655	–	153,655
Shares issue costs (Note 18(a))	–	(4,600)	–	–	(4,600)	–	(4,600)
Appropriation of surplus reserve (Note 19(a))	–	–	47,725	(47,725)	–	–	–
Dividends (Note 31)	–	–	–	(104,501)	(104,501)	–	(104,501)
Share-based payments:							
– fair value of employee services (Note 19(b))	–	–	9,898	–	9,898	–	9,898
Total transactions with owners, recognised directly in equity	20,777	128,278	57,623	(152,226)	54,452	–	54,452
Balance at 31 December 2016	1,045,005	5,030,375	353,024	1,831,898	8,260,302	51,442	8,311,744
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**1,070,671**	**1,070,671**	**3,026**	**1,073,697**
Currency translation differences	**–**	**–**	**(31)**	**–**	**(31)**	**–**	**(31)**
Total comprehensive income	**–**	**–**	**(31)**	**1,070,671**	**1,070,640**	**3,026**	**1,073,666**
Transactions with owners							
Appropriation of surplus reserve (Note 19(a))	**–**	**–**	**102,461**	**(102,461)**	**–**	**–**	**–**
Dividends (Note 31)	**–**	**–**	**–**	**(125,401)**	**(125,401)**	**(1,453)**	**(126,854)**
Share-based payments:							
– fair value of employee services (Note 19(b))	**–**	**–**	**1,856**	**–**	**1,856**	**–**	**1,856**
Total transactions with owners, recognised directly in equity	**–**	**–**	**104,317**	**(227,862)**	**(123,545)**	**(1,453)**	**(124,998)**
Balance at 31 December 2017	**1,045,005**	**5,030,375**	**457,310**	**2,674,707**	**9,207,397**	**53,015**	**9,260,412**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes on pages 106 to 180.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	32(a)	**1,950,186**	(14,615)
Income tax paid		**(185,714)**	(209,983)
Net cash generated from/(used in) operating activities		**1,764,472**	(224,598)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,807,726)**	(2,610,440)
Purchase of intangible assets		**(12,163)**	(8,603)
Purchase of land use rights		**(8,212)**	(57,863)
Proceeds from disposal of property, plant and equipment	32(b)	**21,986**	14,364
Proceeds from disposal of intangible assets		**—**	637
Net proceeds from disposal of associate		**30,000**	—
Increase in investments accounted for using the equity method	10	**(7,220)**	(37,900)
Government grants received		**6,730**	12,878
Interest received		**25,789**	26,255
Changes in restricted cash	17	**(549,775)**	335,468
Net cash used in investing activities		**(2,300,591)**	(2,325,204)
Cash flows from financing activities			
Proceeds from issuance of over-allotment shares		**—**	153,655
Share issue costs		**—**	(4,600)
Repayments of borrowings		**(6,058,795)**	(6,327,419)
Proceeds from borrowings		**7,572,839**	8,247,509
Interest paid		**(496,463)**	(446,985)
Dividends paid	31	**(49,930)**	(41,608)
Dividends paid to non-controlling interest		**(1,231)**	—
Net cash generated from financing activities		**966,420**	1,580,552
Net increase/(decrease) in cash and cash equivalents		**430,301**	(969,250)
Cash and cash equivalents at beginning of the year	17	**1,897,947**	2,862,403
Exchange (losses)/gains on cash and cash equivalents		**(11,638)**	4,794
Cash and cash equivalents at end of the year	17	**2,316,610**	1,897,947

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes on pages 106 to 180.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1 General information

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

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

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

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

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of the Hong Kong Companies Ordinance (Cap.622).

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which are carried at fair value.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

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

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

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

The amendments to IAS 7 require a disclosure of changes in liabilities arising from financing activities, see note 32(c).

(b) *New standards and interpretations not yet adopted*

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

IFRS 9, Financial instruments

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) *New standards and interpretations not yet adopted* (continued)

***IFRS 9, Financial instruments* (continued)**

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

IFRS 16 Leases

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

The accounting for lessors will not significantly change.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) *New standards and interpretations not yet adopted* (continued)

***IFRS 16 Leases* (continued)**

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

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

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

2.2 Subsidiaries

2.2.1 Consolidation

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Changes in ownership interests in subsidiaries without change of control

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

2.2.3 Disposal of subsidiaries

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

2.2.4 Separate financial statements

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

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

2 Summary of significant accounting policies (continued)

2.3 Associate

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

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.3 Associate (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer, deputy general managers and directors of the Company who makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within "Finance expenses — net". All other foreign exchange gains and losses are presented in the profit or loss within "Other gains — net".

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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

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

	Estimated useful lives
Buildings	20–40 years
Machinery and equipment	5–25 years
Vehicles	5–10 years
Furniture and fixtures	5–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2 Summary of significant accounting policies (continued)

2.7 Land use rights

Land use rights represent upfront prepayments made for the land use rights and are expensed in the profit or loss on a straight-line basis over the periods of the leases.

2.8 Intangible assets

(a) Patent and proprietary technologies

Patent and proprietary technologies are initially recorded at cost and are amortised on a straight-line basis over the shorter of their useful lives or licence terms.

(b) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

2.9 Research and development

Research expenditures is recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique products controlled by the Group are recognised as intangible assets when the following criteria are fulfilled:

(i) It is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) Management intends to complete the intangible asset and use or sell it;

(iii) There is an ability to use or sell the intangible asset;

(iv) It can be demonstrated how the intangible asset will generate probable future economic benefits;

2 Summary of significant accounting policies (continued)

2.9 Research and development (continued)

(v) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) The expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as expenses when incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period.

2.10 Impairment of non-financial assets

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

Provision for impairment of inventory is usually determined by the excess of cost over net realisable value on single item basis and recorded in the statement of comprehensive income. Net realisable value are determined based on the estimated selling price less estimated conversion costs, selling expenses and related taxes in the ordinary course of business. Provision for or reversal of impairment of inventory is recognised in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months from the end of the reporting period.

2.11.2 Recognition and measurement

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

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income.

Dividend on available-for-sale equity instruments are recognised in the consolidated statements of comprehensive income as part of other income when the Group's right to receive payments is established.

2.12 Offsetting financial instruments

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

2.13 Impairment of financial assets

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

2 Summary of significant accounting policies (continued)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost

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

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

(b) Assets classified as available for sale

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If objective evidence of impairment exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income in a subsequent period.

2.14 Inventories

Inventories comprise raw materials, work in progress including power plants under development and held for sale (Note 2.24(c)), finished goods and spared parts. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the moving average method except for construction of power plant which is stated at accumulated construction cost. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (continued)

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade payables

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

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

2.19 Borrowings

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

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

2 Summary of significant accounting policies (continued)

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 Summary of significant accounting policies (continued)

2.21 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

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

(c) Offsetting

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

2.22 Employee benefits

(a) Pension and social obligations

The Group companies operate various defined contribution plan in accordance with the local conditions and practices in which they operate. Defined contribution plans are pensions and other social benefit plans under which the Group pay fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(b) Housing benefits

The Group contributes to the state-prescribed housing fund. Such costs are charged to consolidated statement of comprehensive income as incurred. Apart from this, the Group do not have other legal or constructive obligations over such benefits.

(c) Employee leave entitlements

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

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

(d) Share-based compensation

The Group operates a restricted share incentive plan, under which the entity receives services from employees as consideration for equity instruments of the parent of the Company. The fair value of the employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the restricted shares granted:

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

2 Summary of significant accounting policies (continued)

2.22 Employee benefits (continued)

(d) Share-based compensation (continued)

At the end of each reporting period, the Group revises its estimates of the number of restricted shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

The grant by the parent of the Company of restricted shares over its equity instruments to the employees of entities in the Group is treated as a capital contribution by the parent. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as employee benefit expenses, with a corresponding credit to equity.

