GCL-Poly Energy Holdings Limited
保利協鑫能源控股有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code : 3800)

Annual Report 2018

Bringing GREENPOWER To Life


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CORPORATE GOVERNANCE

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FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Continuing operations					
Revenue	20,711,631	20,484,445	22,024,537	23,794,455	**20,565,435**
Profit (loss) before taxation	1,790,395	2,775,422	2,844,124	2,912,002	**(510,795)**
Income tax (expense) credit	(276,100)	(484,299)	(537,172)	(637,880)	**52,361**
Profit (loss) for the year from continuing operations	1,514,295	2,291,123	2,306,952	2,274,122	**(458,434)**
Discontinued operations					
Profit (loss) for the year from discontinued operations	193,018	435,601	(112,208)	77,112	**—**
Profit (loss) for the year	1,707,313	2,726,724	2,194,744	2,351,234	**(458,434)**
Profit (loss) for the year attributable to:					
Owners of the Company	1,548,668	2,425,220	2,029,412	1,974,398	**(693,399)**
Non-controlling interests	158,645	301,504	165,332	376,836	**234,965**
	1,707,313	2,726,724	2,194,744	2,351,234	**(458,434)**

	At 31 December				
	2014 RMB'000 (Restated)	2015 RMB'000 (Restated)	2016 RMB'000	2017 RMB'000	**2018** **RMB'000**
Total assets	71,003,365	79,691,490	87,019,313	107,279,898	**112,493,764**
Total liabilities	54,158,416	62,132,006	63,625,371	79,972,319	**85,661,257**
	16,844,949	17,559,484	23,393,942	27,307,579	**26,832,507**
Equity attributable to owner of the Company	14,508,933	15,854,172	20,820,816	22,775,217	**21,865,556**
Non-controlling interests	2,336,016	1,705,312	2,573,126	4,532,362	**4,966,951**
	16,844,949	17,559,484	23,393,942	27,307,579	**26,832,507**

PERFORMANCE HIGHLIGHTS

	For the year ended 31 December			
	2018 RMB'000	2017 RMB'000	Change RMB'000	% of change
Revenue from continuing operations				
Sales of wafer	**11,679,412**	17,432,680	(5,753,268)	(33.0%)
Sales of electricity	**6,117,249**	4,429,387	1,687,862	38.1%
Sales of polysilicon	**1,579,383**	766,448	812,935	106.1%
Processing fees	**629,228**	938,383	(309,155)	(32.9%)
Others (comprising the sales of ingots and modules)	**560,163**	227,557	332,606	146.2%
	20,565,435	23,794,455	(3,229,020)	(13.6%)
(Loss) profit for the year attributable to owners of the Company from continuing operations	**(693,399)**	1,926,373	(2,619,772)	(136.0%)

	RMB Cents	RMB Cents	Change RMB Cents	% of change
(Loss) earnings per share from continuing operations				
— Basic	**(3.81)**	10.44	(14.25)	(136.5%)
— Diluted	**(3.84)**	10.37	(14.21)	(137.0%)

	RMB million	RMB million	Change RMB million	% of change
Adjusted EBITDA for continuing operations*	**8,003**	9,532	(1,529)	(16.0%)

* Definition of adjusted EBITDA is disclosed in the "Management Discussion and Analysis" Section.

	As at 31 December			
	2018 RMB'000	2017 RMB'000	Change RMB'000	% of change
Extracts of consolidated statement of financial position				
Equity attributable to owners of the Company	**21,865,556**	22,775,217	(909,661)	(4.0%)
Total assets	**112,493,764**	107,279,898	5,213,866	4.9%
Bank balances and cash, pledged and restricted bank deposits*	**10,836,690**	15,580,091	(4,743,401)	(30.4%)
Indebtedness **	**62,588,163**	58,196,195	4,391,968	7.5%
Key financial ratios				
Current ratio	**0.54**	0.72	(0.18)	(25.0%)
Quick ratio	**0.52**	0.69	(0.17)	(24.6%)
Net debt to equity attributable to owners of the Company	**236.7%**	187.1%	49.6%	26.5%

* Amount includes bank balances and cash classified as assets held for sale of RMB44,873,000 (2017: Nil) and pledged deposit at related companies of RMB142,194,000 (2017: Nil).