2.23 Provisions

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

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

2.24 Revenue recognition

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

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(a) Rendering of ECC services under construction contracts

A construction contract is defined by IAS11 as a contract specifically negotiated for the construction of an asset.

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

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

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

The Group uses the "percentage-of-completion method" to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. The respective balance items are "Amounts due from customers for contract work" and "Amounts due to customers for contract work".

(b) Rendering of other services

The Group also provides technology development, design, consultation and supervision services to power plant owners/operators and other manufacturers. The services revenue is recognised in the accounting period in which the services are rendered, by reference to state of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of the total service to be provided.

2 Summary of significant accounting policies (continued)

2.24 Revenue recognition (continued)

(c) Sales of power plant projects

Under the Group's normal operation of ECC, it establishes various subsidiaries as the owner of power plant projects to be disposed during or upon completion of the relevant construction ("project companies"). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These projects will be sold to third-party customers at different stages by way of transferring the equity interests in these subsidiaries. These subsidiaries have no other operations except for the holding of the relevant projects. In the opinion of the directors of the Company, the disposal of equity interests in these project companies is in substance the sales of inventories held by the Group.

Sales of power plant projects are recognised when the risks and rewards of the power plant projects are transferred to the customers, which occur when the relevant power plant projects have been delivered to the purchasers pursuant to the sales agreements.

(d) Sales of other goods

The Group manufactures and sells polysilicon, as well as produces and sells electricity. Sales of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the customers, and the customer has accepted the projects and collectability of the related receivables is reasonably assured.

(e) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(f) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.25 Leases — operating lease

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

2 Summary of significant accounting policies (continued)

2.26 Dividend distribution

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

2.27 Government grants

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge these risk exposures.

Risk management is carried out by the Company's finance department under the policies and directions approved by its Board of Directors. The Company's finance department identifies, evaluates and manages financial risks in close co-operation with the Group's operating units.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The Group's operations are substantially located in the PRC and transacted at RMB. At 31 December 2017, if RMB had weakened/strengthened by 1% against the USD with all other variables held constant, profit before tax for the year ended 31 December 2017 would have been RMB2,403,000 higher/lower (2016: RMB1,490,000 higher/lower).

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

At 31 December 2017, if interest rates on the Group's long-term borrowings at that dates had been 50 basis points higher/lower with all other variables held constant, profit before tax for the year ended 31 December 2017 would have been RMB19,239,000 lower/higher (2016: RMB20,016,000 lower/higher).

(b) Credit risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The liquidity risk of the Group is mainly controlled by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of 31 December 2017					
Borrowings	5,218,424	1,411,787	2,182,439	6,115,841	14,928,491
Trade payables (Note 22)	3,379,730	—	—	—	3,379,730
Notes payable (Note 22)	3,897,048	—	—	—	3,897,048
Other payables	1,273,282	—	—	—	1,273,282
	13,768,484	1,411,787	2,182,439	6,115,841	23,478,551
As of 31 December 2016					
Borrowings	3,836,047	1,154,560	3,506,015	4,265,440	12,762,062
Trade payables (Note 22)	3,434,521	—	—	—	3,434,521
Notes payable (Note 22)	3,500,920	—	—	—	3,500,920
Other payables	1,156,899	—	—	—	1,156,899
	11,928,387	1,154,560	3,506,015	4,265,440	20,854,402

3 Financial risk management (continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to provide returns for the investors and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the debt ratio. The debt ratio is calculated as total liabilities divided by total assets as shown in the consolidated balance sheet. The Group aims to maintain the debt ratio at a reasonable level.

The debt ratio of the Group as of 31 December 2017 was 71% (31 December 2016: 70%).

4 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

At each balance sheet date, the Group considers both internal and external sources of information to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised to reduce the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Management estimates value in use based on the estimated discounted future cash flows of the cash generating unit at the lowest level to which the asset belongs. Management uses a series of assumptions and estimations to determine the recoverable amount, including useful life of the asset, future market anticipation, future revenue, gross margin rate and discount rate, etc.

(b) Impairment of power plants under development and held for sale

Power plants under development and held for sale are recorded in inventories and stated at the lower of cost or net realisable value, with net realisable value being the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Group estimates the selling price for such power plants held for sale based primarily upon the discounted future cash flows. If the net realisable value of a power plant held for sale item is determined to be below its carrying value, the Group records a write-down to cost of sales for the difference between the carrying cost and net realisable value.

4 Critical accounting estimates and judgements (continued)

(c) Revenue from construction contracts

Revenue from individual contract is recognised under the percentage of completion method, which requires estimations, by management. Anticipated losses are fully provided on contracts when identified. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract. If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the management.

5 Segment information

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

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

5 Segment information (continued)

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

For the year ended 31 December 2017:

	Polysilicon production RMB'000	ECC RMB'000	BOO RMB'000	Others RMB'000	Elimination RMB'000	Total RMB'000
For the year ended 31 December 2017:						
Segment revenue and results						
Total segment revenue	3,472,901	7,261,921	308,328	1,031,392	(653,591)	11,420,951
Inter-segment revenue	(10,566)	(398,304)	–	(244,721)	653,591	–
Revenue from external customers	3,462,335	6,863,617	308,328	786,671	–	11,420,951
Segment results	1,409,921	770,057	201,389	111,930	–	2,493,297
Amortisation	15,502	5,677	8,146	335	–	29,660
Depreciation	495,992	5,554	83,124	41,730	–	626,400
Provisions of impairment:						
— trade and other receivables	2,466	42,944	–	5,734	–	51,144
— property, plant and equipment	–	–	–	55,777	–	55,777
— inventory	–	6,827	–	4,957	–	11,784
— construction contracts	–	9,946	–	–	–	9,946
Share of loss of investments accounted for using the equity method	–	(4,138)	–	–	–	(4,138)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5 Segment information (continued)

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

5 Segment information (continued)

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5 Segment information (continued)

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

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

5 Segment information (continued)

Entity-wide information

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6 Property, plant and equipment

	Buildings RMB'000	Machinery and equipment RMB'000	Vehicles RMB'000	Furniture and fixtures RMB'000	Construction in progress RMB'000	Total RMB'000
As of 1 January 2016						
Cost	2,774,258	6,946,841	46,569	38,520	1,864,742	11,670,930
Accumulated depreciation	(274,442)	(1,349,902)	(14,433)	(17,411)	—	(1,656,188)
Accumulated impairment provisions	—	(182,519)	(103)	(427)	—	(183,049)
Net book value	2,499,816	5,414,420	32,033	20,682	1,864,742	9,831,693
Year ended 31 December 2016						
Opening net book value	2,499,816	5,414,420	32,033	20,682	1,864,742	9,831,693
Additions	—	402,674	5,766	5,232	2,405,259	2,818,931
Transfers	310,561	1,770,271	—	34,647	(2,115,479)	—
Disposals	—	(6,795)	(3,223)	(37)	—	(10,055)
Depreciation charge	(88,974)	(462,973)	(4,847)	(17,708)	—	(574,502)
Impairment provisions (Note (a))	—	(81,270)	—	(539)	—	(81,809)
Closing net book value	2,721,403	7,036,327	29,729	42,277	2,154,522	11,984,258
As of 31 December 2016						
Cost	3,084,819	9,061,138	46,759	78,329	2,154,522	14,425,567
Accumulated depreciation	(363,416)	(1,789,616)	(16,928)	(35,086)	—	(2,205,046)
Accumulated impairment provisions	—	(235,195)	(102)	(966)	—	(236,263)
Net book value	2,721,403	7,036,327	29,729	42,277	2,154,522	11,984,258
Year ended 31 December 2017						
Opening net book value	**2,721,403**	**7,036,327**	**29,729**	**42,277**	**2,154,522**	**11,984,258**
Additions	**148,700**	**96,167**	**11,122**	**934**	**1,740,159**	**1,997,082**
Transfers	**276,442**	**601,873**	**—**	**3,753**	**(882,068)**	**—**
Disposals	**(4,122)**	**(13,079)**	**(3,168)**	**(440)**	**—**	**(20,809)**
Disposal of project company	**—**	**(190,345)**	**—**	**—**	**—**	**(190,345)**
Depreciation charge	**(106,250)**	**(543,587)**	**(5,270)**	**(782)**	**—**	**(655,889)**
Impairment provisions (Note (a))	**—**	**(55,120)**	**—**	**(657)**	**—**	**(55,777)**
Closing net book value	**3,036,173**	**6,932,236**	**32,413**	**45,085**	**3,012,613**	**13,058,520**
As of 31 December 2017						
Cost	**3,504,885**	**9,472,657**	**49,003**	**81,767**	**3,012,613**	**16,120,925**
Accumulated depreciation	**(468,712)**	**(2,266,772)**	**(16,570)**	**(35,104)**	**—**	**(2,787,158)**
Accumulated impairment provisions	**—**	**(273,649)**	**(20)**	**(1,578)**	**—**	**(275,247)**
Net book value	**3,036,173**	**6,932,236**	**32,413**	**45,085**	**3,012,613**	**13,058,520**