** Indebtedness includes loans from related companies, bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds payables. Amount also includes bank and other borrowings classified as liabilities associated with assets classified as held for sales of RMB872,955,000 (2017: Nil).

OTHER FINANCIAL ANALYSIS

Profit or Loss Analysis (De-consolidation of GNE Group)

For illustrative purpose, if deconsolidating GCL New Energy Holdings Limited ("GNE") and its subsidiaries ("GNE Group"), the financial results of the Group, GNE Group and the Group (De-consolidated GNE Group) would be as follows:

	The Group (A) RMB million	**GNE Group (B)** RMB million	**Deconsolidation adjustments (Note) (C)** RMB million	**The Group (De-consolidated GNE Group) (D)=(A)-(B)-(C)** RMB million
Revenue	20,565	5,632	—	14,933
Cost of sales	(15,533)	(1,890)	34	(13,677)
Gross profit	5,032	3,742	34	1,256
Other income	891	272	(269)	888
Distribution and selling expenses	(113)	—	—	(113)
Administrative expenses	(2,019)	(627)	(11)	(1,381)
Finance costs	(3,419)	(2,277)	71	(1,213)
Impairment losses on financial assets, net of reversal	247	—	—	247
Other expenses, gains and losses, net	(1,289)	(358)	—	(931)
Share of profits (losses) of associates	139	(1)	—	140
Share of profits of joint ventures	21	5	—	16
(Loss) profit before tax	(510)	756	(175)	(1,091)
Income tax credit (expense)	52	(7)	—	59
Loss (profit) for the year	(458)	749	(175)	(1,032)
(Loss) profit for the year attributable to:				
Owners of the Company	(693)	469	(194)	(968)
Non-controlling interests	235	280	19	(64)
	(458)	749	(175)	(1,032)

Note: The deconsolidation adjustments mainly include allocation of corporate expenses of RMB41 million, elimination of interest of GNE Group's perpetual notes subscribed by the subsidiaries of the Group of RMB135 million, and elimination of inter-segment profit of RMB1 million.

OTHER FINANCIAL ANALYSIS (CONTINUED)

Financial Position of the Group (De-consolidated GNE Group)

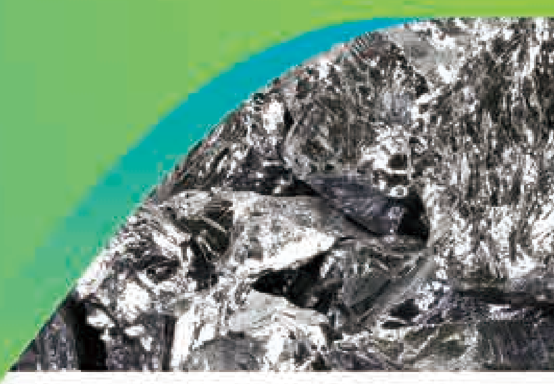
For illustrative purpose, if deconsolidating GNE Group and recognising the costs of investments in GNE as non-current assets, the financial position of the Group, GNE Group and the Group (De-consolidated GNE Group) would be as follows:

	The Group (A) RMB million	GNE Group (B) RMB million	Deconsolidation adjustments (C) RMB million	Notes	The Group (De-consolidated GNE Group) (D)=(A)-(B)-(C) RMB million
Non-current assets					
Property, plant and equipment	71,000	42,970	(27)	1	28,057
Interests in joint ventures	778	66	—		712
Interests in associates	1,815	37	—		1,778
Investment in perpetual notes of GNE Group	—	—	(1,800)	2	1,800
Investment in subsidiaries	—	—	(2,365)	3	2,365
Pledged and restricted bank deposits	936	753	—		185
Deposits, prepayments and other non-current assets and contract assets	7,964	7,570	—		394
Other non-current assets	3,126	451	—		2,673
Total non-current assets	85,619	51,847	(4,192)		37,964
Current assets					
Inventories	992	—	—		992
Trade and other receivables	13,309	4,951	(39)	4	8,397
Assets classified as held for sale	1,388	1,388	—		—
Pledged and restricted bank deposits	5,638	1,279	—		4,359
Bank balances and cash	4,076	1,362	—		2,714
Other current assets	1,472	353	(1,056)	4	2,175
Total current assets	26,875	9,333	(1,095)		18,637
Current liabilities					
Trade and other payables	20,959	10,119	(39)	4	10,879
Loans from group companies	—	755	(755)	4	—
Loans from related companies	508	276	—		232
Liabilities associated with assets classified as held for sale	935	935	—		—
Bank and other borrowings — due within one year	25,289	8,323	—		16,966
Obligations under finance leases — due within one year	277	—	—		277
Notes payables — due within one year	984	—	—		984
Other current liabilities	981	166	(100)	4	915
Total current liabilities	49,933	20,574	(894)		30,253
Non-current liabilities					
Loans from related companies	3,092	2,186	—		906
Bank and other borrowings — due after one year	26,477	24,340	—		2,137
Obligation under finance leases — due after one year	951	—	—		951
Notes and bonds payables — due after one year	4,137	3,934	—		203
Other non-current liabilities	1,071	444	—		627
Total non-current liabilities	35,728	30,904	—		4,824
Net current liabilities	(23,058)	(11,241)	(201)		(11,616)
Net assets	26,833	9,702	(4,393)		21,524

Notes:

1. Amount represent adjustment for disposal of subsidiaries to GNE Group, and related inter-segment profit.
2. Amounts represent the GNE's Group perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group.
3. Amounts represent adjustment for investment costs in GNE Group.
4. Amounts represent the eliminations of intercompany balances.

GCL-Poly Energy Holdings Limited is the world's largest polysilicon producer and leading wafer supplier globally. The Group has ramped up the polysilicon production capacity to 70,000 MT at the end of 2018. The Group's wafer production capacity achieved 30 GW at the end of 2018. Regarding the Group's new energy business, which is mainly operated through the subsidiary GCL New Energy, has approximately 7GW solar projects in operation in the world.



COMPANY PROFILE

MAJOR EVENTS 2018

Jan

On 18 January, the 3rd PV Industrial Chain Innovation & Cooperation Summit jointly organised by the Asian Photovoltaic Industry Association and GCL-Poly Energy Holdings Limited was successfully held in Suzhou.

On 18 January, the Summit on the Insights of New Values of Hong Kong Shares and Awarding Ceremony of the Listed Companies of the 2017 Golden Hong Kong Stock Awards was held in Shenzhen. GCL-Poly was granted the "Most Valuable Energy and Resources Company".

Feb

On 4 February, GCL-Poly was accredited as the "Most Influential Brand Leader of the Year" at the 2017 China Energy Communication Conference.

Mar

On 28 March, our Funing GCL Photovoltaic was awarded the "China Photovoltaic Smart Manufacturing Demonstration Application Innovation Promotion Award" at the 2nd China Photovoltaic Green and Intelligent Manufacturing Summit.

Apr

On 9 April, GCL-Poly's GRP system formally commenced operation, turning a new page in corporate management and laying the foundation for further synergies and collaboration of resources.

On 25 April, GCL-Poly obtained the "Star Enterprise of the Year", the only major award at the Shanghai Distributed New Energy Investment and Financing Summit.