6 Property, plant and equipment (continued)

The depreciation expense has been charged as below:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of sales	**555,616**	502,105
Selling and marketing expenses	**469**	573
General and administrative expenses	**70,315**	56,018
Capitalised in inventories	**29,489**	15,806
	655,889	574,502

For the year ended 31 December 2017, interest expenses of RMB82,166,000 (2016: RMB104,114,000) were capitalised in property, plant and equipment at average interest rate of 4.96% (2016: 5.02%).

As of 31 December 2017, certain Group's buildings, machinery and equipment and construction in progress with original book value of RMB12,518,793,000 are pledged as securities for Group's borrowings (31 December 2016: RMB12,301,706,000) (Note 20).

(a) Impairment losses of property, plant and equipment

For the year ended 31 December 2017, the Group made an impairment provision on property, plant and equipment amounting to RMB55,777,000 (2016: RMB81,809,000). According to the Group's latest business plans and strategies, the production lines of wafer and module ceased the operation. Accordingly, the management performed an impairment assessment on the assets based on its recoverable amount. The recoverable amount is estimated using the fair value less costs to sell which is higher than the value in use. The management estimated the fair value of these assets, taking into consideration of the market price and realisable value upon termination of business. The Group concluded that the fair value of these assets was lower than their carrying amounts, and made an impairment provision amounting to RMB55,777,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

7 Land use rights

	RMB'000
As of 1 January 2016	
Cost	540,240
Accumulated amortisation	(36,294)
Net book value	503,946
Year ended 31 December 2016	
Opening net book value	503,946
Additions	57,863
Amortisation charge	(15,074)
Closing net book value	546,735
As of 31 December 2016	
Cost	598,103
Accumulated amortisation	(51,368)
Net book value	546,735
Year ended 31 December 2017	
Opening net book value	**546,735**
Additions	**28,160**
Amortisation charge	**(17,056)**
Closing net book value	**557,839**
As of 31 December 2017	
Cost	**626,263**
Accumulated amortisation	**(68,424)**
Net book value	**557,839**

Amortisation of RMB6,998,000 (2016:RMB8,363,000) is included in "general and administrative expenses"and RMB8,429,000 (2016:RMB6,711,000) is included in "Cost of Sale" and RMB1,629,000 (2016: Nil) is included in "construction in progress" of the Group for the year ended 31 December 2017.

As of 31 December 2017, the Group's land use rights with the original book value of RMB361,703,000 (31 December 2016: RMB335,054,000) were pledged as security for long-term borrowings (Note 20).

8 Intangible assets

	Patent and proprietary technologies RMB'000	Software RMB'000	Total RMB'000
As of 1 January 2016			
Cost	123,461	14,631	138,092
Accumulated amortisation	(72,048)	(8,867)	(80,915)
Impairment	(2,696)	(50)	(2,746)
Net book value	48,717	5,714	54,431
Year ended 31 December 2016			
Opening net book value	48,717	5,714	54,431
Additions	1,887	6,716	8,603
Disposals	—	(637)	(637)
Amortisation charge	(11,463)	(2,354)	(13,817)
Closing net book value	39,141	9,439	48,580
As of 31 December 2016			
Cost	125,348	19,513	144,861
Accumulated amortisation	(83,511)	(10,024)	(93,535)
Impairment	(2,696)	(50)	(2,746)
Net book value	39,141	9,439	48,580
Year ended 31 December 2017			
Opening net book value	**39,141**	**9,439**	**48,580**
Additions	**—**	**12,248**	**12,248**
Disposals	**—**	**(85)**	**(85)**
Amortisation charge	**(11,395)**	**(2,838)**	**(14,233)**
Closing net book value	**27,746**	**18,764**	**46,510**
As of 31 December 2017			
Cost	**125,348**	**31,612**	**156,960**
Accumulated amortisation	**(94,906)**	**(12,798)**	**(107,704)**
Impairment	**(2,696)**	**(50)**	**(2,746)**
Net book value	**27,746**	**18,764**	**46,510**

The Group's patent and proprietary technologies represent solar energy, monocrystalline silicon, silicon dioxide and polycrystalline silicon related proprietary technologies that were mainly purchased from third parties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

8 Intangible assets (continued)

The amortisation expense has been charged as below:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Cost of sales	**9,600**	9,507
General and administrative expenses	**4,633**	4,310
	14,233	13,817

9 Subsidiaries

The following is a list of the principal subsidiaries, all of which are incorporated and operated in the PRC:

		As of 31 December 2017		As of 31 December 2016	
Name	Principal activities	Registered capital RMB'000	Equity interests held by the Group (%)	Registered capital RMB'000	Equity interests held by the Group (%)
TBEA Xinjiang New Energy Co., Ltd. (特變電工新疆新能源股份有限公司) ("Xinjiang New Energy")	ECC	**2,381,878**	**98.89%**	2,381,878	98.89%
TBEA Xi'an Electrical Technology Co., Ltd. (特變電工西安電氣科技有限公司)	Production of invertor products	**150,000**	**100.00%**	150,000	100.00%
Shanxi TBEA New Energy Co., Ltd. (陝西特變電工新能源有限公司)	ECC	**42,230**	**100.00%**	42,230	100.00%
Xi'an TBEA Electric Power Design Co., Ltd. (西安特變電工電力設計有限責任公司)	Consulting, design, research and development	**20,999**	**66.09%**	20,999	66.09%
TBEA Xi'an Flexible Power Transmission & Distribution Co., Ltd. (特變電工西安柔性輸配電有限公司)	Production of static var generator products	**50,000**	**100.00%**	50,000	100.00%
TBEA Hami Photovoltaic Technology Co., Ltd. (特變電工哈密光伏科技有限公司)	Production of invertor products	**10,000**	**100.00%**	10,000	100.00%
Mulei Country Xinke Wind Power Co., Ltd. (木壘縣新科風能有限責任公司)	Power generation	**76,000**	**100.00%**	76,000	100.00%
Hami Fengshang Power Generation Co.,Ltd. (哈密風尚發電有限責任公司)	Power generation	**384,577**	**100.00%**	384,577	100.00%
Hami Huafeng New Energy Power Generation Co., Ltd. (哈密華風新能源發電有限公司)	Power generation	**301,624**	**100.00%**	301,624	100.00%
Guyang Country Power Generation Co., Ltd. (固陽縣風源發電有限責任公司)	Power generation	**194,650**	**100.00%**	194,650	100.00%

9 Subsidiaries (continued)

All English names represent the Company's directors' best effort of translations and are for reference only. The official names of these entities are in Chinese.