On 27 April, the wafer cutting plant of Yangzhou GCL Photovoltaic Technology Co., Ltd. was honoured as "National Pioneer Worker" by All-China Federation of Trade Unions.

MAJOR EVENTS 2018 (CONTINUED)

May

On 30 May, the second-generation "TS+" black silicon wafer products of GCL-Poly was granted the "Terawatt Diamond Award", the top award of the "Top 10 Highlights" presentation of the 2018 SNEC exhibition.

Jun

On 27 June, the general secretary of Jiangsu's provincial party committee, visited and inspected Jiangsu Xinhua, a subsidiary of GCL-Poly.

Jul

In July, GCL-Poly's 2016 Environmental, Social and Governance Report was given 4.5 stars by the CASS-CSR Report Ratings Committee.

In July, the Jiangsu Key Laboratory of Silicon-Based Electronic Materials of Jiangsu GCL Silicon Material Technology Development Co., Ltd. was listed in and granted subsidies under the Notice on Subsidies to Provincial Key Corporate Laboratories for 2018 ,issued by the Department of Finance and Department of Science and Technology of Jiangsu Province.

On 31 July, Xuzhou GCL Solar Energy Co., Ltd. ("Xuzhou Solar") was listed on the "Top 100 Chinese Electronic Information Enterprises" for the fifth consecutive year at the 2018 Top 100 Chinese Electronic Information Enterprises Awarding Ceremony & the Integrated Informatisation and Industrialisation Development Summit held in Changchun, Jinlin Province.

Aug

On 14 August, GCL-Poly was given the "Photovoltaic Industry Technological Contribution Award" at the Double Glass Bifacial Industry Chain Technology and Application Seminar & Photovoltaic Power Station Asset Management and Overseas Market Investment Strategy Seminar held in Shanghai.

MAJOR EVENTS 2018 (CONTINUED)

Sep

On 17 September, Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd. ("Zhongneng") was awarded the 2017 Jiangsu Province Quality Award at the Jiangsu Province Quality Control Conference.

On 27 September, the Pilot Project for Intelligent Polysilicon Factory of Zhongneng was the only entity from Xuzhou, Jiangsu Province to be listed in the list of "pilot projects for intelligent manufacturing for 2018" issued by the Ministry of Industry and Information Technology.

Oct

In October, the third-generation solar-energy-grade high-performance polysilicon ingot and wafer research, development and industrialisation project of Xuzhou Solar won the second prize of the 2018 China Energy Research Society Energy Innovation Awards, which was presented by the China Energy Research Society.

On 9 October, polysilicon wafer produced by Jiangsu GCL Silicon Material Technology Development Co., Ltd. was listed as a single champion series product in the lists of the third batch of Single Champion Enterprises and Products in the Manufacturing Industry announced jointly by the Ministry of Industry and Information Technology of the PRC and China Federation of Industrial Economics.

On 28 October, GCL-Poly's 60,000-tonnes polysilicon project in Xinjiang formally commenced production. It sets a model of low-carbon, environmental-friendly, high-efficiency and zero-emission project for the industry in terms of greenness, low-carbon emission, environmental protection requirements, resource-saving and environmental-friendliness.

On 28 October, 6 new black-silicon production lines of Yangzhou GCL Photovoltaic Technology Co., Ltd. commenced operation as scheduled, taking the number of operating production lines to 26 and opening a new chapter in the production of black-silicon.

On 31 October, GCL-Poly received the sole Best Research and Development Team of the Year as well as the Outstanding Photovoltaic Material Enterprise of the Year at the 10th "Night of GCL" dinner party of Wuxi New Energy Exhibition & "Solar Energy Cup" CREC Annual Awards Ceremony 2018 held in Wuxi for its outstanding contributions in the field of high-performance photovoltaic materials.

MAJOR EVENTS 2018 (CONTINUED)

Nov

On 12 November, GCL-Poly won two awards, namely the "Best Brand Value in the High-Tech Industry of China" and the "Outstanding PV Material Supplier", at the OFweek China High-tech Industry Conference 2018 held in Shenzhen.

On 6 November, Zhongneng Polysilicon was included in the list of "Green Factories" with its clean and environmental-friendly fully closed-loop recovering technology in the third batch of green manufacturers announced by the Ministry of Industry and Information Technology of China.

In November, 12 plants under Suzhou GCL-Poly Solar Power Investment Ltd. and Zhongneng Polysilicon were included in the List of Pilot Intelligent Plants in Jiangsu Province granted by the Industry and Information Technology Department of Jiangsu in 2018. The total number of pilot intelligent plants in Jiangsu Province under GCL-Poly rose to 7.

On 21 November, GCL-Poly Energy Holdings Limited received the 2018 Outstanding Contribution Award at the 2nd Meeting of the 2nd Board of Directors & Award Presentation Ceremony of the China Photovoltaic Industry Association held in Hefei, Anhui Province.

Dec

On 12 December, the GCL-Poly Group topped the "2018 Global Top 500 New Energy Enterprises" list for the first time at the 2018 International Energy Forum & the 8th Global Top 500 New Energy Enterprises Summit held at the People Daily Press. Meanwhile, GCL-Poly was honoured as one of the "2018 Global Top 500 Technology Innovation Enterprises in New Energy Category" for its outstanding contribution in the sector of photovoltaic material technology.

At the end of December, GCL-Poly was one of the Top 25 Global Renewable Energy Leaders for 2017 announced by Thomson Reuters, a global resource platform.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2018 was no ordinary year for the PV industry. Owing to a policy change in the PRC, the global PV industry underwent a re-shuffle in 2018. Prior to the announcement of the May 31 New Policy, GCL-Poly always focused on reducing costs, improving efficiency and effectiveness, bolstering business foundation and keeping abreast of industry developments in order to cope with any change in the industry. Subsequent to the promulgation of the May 31 New Policy, demand in the domestic PV market dropped, while the international market showed an opposite movement. The Company responded swiftly by adjusting its production plans. After a phased adjustment and integration, the global market has witnessed substantial progress on grid-parity with demand increasing exponentially, and is expected to resume steady growth in 2019. Led by several industry leaders with a fine division of labour and complementary advantages, the industry now exhibits a unique industrial pattern. With its solid business foundation and competitive edges, GCL-Poly surmounted such market fluctuations, forged ahead and maintained its leading position in the industry.

Business Review for 2018

During 2018, GCL-Poly's total production of polysilicon and wafers were 61,785 MT and 24,189 MW, respectively, outperforming its global peers. For the year ended 31 December 2018, GCL-Poly recorded a revenue of RMB20,565 million, representing a decrease of 13.6% as compared with 2017; gross profit was approximately RMB5,033 million, representing a decrease of 38.6% as compared with 2017. Loss attributable to shareholders amounted to approximately RMB693 million and basic loss per share was approximately RMB3.81 cents.

GNE's total installed PV capacity was 7,309 MW for 2018, representing an increase of 22% as compared with 2017. Total revenue from the new energy business was approximately RMB5,632 million, representing a year-on-year increase of 17.7%.

High-Quality Development across PV Industry

Looking back to 2018, the industry plunged into a temporary downturn amidst a host of adversities, such as the US-China trade disputes, financial deleveraging as well as cyclical and structural economic problems, particularly the May 31 PV New Policy and the delay in the payment of new energy subsidy. As a result, new PV installations in the PRC dipped in 2018. Nevertheless, the global new PV installed capacity continued to grow. Thanks to the concerted efforts of all players, the PV industry has made tremendous technological advancements that enhanced quality and efficiency while knocking down prices of solar modules and PV systems, thus significantly lowering average PV power generation costs in the last decade. As such, PV application is flourishing and the future looks promising.