Material non-controlling interests

The balance of total non-controlling interests as of 31 December 2017 is RMB53,015,000 (31 December 2016: RMB51,442,000), of which RMB42,703,000 (31 December 2016: RMB42,220,000) is for Xinjiang New Energy. The non-controlling interests in respect of other subsidiaries are not material.

Set out below are the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

Summarised balance sheet

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Current		
Assets	**13,794,438**	12,259,277
Liabilities	**(11,937,839)**	(9,482,763)
Total current net assets	**1,856,599**	2,776,514
Non-current		
Assets	**7,645,510**	5,983,257
Liabilities	**(5,645,433)**	(4,947,683)
Total non-current net assets	**2,000,077**	1,035,574
Net assets	**3,856,676**	3,812,088
Net assets allocated to non-controlling interests	**42,703**	42,220

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9 Subsidiaries (continued)

Material non-controlling interests (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**7,997,550**	9,274,865
Profit before income tax	**93,301**	379,388
Income tax benefit/(expense)	**11,081**	(59,990)
Profit for the year	**104,382**	319,398
Total comprehensive income allocated to non-controlling interests	**1,138**	4,524

Summarised cash flows

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from/(used in) operations	**341,468**	(1,330,266)
Income tax paid	**(78,943)**	(99,011)
Net cash generated from/(used in) operating activities	**262,525**	(1,429,277)
Net cash used in investing activities	**(1,892,019)**	(2,014,900)
Net cash generated from financing activities	**2,031,921**	3,365,034
Net increase/(decrease) in cash and cash equivalents	**402,427**	(79,143)
Cash and cash equivalents at beginning of the year	**1,639,324**	1,715,307
Exchange (losses)/gains on cash and cash equivalents	**(11,245)**	3,160
Cash and cash equivalents at end of the year	**2,030,506**	1,639,324

10 Investments accounted for using the equity method

The Group's investments accounted for using the equity method represent investment in associates and joint ventures, all of which are incorporated and operated in the PRC. These companies are private companies and there is no quoted price available for its shares.

As of 31 December 2017 and 2016, in the opinion of the directors of the Company, no associates and joint ventures are considered individually material to the Group. Movements of investments in associates and joint ventures are set out as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
At beginning of the year	**94,441**	102,640
Transfer from subsidiaries to associates and joint ventures (Note (b))	**61,457**	—
Additional capital injections	**7,220**	37,900
Share of loss	**(2,368)**	(5,378)
Elimination of transactions with associates and joint ventures, net of tax (Note (c))	**10,027**	(40,721)
Disposal (Note (d))	**(57,184)**	—
At end of the year	**113,593**	94,441

(a) There are no contingent liabilities relating to the Group's interest in the associates and joint ventures.

(b) Under normal operation of the ECC service business, the Group establishes various subsidiaries as the owner of solar power plant projects to be disposed in future (these entities are refer as "Project Companies" thereafter). Before a buyer is identified, all construction costs in progress pertaining to these projects are recognised as inventories in the consolidated balance sheet. These ECC projects will be sold to third-party customers by way of transferring the equity interests in these Project Companies. These subsidiaries have no other operations except for the holding of the relevant ECC projects. In the opinion of the directors of the Company, the disposal of equity interests in these Project Companies is in substance the sales of inventories held by the Group.

The Group sold ECC projects to third party customers by way of transferring equity interests in the relevant project companies. The Group retained equity interests ranging from 20% to 50% in some of these disposed Project Companies and continue to exercise significant influence or joint control by virtue of its contractual right to appoint at least one director to the board of directors and has power to participate in the financial and operating policy decisions. Accordingly, these relevant Project Companies are accounted for as associates or joint ventures after the disposal.

During the year ended 31 December 2017, initial investments amounting to RMB61,457,000 represented the proportionate share of the estimated value of the relevant Project Companies at the date of the disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10 Investments accounted for using the equity method (continued)

(c) Since the Group sold inventories and provided construction services to its associates ("Downstream Transactions"), the unrealised profits resulting from such transactions are eliminated against the carrying amount of its investment in associates. As a result, the deferred income tax arising from the elimination are charged to the carrying amount of the investment in associates, with corresponding adjustments in statement of comprehensive income within "Share of profit of investments accounted for using the equity method". When the related assets are disposed of or consumed by the associate, or the associates are disposed by the Group, the unrealised profit, as well as the corresponding tax adjustment, will be reversed. The table below summarised the financial impact arising from the Downstream Transactions in the year ended 31 December 2017 and 2016.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Elimination effect arising from Downstream Transactions with associates	**11,797**	(47,907)
Relevant tax effect	**(1,770)**	7,186
Elimination of transactions with associates, net of tax	**10,027**	(40,721)

(d) During the year ended 31 December 2017, the Group sold one ECC project to a third party customer by way of transferring minority interest in the relevant project company held by the Group. Total consideration received was RMB45,051,000, of which the cash consideration received was RMB30,000,000 and the outstanding consideration receivables was RMB15,051,000.

Summarised financial information for associates and joint ventures

Set out below are the summarised financial information in aggregate for all individually immaterial associates and joint ventures, which are accounted for using the equity method.

Summarised statement of comprehensive income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Revenue	**233,963**	137,100
Operating loss	**(5,424)**	(14,538)
Income tax (expense)/benefit	**(16)**	13
Loss for the year	**(5,440)**	(14,525)
Total comprehensive loss	**(5,440)**	(14,525)

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

11 Deferred income tax

(a) Deferred tax assets

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered within 12 months	**96,780**	68,644
Deferred income tax assets to be recovered after more than 12 months	**82,883**	67,750
	179,663	136,394

The gross movement of the Group's deferred income tax account is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**136,394**	82,644
Credited to the consolidated statements of comprehensive income (Note 29)	**43,269**	53,750
End of the year	**179,663**	136,394

The movements in deferred income tax assets of the Group during the year ended 31 December 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Impairment provision of assets RMB'000	**Government grants RMB'000**	**Taxable losses RMB'000**	**Others RMB'000**	**Total RMB'000**
As of 1 January 2016	53,232	5,109	13,195	11,108	82,644
Credited to the consolidated statement of comprehensive income	13,584	30,804	(1,046)	10,408	53,750
As of 31 December 2016	66,816	35,913	12,149	21,516	136,394
Credited to the consolidated statement of comprehensive income	14,865	9,593	10,071	8,740	43,269
As of 31 December 2017	**81,681**	**45,506**	**22,220**	**30,256**	**179,663**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

11 Deferred income tax (continued)

(a) Deferred tax assets (continued)

Others mainly represent unrealised profit of inter-group transactions, accrued warranty provision, pilot production revenue and unpaid salary.

As of 31 December 2017, the Group did not recognise deferred tax assets as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Taxable losses	**20,016**	23,482
Other temporary differences	**360**	3,252
	20,376	26,734

Deferred income tax assets are recognised for taxable losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. As of 31 December 2017, the Group did not recognise deferred tax assets of RMB20,016,000 (31 December 2016: RMB23,482,000) in respect of taxable losses amounting to RMB101,998,000 (31 December 2016: RMB156,549,000), as the directors of the Company believe it is more likely than not that such taxable losses would not be utilised before they expire.