CHAIRMAN'S STATEMENT (CONTINUED)

2018 marked a development milestone for the PRC PV industry from high speed to high quality. In fact, appropriate "slowdown" can optimise production scale, improve development quality and promote further consolidation across the industry. The PV industry chain will eventually be led by several industry leaders with a fine division of labour and complementary advantages, and will exhibit a unique industrial pattern which facilitates an orderly development. As a result, the industry will be more consolidated and industry chain co-operation will be enhanced with closer technological collaboration and better synergies.

Steady Growth amidst Adversities

To adapt proactively to market changes, GCL-Poly has implemented a number of vigorous strategic measures during the industrial transformation and achieved ground-breaking development. Well before the announcement of the May 31 New Policy, GCL-Poly has completed the transformation of its diamond wire sawing technology, the commercialisation of the black multi-wafer technology has been making steady progress, and the development of GCL-Poly's Xinjiang polysilicon project was commenced for achieving high-quality output at a low cost. In the second half of the year, the Xinjiang polysilicon base of GCL-Poly commenced operation. With a designed capacity of 60,000 MT, it has become a role model for polysilicon production projects around the world, further highlighting GCL-Poly's industry prominence. Once again, GCL-Poly completed the world's largest polysilicon project with the shortest construction period, lowest investment and operating costs, highest overall efficiency, most sophisticated intelligent technologies, lowest carbon emissions and best environmental performance across the globe. Being market-oriented, GCL-Poly maintained its dual track mono and multi wafer marketing strategy and introduced differentiating products with a high cost performance by improving efficiency and reducing costs with its technological innovation. It has developed quasi-mono wafer, a product combining the features of mono and multi wafer of low costs, low energy consumption, high quality and high efficiency. Its pivotal and differentiating high-quality ingot product delivers the efficiency of a mono wafer with the cost of a multi-wafer, and will realise commercial production and sale in 2019. During the period, GCL-Poly further upgraded and renovated its existing microtomes and has enhanced its cutting efficiency, with an aim of continuously reducing wafer cutting cost. To speed up its expansion in the mono wafer market, GCL-Poly has strengthened its strategic partnership with Tianjin Zhonghuan Semiconductor Co., Ltd. ("Tianjin Zhonghuan") in order to capitalise on their extensive managerial expertise. With the steady progress of a series of strategies, including the commencement of operation of the Xinjiang polysilicon base, producing both mono wafers and multi-wafers, launching quasi-mono wafers, developing new technologies and optimising assets, GCL-Poly realised a steady growth, maintained its leading position, and is poised to leverage on the future growth momentum of the industry.

CHAIRMAN'S STATEMENT (CONTINUED)

GNE, a subsidiary of the Company, vigorously improved its gearing position in 2018 by carrying out a series of financing activities. It has optimised and adjusted its financial structure, increased the proportion of long-term financing and reduced liabilities, so as to head towards an "asset-light" operation. During the year, GNE took a strategic and crucial step in its transformation to the asset-light business model with phased achievements. New strategic partnership was formed for project collaboration, thereby speeding up the availability of capital. This will enable GNE to achieve its development goals of transformation and upgrade, move further towards the asset-light model and provide management service after disposal.

With respect to the capital market, GCL-Poly always focuses on shareholders' value. At the annual general meeting in May 2018, the repurchase mandate was approved. GCL-Poly has made a total of 8 rounds of share buy-back, totaling 262,424,000 shares during the period. Continuous share repurchases effectively increased the Company's earnings per share and maximised shareholders' interests, as well as demonstrated GCL-Poly's confidence in the Company's development and growth potential.

Bright Future after Overcoming Challenges

In 2018, the PV industry fluctuated wildly and entered a transient downturn. In spite of the deep adjustment and fallen demand in the PRC PV market, the overseas market, particularly emerging markets, enjoyed strong demand attributable to lower costs of PV products. On a global scale, PV power generation will continue to enjoy enormous room for development in many overseas regions and will become a major alternative energy source in the future thanks to the continuous drop in average generation costs.

In the near term, the National Energy Administration is considering the expansion of PV and other renewable energies as a part of the interim review of the 13th Five-year Plan. Following the implementation of the Renewable Portfolio Standard on 1 January, quota assessment is required and the electricity industry will be marketised. PV power generation will benefit from such favourable development and take up a more prominent role in the electricity market.

2019 is the first year for the abolishment of subsidies on PV power generation and this marks a new beginning for the PRC PV industry. A new era of quality and efficiency improvement has begun, and it is believed that the PV industry will gradually recover and resume rational, healthy and orderly growth in 2019. GCL-Poly is also poised to grasp new opportunities brought by industry consolidation. Looking forward, GCL-Poly will continue to upgrade its existing technologies, enhance efficiency, reduce costs, launch products with higher cost performance that meet market demand, improve its return on assets and profitability, seize grid-parity and bring green energy to every household.

Finally, I sincerely thank the Company's Board of Directors, management team and all staff for their hard work in 2018. I am deeply grateful to the Company's shareholders and partners for their staunch support.

Zhu Gongshan
Chairman

CEO'S REVIEW OF OPERATIONS AND OUTLOOK

On behalf of the management of the Company, I hereby announce the following annual results achieved by GCL-Poly in 2018: for the year ended 31 December 2018, GCL-Poly recorded a revenue of RMB20,565 million, representing a 13.6% decrease as compared with 2017. Gross profit was approximately RMB5,033 million, representing a 38.6% decrease as compared with 2017. Loss attributable to shareholders amounted to approximately RMB693 million and basic loss per share was approximately RMB3.81 cents. In 2018, with a sale of 24,761 MW, the Company completed total production of polysilicon and wafer of 61,785 MT and 24,189 MW, respectively, ranking the first in the world in terms of production volumes of both polysilicon and wafers.

GNE developed steadily in 2018. As of 31 December 2018, GNE's total grid-connected installed capacity was 7,309 MW, an increase of 22% as compared with last year. In terms of results, GNE's total revenue for 2018 was approximately RMB5,632 million, up by 17.7% year-on-year.

Maintaining Industry Leading Position and Building a Global Flagship Plant for Polysilicon Production

GCL-Poly's polysilicon base in Xinjiang commenced production in the fourth quarter of 2018. In line with the Company's expansion plan, the capacity of the base rose from the initial 40,000 tonnes to 60,000 tonnes with a minimal increase in capital expenditure. The base is the world's largest polysilicon production base with the shortest construction period, lowest investment and operating costs, highest overall efficiency, topnotch product quality, most sophisticated intelligent technologies, lowest carbon emissions and best environmental performance across the world. Given the low tariff in Xinjiang, state-of-the-art proprietary production techniques as well as GCL-Poly's extensive experience in managing polysilicon production of more than 10,000 tonnes, the Xinjiang base will become a key driver and profit source of the Company. Its highly competitive products will replace imported ones and set new standards for the global silicon industry.

Rolling Out New Differentiating Products of Both Mono Wafers and Multi-wafers

To cater for the market's diversified product demand, GCL-Poly will implement a "Dual Track Mono Wafer and Multi-Wafers" business strategy and adjust its capacity allocation in a timely manner. In respect of multi-wafer, the intelligent black silicon production plant has ramped up its capacity and achieved the biggest reduction in production cost in the last 3 years. The power gap between mono wafer and multi-wafer modules is narrowed and the cost performance and market competitiveness of black multi-wafers is enhanced by developing new technologies, improving efficiency and increasing the power output of the modules. With respect to mono wafers, GCL-Poly has formed a strategic alliance with Tianjin Zhonghuan to create synergy in silicon and wafer production so as to offer quality mono wafer products under the collaboration and mutual support of the two giants.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK (CONTINUED)