	As of 31 December	
	2017	2016
Year of expiry	**RMB'000**	RMB'000
2017	**—**	9,332
2018	**3,302**	7,917
2019	**839**	21,350
2020	**9,151**	68,854
2021	**11,891**	49,096
2022	**76,815**	—
	101,998	156,549

11 Deferred income tax (continued)

(b) Deferred tax liabilities

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**–**	–
Charged to the consolidated statements of comprehensive income (Note 29)	**78,742**	–
End of the year	**78,742**	–

The movements in deferred income tax assets of the Group during the year ended 31 December 2017, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Accelerated depreciation of fixed assets
	RMB'000
As of 1 January 2016 and As of 31 December 2016	–
Charged to the consolidated statement of comprehensive income	78,742
As of 31 December 2017	78,742

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

12 Inventories

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Raw materials	**414,184**	230,283
Finished goods	**184,135**	188,575
Work in progress	**394,364**	1,048,458
Power plants under development and held for sale	**2,930,939**	2,978,512
Spare parts	**15,339**	8,837
	3,938,961	4,454,665
Less: provision for impairment	**(64,260)**	(53,385)
	3,874,701	4,401,280

Movements of Group's provision for inventory obsolescence are analysed as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**53,385**	19,499
Additions	**11,784**	52,613
Write-off	**(909)**	(18,727)
End of the year	**64,260**	53,385

During the year ended 31 December 2017, the Group made a provision for impairment losses of power plants under development and held for sale of RMB6,827,000 (31 December 2016: RMB52,480,000) mainly due to decreased in estimated net realisable value.

As of 31 December 2017, the Group's inventories with the original book value of RMB1,458,522,000 (31 December 2016: RMB68,402,000) were pledged as security for long-term borrowings (Note 20).

For the year ended 31 December 2017, the Group's total cost of inventories recognised is RMB5,534,130,000 (2016: RMB3,955,444,000).

13 Amounts due from/(to) customers for contract work

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Contract cost incurred plus recognised profit less recognised losses	**3,837,774**	8,637,483
Less: Progress billings	**(1,948,506)**	(6,394,476)
Net balance sheet position for ongoing contracts	**1,889,268**	2,243,007
Representing:		
Amounts due from customers for contract work	**2,378,952**	2,387,570
Amounts due to customers for contract work	**(489,684)**	(144,563)
	1,889,268	2,243,007

For the year ended 31 December 2017, total contract revenue recognised is RMB3,802,253,000 (2016: RMB6,762,904,000)

14 Trade and notes receivable

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14 Trade and notes receivable (continued)

As of 31 December 2016, the Group's notes receivable with the original book value of RMB226,394,000 were pledged as security for short-term bank borrowings (Note 20).

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

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

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

As of 31 December 2017, retention money included in trade receivables amounted to RMB255,077,000 (31 December 2016: RMB223,211,000), which was neither past due nor impaired.

As of 31 December 2017, the Group's trade receivables amounting to RMB18,949,000 (31 December 2016: Nil) were past due but not impaired. These trade receivables with recourse clauses according to the factoring agreement with the relevant banks did not qualify for de-recognition and were accounted for as secured short-term bank borrowings, as the substantial risks and rewards associated with the trade receivables were not transferred (Note 20(a)). The overdue amounts occurred in the past have been fully recovered.

The aging analysis of these receivables are as follows:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**18,949**	—

14 Trade and notes receivable (continued)

As of 31 December 2017, trade receivables of RMB2,034,584,000 (31 December 2016: RMB1,419,779,000) was partially impaired. The amount of the related provisions for impairment pertaining to these receivables was approximately RMB127,664,000 at 31 December 2017 (31 December 2016: RMB82,600,000). It was assessed that a portion of the receivables is expected to be recovered. The aging analysis of these receivables are as follows:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**1,538,515**	1,050,711
1 year to 2 years	**299,381**	318,100
2 years to 3 years	**156,096**	46,718
Over 3 years	**40,592**	4,250
	2,034,584	1,419,779

Movements of the Group's provisions for impairment of trade and notes receivable are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**82,600**	69,374
Additions	**78,239**	30,439
Reversal	**(33,175)**	(15,706)
Write-off	**—**	(1,507)
End of the year	**127,664**	82,600

As of 31 December 2017 and 2016, the carrying amounts of trade and notes receivable approximated their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

14 Trade and notes receivable (continued)

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

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**4,225,879**	3,179,773
USD	**9,638**	61,737
PKR	**8,567**	5,596
	4,244,084	3,247,106

15 Other current/non-current assets

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Prepayments for purchase of property, plant and equipment	**364,486**	232,277
Value-added tax recoverable (Note (a))	**890,591**	759,224
Prepaid income tax	**61,302**	18,323
Prepaid interest expenses	**—**	2,426
Tariff adjustment receivables (Note (b))	**672,845**	319,203
Guarantee deposit for other borrowings (Note 20(b))	**15,000**	29,800
Other	**12,240**	—
	2,016,464	1,361,253
Less: current portion of		
— Value-added tax recoverable	**(184,414)**	(233,837)
— Prepaid income tax	**(61,302)**	(18,323)
— Prepaid interest expenses	**—**	(2,426)
— Guarantee deposit for other borrowings (Note 20(b))	**(15,000)**	(15,000)
	(260,716)	(269,586)
	1,755,748	1,091,667

15 Other current/non-current assets (continued)

(a) Value-added tax ("VAT") recoverable represents the input VAT relating to purchase of property, plant and equipment, which can be deducted from the output VAT arising from future sales.

(b) Tariff adjustment receivables represented the subsidies from the PRC government on renewable energy projects in the PRC based on nationwide government policies.

16 Prepayments and other receivables

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Staff advances	**54,816**	32,614
Project development cost receivables	**105,004**	—
Deposits as guarantee for contract execution	**110,789**	101,629
Receivables from TBEA	**93,530**	113,575
Others	**53,380**	29,419
Total other receivables	**417,519**	277,237
Less: provision for impairment	**(13,418)**	(7,338)
	404,101	269,899
Prepayments to suppliers	**972,526**	511,260
Less: provision for impairment	**—**	(25,694)
	972,526	485,566
	1,376,627	755,465

As of 31 December 2017 and 2016, the carrying amounts of the Group's other receivables approximated their fair values due to short maturity.

The provision for impairment of prepayments is mainly for supplier in the process of liquidation and was written-off during the year ended 31 December 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

16 Prepayments and other receivables (continued)

Movements on the Group's allowance for impairment of other receivables are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**7,338**	9,837
Addition	**9,819**	698
Reversal	**(3,739)**	(3,177)
Write-off	**—**	(20)
End of the year	**13,418**	7,338

17 Cash and bank balances

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Restricted cash:		
Bank deposits	**1,500,300**	950,525
Cash and cash equivalents:		
Cash on hand	**—**	13
Cash in bank	**2,316,610**	1,897,934
	2,316,610	1,897,947
Total cash and bank balances	**3,816,910**	2,848,472

The restricted bank deposits were held as securities for letter of credit, letter of guarantee and bank acceptance notes.

17 Cash and bank balances (continued)

Cash and bank balances were denominated in the following currencies:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**3,544,156**	2,750,871
HKD	**3,791**	6,700
USD	**248,208**	87,393
PKR	**18,943**	—
Others	**1,812**	3,508
	3,816,910	2,848,472

18 Share capital and share premium

Ordinary shares, issued and fully paid:

	Number of ordinary shares (thousands)	**Nominal value RMB'000**	**Share premium RMB'000**
At 1 January 2016	1,024,228	1,024,228	4,902,097
Issuance of the over-allotment shares (Note (a))	20,777	20,777	128,278
At 31 December 2016 and 2017	1,045,005	1,045,005	5,030,375

(a) The over-allotment option was exercised on 21 January 2016 of an aggregate of 20,777,000 H Shares with nominal value of RMB1.00 each at a price of HKD8.80 per share. The total proceeds from the over-allotment (including underwriter commissions) was approximately HKD182,836,000 (equivalent to approximately RMB153,655,000), with which share capital increased by approximately RMB20,777,000 and share premium increased by approximately RMB128,278,000, after offsetting with the share issuance cost of RMB4,600,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

19 Other reserves

	Surplus reserve RMB'000	Other reserves RMB'000	Total RMB'000
At 1 January 2016	82,416	212,962	295,378
Appropriation of surplus reserve (Note (a))	47,725	—	47,725
Share-based payments (Note (b))	—	9,898	9,898
Currency translation differences	—	23	23
At 31 December 2016	130,141	222,883	353,024
Appropriation of surplus reserve (Note (a))	102,461	—	102,461
Share-based payments (Note (b))	—	1,856	1,856
Currency translation differences	—	(31)	(31)
At 31 December 2017	232,602	224,708	457,310

(a) In accordance with the Company Law of the PRC and the Company's Articles of Association, the Company should appropriate 10% of net profit for the year to the statutory surplus reserve, and the Company can cease appropriation when the statutory surplus reserve accumulated to more than 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase the share capital after approval from the appropriate authorities. For the year ended 31 December 2017, the Company made appropriation of statutory surplus reserve amounting to RMB102,461,000 (2016: RMB47,725,000).

(b) Restricted share incentive plan

The Group's directors and selected employees participated in a restricted share incentive plan operated by its parent company TBEA in 2014.

During the year ended 31 December 2014, 12,802,000 restricted shares of TBEA ("first batch restricted shares") were granted to certain Group's directors and employees at a price of RMB5.65 per share for their services rendered to the Company. These restricted shares would vest at the rate of 20%, 30% and 50% respectively for each 12-month period commencing from the 12 months after the grant date, subject to TBEA achieving its target growth in profit over the vesting period.

During the year ended 31 December 2015, 1,720,000 restricted shares of TBEA ("second batch restricted shares") were granted to certain Group's directors and employees at a price of RMB7.87 per share for their services rendered to the Company. These restricted shares would vest at the rate of 50%, and 50% respectively for each 12-month period commencing from the 12 months after the grant date, subject to TBEA achieving its target growth in profit over the vesting period.

During the year ended 31 December 2016, 30% and 50% of first batch restricted shares and second batch restricted shares, respectively, were unlocked and transferred to the grantees.

During the year ended 31 December 2017, 50% and 50% of the first batch restricted shares and second batch restricted shares, respectively, were unlocked and transferred to the grantees.

19 Other reserves (continued)

Movements in the number of restricted shares granted and related fair value are as follows:

	Number of restricted shares granted (thousands)
As of 1 January 2016	11,575
Vested	(4,349)
Forfeited	(550)
As of 31 December 2016	6,676
Vested	(5,804)
Forfeited	(872)
As of 31 December 2017	—

The fair value of restricted shares granted was determined by reference to the market price of TBEA on the date of grant. For the year ended 31 December 2017, the share-based compensation expense recognised in the consolidated statement of comprehensive income as employee benefits expenses (Note 27) was RMB1,856,000 (2016: RMB9,898,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

20 Borrowings

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Long-term borrowings		
Bank borrowings:		
—Secured (Note (a))	**6,685,570**	6,635,150
—Unsecured	**300,000**	—
Other borrowings:		
—Secured (Note (b))	**378,000**	521,142
Less: current portion of long-term borrowings	**(875,600)**	(819,691)
Total non-current borrowings	**6,487,970**	6,336,601
Short-term borrowings		
Bank borrowings:		
—Secured (Note (a))	**1,107,919**	200,000
—Unsecured	**2,691,451**	2,018,000
	3,799,370	2,218,000
Other borrowings:		
—Secured (Note (b))	**119,502**	194,542
—Unsecured	**—**	200,000
	119,502	394,542
Current portion of long-term borrowings	**875,600**	819,691
Total current borrowings	**4,794,472**	3,432,233
Total borrowings	**11,282,442**	9,768,834

20 Borrowings (continued)

The maturities of the Group's total borrowings at the balance sheet date are repayable as follows:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**4,794,472**	3,432,233
1 year to 2 years	**1,100,900**	847,669
2 years to 5 years	**1,420,300**	2,712,056
Over 5 years	**3,966,770**	2,776,876
	11,282,442	9,768,834

The carrying amount of the Group's borrowings are denominated in the following currencies:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**11,272,641**	9,768,834
USD	**9,801**	—
	11,282,442	9,768,834

(a) As of 31 December 2017, secured short-term bank borrowings with amount of RMB1,010,000,000 and RMB19,529,000 (2016: Nil) represented proceeds received from subsidiaries and third parties, respectively, under the trade receivable factoring agreements with banks (Note 14).

Secured short-term bank borrowings with amount of RMB78,390,000 were pledged with the Group's certain land use rights (Note 7), property, plant and equipment (Note 6).

As of 31 December 2016, secured short-term bank borrowings with amount of RMB200,000,000 were pledged with the Group's notes receivable (Note 14).

As of 31 December 2017, secured long-term bank borrowings with amount of RMB6,685,570,000 (2016: RMB6,635,150,000) were pledged with the Group's certain inventories (Note12), land use rights (Note 7), property, plant and equipment (Note 6) and receivable collection rights, respectively.

20 Borrowings (continued)

(b) As of 31 December 2017, secured short-term other borrowings with amount of RMB119,502,000 (2016: RMB194,542,000) were pledged with the Group's guarantee deposit of cash amounting to RMB15,000,000 (2016: RMB15,000,000) (Note15).

As of 31 December 2017, secured long-term other borrowings with amount of RMB199,000,000 were guaranteed by the bank credit. Secured long-term other borrowings with amount of RMB143,000,000 (2016: RMB143,000,000) and RMB36,000,000 (2016: RMB36,000,000) were guaranteed by the Company and Xinjiang New Energy, respectively.

As of 31 December 2016, secured long-term other borrowings with amount of RMB342,142,000 were pledged with Group's certain property, plant and equipment (Note 6).

(c) For the year ended 31 December 2017, the interest rates of borrowings ranged from 1.20% to 5.39% (2016: from 1.20% to 5.40%).

(d) The Group has the following undrawn bank borrowing facilities:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Expiring within 1 year	**6,057,816**	6,389,482
Expiring beyond 1 year	**88,849**	—
	6,146,665	6,389,482

21 Deferred government grants

As of 31 December 2017 and 2016, deferred government grants mainly represented cost-related government grants received with respect to encouraging the research and development activities and asset-related grants in connection with the infrastructure construction of solar power projects and production of polysilicon.

22 Trade and notes payable

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

The aging analysis of trade payables is as follows:

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

As of 31 December 2017 and 2016, the carrying amounts of trade and notes payable approximated their fair values due to short maturity.

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

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
RMB	**7,262,709**	6,928,013
USD	**7,697**	792
Others	**6,372**	6,636
	7,276,778	6,935,441

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

23 Provisions and other payables

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Payables relating to purchase of property, plant and equipment	**916,561**	873,933
Advances and deposits	**1,580,038**	971,383
Warranty provisions (Note (a))	**50,581**	70,894
Accrued wages and other benefits	**145,133**	133,913
Tax payable other than income taxes	**13,219**	41,842
Dividends payable	**138,586**	62,893
Others	**50,452**	98,569
	2,894,570	2,253,427

(a) Movements on the Group's provision for warranty expenses are as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Beginning of the year	**70,894**	30,772
Additional provisions	**57,145**	81,448
Utilisation	**(75,178)**	(40,436)
Reversal	**(2,280)**	(890)
End of the year	**50,581**	70,894

24 Expense by nature

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Changes in inventories of finished goods and work in progress	**1,748,398**	(200,344)
Raw materials, equipment and consumables	**4,531,656**	7,370,979
Subcontract costs	**1,080,050**	1,167,739
Employee benefit expenses (Note 27)	**690,999**	664,938
Depreciation and amortisation (Notes 6,7 and 8)	**656,060**	587,587
Repair and maintenance	**191.390**	162,042
Utilities	**137,188**	168,464
Transportation	**160,210**	136,412
Impairment of assets (Note 6,12,14 and 16)	**128,651**	146,810
Warranty expenses (Note 23)	**54,865**	80,558
Travelling expenses	**45,823**	52,824
Taxation	**43,078**	66,014
Rental expenses	**36,008**	29,204
Auditor's remuneration	**6,181**	4,706
— audit and related services	**4,200**	4,200
— non-audit services	**1,981**	506
Others	**474,578**	524,994
	9,985,135	10,962,927

25 Other income

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Government grants	**65,459**	77,794
Sales of raw materials	**9,885**	5,614
Others	**13,867**	12,526
	89,211	95,934

For the year ended 31 December 2017, the Group's government grant income included amortisation of asset-related government grants with amount of RMB28,259,000 (2016: RMB25,603,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

26 Other gains — net

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Gains on disposal of property, plant and equipment	**1,177**	4,309
Gains on compensations and penalties	**3**	5,968
Donations	**(3,451)**	(1,970)
Net exchange (losses)/gains arising from other than borrowings	**(23,883)**	13,031
Others	**(6,857)**	13,885
	(33,011)	35,223

For the year ended 31 December 2017 and 2016, donations mainly represented the amounts donated for local public utility construction projects to local government in Xinjiang Uygur Autonomous Region, the PRC.

27 Employee benefit expenses

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Wages and salaries	**590,664**	539,842
Social insurance costs	**66,162**	71,971
Welfare benefits	**32,317**	43,227
Share-based payment (Note 19(b))	**1,856**	9,898
	690,999	664,938

27 Employee benefit expenses (continued)

(a) Five highest paid individuals

For the year ended 31 December 2017, the five individuals whose emoluments were the highest in the Group were as follows:

	Number of individuals Year ended 31 December 2017	2016
Directors	2	2
Non-director individuals	3	3
	5	5

The Directors' emoluments are disclosed in Note 38. The emoluments of the remaining individuals were as follows:

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Basic salaries and allowances	1,827	1,814
Discretionary bonuses	2,209	266
Share-based compensation	27	38
	4,063	2,118

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December 2017	2016
Emolument bands		
HKD 1,000,000 and below	—	3
HKD 1,000,001 to HKD 1,500,000	1	—
HKD 1,500,001 to HKD 2,000,000	2	—
	3	3

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

28 Finance expenses — net

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest expenses on borrowing	**498,889**	444,558
—Bank borrowings	**472,558**	414,414
—Other borrowings	**26,331**	30,144
Less: amounts capitalised	**(202,773)**	(195,872)
—in property, plant and equipment	**(82,166)**	(104,114)
—in inventories and construction contracts	**(120,607)**	(91,758)
Net exchange (losses)/gains	**(436)**	1,045
Finance expenses	**295,680**	249,731
Interest income	**(25,789)**	(26,255)
	269,891	223,476

29 Income tax expense

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current income tax expense	**108,817**	195,282
Deferred income tax benefit (Note 11)	**35,473**	(53,750)
	144,290	141,532

29 Income tax expense (continued)

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

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

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

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

30 Earnings per share

(a) Basic

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

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

(b) Diluted

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

31 Dividends

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

Final dividend of RMB0.12 per share for the year ended 31 December 2016, totalling RMB125,400,619 was approved in the annual general meeting of shareholders of the Company on 16 June 2017, and RMB49,930,000 has been paid as of 31 December 2017 (as of 31 December 2016 RMB41,608,000).

32 Notes to the consolidated statements of cash flows

(a) Reconciliation of profit before income tax to net cash generated from/(used in) operations:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Cash generated from/(used in) operations		
Profit before income tax	**1,217,987**	947,865
Adjustments for:		
– Provision for impairment of inventories	**11,784**	52,613
– Depreciation of property, plant and equipment	**626,400**	558,696
– Amortisation of land use rights	**15,427**	15,074
– Amortisation of intangible assets	**14,233**	13,817
– Provision for impairment of property, plant and equipment	**55,777**	81,809
– Allowance for impairment of trade and other receivables	**51,144**	12,254
– Share of loss/(profit) from investments accounted for using the equity method	**4,138**	(1,808)
– Share-based payment	**1,856**	9,898
– Gains on disposal of property, plant and equipment	**(1,177)**	(4,309)
– Amortisation of asset-related deferred government grants	**(28,259)**	(25,603)
– Provision for impairment of construction contracts	**9,946**	134
– Finance expenses – net	**269,891**	223,476
– Elimination effect arising from downstream transactions with associates (Note 10)	**(11,797)**	47,907
– Gains on disposal of investments accounted for using the equity method	**12,132**	—
Changes in working capital:		
– Inventories	**490,944**	(209,209)
– Trade and notes receivable	**(907,232)**	(218,215)
– Prepayments and other receivables	**(1,470,866)**	18,064
– Trade and notes payable	**848,169**	(523,961)
– Provisions and other payables	**725,480**	325,454
– Amounts due from/(to) customers for contract work	**343,792**	(1,157,991)
– Value-added tax recoverable	**(329,583)**	(180,580)
Cash generated from/(used in) operations	**1,950,186**	(14,615)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

32 Notes to the consolidated statements of cash flows (continued)

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Net book amount of property, plant and equipment disposed (Note 6)	**20,809**	10,055
Gains on disposal of property, plant and equipment (Note 26)	**1,177**	4,309
Proceeds from disposal of property, plant and equipment	**21,986**	14,364

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2017	2016
Net debt	**RMB'000**	RMB'000
Cash and cash equivalents	**2,316,610**	1,897,947
Borrowings — repayable within one year (Note 20)	**(4,794,472)**	(3,432,233)
Borrowings — repayable after one year (Note 20)	**(6,487,970)**	(6,336,601)
Net debt	**(8,965,832)**	(7,870,887)
Cash and cash equivalents	**2,316,610**	1,897,947
Gross debt — variable interest rates	**(11,282,442)**	(9,768,834)
Net debt	**(8,965,832)**	(7,870,887)

32 Notes to the consolidated statements of cash flows (continued)

(c) Net debt reconciliation (continued)

	Cash and cash equivalents RMB'000	Liabilities from financing activities Borrow due within 1 year RMB'000	Borrow due after 1 year RMB'000	Total RMB'000
Net debt as of 1 January 2016	2,862,403	(4,501,628)	(3,326,500)	(4,965,725)
Cash flows	(969,250)	1,068,350	(3,010,101)	(2,911,001)
Foreign exchange differences	4,794	1,045	—	5,839
Net debt as of 31 December 2016	1,897,947	(3,432,233)	(6,336,601)	(7,870,887)
Cash flows	441,949	(1,362,675)	(151,369)	(1,072,095)
Foreign exchange differences	(23,286)	436	—	(22,850)
Net debt as of 31 December 2017	**2,316,610**	**(4,794,472)**	**(6,487,970)**	**(8,965,832)**

33 Contingency and litigation

In June 2013, Jiangsu Zhongneng Silicon Technology Development Co., Ltd. (江蘇中能硅業科技發展有限公司, "Jiangsu Zhongneng") filed a claim with the Jiangsu Province People's Court against the Company for certain patent infringement and commercial secrets, for a total compensation amounting to RMB62 million. In December 2014, after an appeal filed the Company, the Supreme People's Court of the People's Republic of China ruled to the case should be under the jurisdiction of the Xinjiang Province People's Court. As of the date of these consolidated financial statements are approved for issue, the aforementioned litigation is still in the process of transfer therefore no trial session has been conducted by Xinjiang Province People's Court yet. After considering the opinion of an independent legal counsel, the directors of the Company are of the opinion that this litigation is still at a very early stage with the outcome and the contingent obligation cannot be measured with sufficient reliability. Accordingly, no provision is made with respect to the aforementioned claim at 31 December 2017.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

34 Commitments

(a) Capital commitments

At 31 December 2017, capital commitments with respect to capital expenditures of property, plant and equipment are as follows:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Contractual but not yet incurred	**1,084,687**	597,234

(b) Operating lease commitments

The Group leases various offices and warehouses under operating lease agreements. The future minimum lease payable under operating leases contracted for at the balance sheet dates but not recognised as liabilities, are as follows:

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Within 1 year	**7,701**	11,907
Between 1 to 5 years	**1,138**	11,092
	8,839	22,999

35 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

(a) Significant transactions with related parties

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
With parent company:		
— Sales of goods or services	**10,423**	15,939
— Rental expenses	**8,790**	7,224
— Procurement deposits	**200**	571
— Purchases of goods or services	**9,671**	65,601
With fellow subsidiaries:		
— Sales of goods or services	**7,154**	15,775
— Procurement deposits	**100**	520
— Purchases of goods or services	**526,451**	363,722
With associates of parent company:		
— Sales of goods or services	**20,399**	7,472
— Procurement deposits	**—**	639
— Purchases of goods or services	**51,597**	31,475
With associates:		
— ECC services provided	**475,905**	646,041
— Procurement deposits	**—**	38
— Purchases of goods or services	**48**	277
With associates of a director of the Company:		
— Sales of goods	**369**	241
— Rental expenses	**—**	429
— Procurement deposits	**80**	110
— Purchases of goods or services	**57,014**	53,174

These transactions are carried out on terms mutually agreed with the counter parties in the ordinary course of business.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

35 Related party transactions (continued)

(b) Key management compensation

The compensation paid or payable to key management is shown below:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Salaries and bonuses	**11,702**	7,364
Pension and others	**556**	852
Share-based payments	**119**	282
	12,377	8,498

35 Related party transactions (continued)

(c) Balances with related parties

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
Included in "trade and notes receivable"		
Receivable from:		
— parent company	**647**	6,844
— fellow subsidiaries	**288**	18,587
— associates of parent company	**721**	1,363
— associates	**117,976**	206,600
— associates of a director of the Company	**26**	182
	119,658	233,576
Included in "prepayments and other receivables"		
Prepaid to or receivable from:		
— parent company	**93,564**	115,257
— fellow subsidiaries	**207,657**	1,949
— associates	**9,284**	3,004
— associates of a director of the Company	**1,248**	46
	311,753	120,256
Included in "trade and notes payable"		
Payable to:		
— parent company	**485**	41,718
— fellow subsidiaries	**167,711**	363,925
— associates of parent company	**12,918**	14,401
— associates of a director of the Company	**12,055**	23,899
	193,169	443,943
Included in "provisions and other payables"		
Advances received from:		
— parent company	**479**	2,679
— fellow subsidiaries	**—**	30
— associates of parent company	**70**	809
— associates	**92,825**	—
— associates of a director of the Company	**3**	20
	93,377	3,538

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

36 Events after the balance sheet date

On the board meeting held on 23 March 2018, the board of directors proposed a final dividend of RMB0.20 per share for the year ended 31 December 2017 (Note 31).

37 Balance sheet and reserve movement of the company

(a) Balance sheet

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**7,662,284**	7,475,873
Land use rights	**200,169**	204,872
Intangible assets	**19,868**	30,083
Investments in subsidiaries	**2,952,938**	2,928,125
Deferred income tax assets	**41,857**	37,699
Other non-current assets	**79,746**	154,221
Total non-current assets	**10,956,862**	10,830,873
Current assets		
Inventories	**370,638**	223,681
Other current assets	**54,239**	27,827
Trade and notes receivable	**981,452**	747,911
Prepayments and other receivables	**169,226**	107,270
Restricted cash	**315,928**	312,927
Cash and cash equivalents	**222,491**	217,429
Total current assets	**2,113,974**	1,637,045
Total assets	**13,070,836**	12,467,918

37 Balance sheet and reserve movement of the company (continued)

(a) Balance sheet (continued)

	As of 31 December	
	2017	2016
	RMB'000	RMB'000
EQUITY		
Share capital	**1,045,005**	1,045,005
Share premium	**5,030,375**	5,030,375
Other reserves	**330,578**	227,101
Retained earnings	**1,848,959**	1,052,216
Total equity	**8,254,917**	7,354,697
LIABILITIES		
Non-current liabilities		
Borrowings	**987,500**	1,562,500
Deferred income tax liabilities	**78,742**	—
Deferred government grants	**227,414**	205,721
Total non-current liabilities	**1,293,656**	1,768,221
Current liabilities		
Trade and notes payable	**1,071,503**	1,012,637
Provisions and other payables	**1,036,258**	802,821
Borrowings	**1,414,502**	1,529,542
Total current liabilities	**3,522,263**	3,345,000
Total liabilities	**4,815,919**	5,113,221
Total equity and liabilities	**13,070,836**	12,467,918

The balance sheet of the Company was approved by the Board of Directors on 23 March 2018 and was signed on its behalf.

Zhang Jianxin
Chairman

Yin Bo
Executive Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

37 Balance sheet and reserve movement of the company (continued)

(b) Reserve movement of the Company

	Surplus reserve RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	80,799	93,172	727,195	901,166
Dividends	—	—	(104,500)	(104,500)
Comprehensive income	—	—	477,245	477,245
Share-based payments	—	5,406	—	5,406
Appropriation of surplus reserve	47,724	—	(47,724)	—
At 31 December 2016	128,523	98,578	1,052,216	1,279,317
Dividends	—	—	(125,401)	(125,401)
Comprehensive income	—	—	1,024,605	1,024,605
Share-based payments	—	1,014	—	1,014
Appropriation of surplus reserve	102,461	—	(102,461)	—
At 31 December 2017	**230,984**	**99,592**	**1,848,959**	**2,179,535**

38 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of the directors and the chief executive is set out below:

For the year ended 31 December 2017:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note(i))	–	1,040	1,650	21	50	–	2,761
Ma Xuping	–	–	–	–	–	–	–
Yin Bo	–	792	1,378	26	47	–	2,243
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
Tao Tao (Note(ii))	–	–	–	–	–	–	–
Wang Jian (Note(iii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120

(i) Zhang Jianxin is the Company's Chairman of the Board of Directors.

(ii) Tao Tao was appointed on 16 June 2017.

(iii) Wang Jian resigned on 8 March 2017.

For the year ended 31 December 2016:

	Fees RMB'000	Salary RMB'000	Discretionary bonuses RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors							
Zhang Jianxin (Note(i))	–	1,413	–	26	67	–	1,506
Ma Xuping	–	–	–	–	–	–	–
Yin Bo	–	949	423	27	45	–	1,444
Non-executive Directors							
Zhang Xin	–	–	–	–	–	–	–
Guo Junxiang	–	–	–	–	–	–	–
Wang Jian (Note(ii))	–	–	–	–	–	–	–
Yang Deren	120	–	–	–	–	–	120
Qin Haiyan	120	–	–	–	–	–	120
Wong Yui Keung Marcellus	120	–	–	–	–	–	120

(i) Zhang Jianxin is a director and also the chief executive of the Company.

(ii) Wang Jian was appointed on 18 April 2015 and resigned on 8 March 2017.

38 Benefits and interests of directors (continued)

(a) Directors' and chief executive's emoluments (continued)

In addition to the directors' emoluments disclosed above, certain directors of the Company receive emoluments from other companies they are employed to. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the Group and their services to the other companies.

(b) Directors' retirement benefits

During the year ended 31 December 2017 and 2016, no retirement benefits operated by the Group were paid or made, directly or indirectly, to or receivable by a director in respect of his services as a director or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

During the year ended 31 December 2017 and 2016, no payments or benefits in respect of termination of director's services were paid or made, directly or indirectly, to or receivable by a director; nor are any payable.

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

During the year ended 31 December 2017 and 2016, no consideration was provided to or receivable by third parties for making available directors' services.

新特能源股份有限公司

Xinte Energy Co., Ltd.