High efficiency and high power output are the trend of the PV industry. High efficiency can enhance the unit capacity of modules, and high power output can lower the per watt cost of modules. With advanced mono wafer casting techniques, GCL-Poly has struck a balance between mono and multi wafer production with low costs, low energy consumption, high quality and high efficiency. It has developed quasi-mono wafer, a pivotal and differentiating high-quality mono wafer ingot product which combines the efficiency of a mono wafer and the economy of a multi-wafer. The application of quasi-mono wafer to modules exemplifies advantages in three areas: 1. Quasi-mono wafers currently used in modules are large-sized wafers, which, together with the half-cell and MBB module technologies, enable modules to have ultrahigh power output; 2. testing data shows that the lumen depreciation of quasi-mono wafer modules is a half less than that of mono wafer modules; 3. the cost advantage is more prominent compared to that of mono wafer due to its technique advancement and its use of ingots. By applying the mono wafer ingot technologies developed over the years, GCL-Poly will boost the production capacity of quasi-mono wafers in 2019 through persistent technology upgrade and transformation, with the ultimate goal of meeting the increasing market demand for cost-effective products.

Embracing New Policy with New Business Model

The announcement of the May 31 PV New Policy has shaken the PV industry. In the short term, the domestic market will experience a transient downturn, periodic adjustment and re-shuffle as the growth in new PV installations decline. As a leader in the global polysilicon market, GCL-Poly is both confident and capable of turning such challenges into opportunities by adjusting its operating strategy and seizing industry rebound opportunity in a timely manner.

In October 2018, the National Development and Reform Commission, the Ministry of Finance and the National Energy Administration jointly promulgated the Notice on Matters Related to PV Power Generation in 2018, which states that subsidy will be provided for plants connected ahead of 30 June. In January 2019, the Notice on Actively Promoting the Unsubsidised Grid Parity of Wind and PV Power Generation was issued by the National Development and Reform Commission and the National Energy Administration to formally announce the unsubsidised grid-parity policy for PV. As a part of the interim review of the 13th Five-Year Plan, the scale of renewable energy production can hopefully be enlarged. The third consultation paper for the Renewable Portfolio Standard has also been released. All these favourable policies signify the end of the darkest time. GCL-Poly is poised to welcome the next growth cycle in the PV industry.

Seizing Market Opportunities with Diversification by GNE

GNE focuses on domestic business while actively exploring overseas markets at the same time. During the reporting period, GNE formed alliances with domestic and foreign enterprises to accelerate the internationalisation of its PV business. GNE adopted a diversified and innovative financing model at the holding and regional company level to improve its comprehensive financing ability as a whole and effectively reduce the debt level of the Company. GNE actively established strategic partnerships with large stated-owned enterprises, obtaining financing advantages through a win-win co-operation. GNE will continue to rely on its competitive edges to allocate resources prudently, focus on overseas markets with abundant resources, mature standards, and reasonable risks, and form strong alliances with internationally influential partners and financial institutions to seek projects with high return potential and low risk.

CEO'S REVIEW OF OPERATIONS AND OUTLOOK (CONTINUED)

Outlook

According to the latest data from the National Energy Administration, China's new PV installations were over 44 GW in 2018. Based on the recent data from the China Photovoltaic Industry Association, China's PV industry chain accounted for more than 50% of the global production in all segments. Domestic polysilicon production in 2018 was approximately 250,000 tonnes, recording a year-on-year increase of 3.3%. The implementation of the May 31 PV New Policy will inevitably affect China's new PV installations in the short term. However, in the long run, it will promote the healthy and orderly development of the PV industry. At present, overseas markets is experiencing exponential growth, especially in emerging markets including India, Turkey, Saudi Arabia, the Middle East, South America and Southeast Asia. Many countries and regions have already realised grid parity on the generation side. With decreasing PV power generation costs, more GW-grade markets will emerge across the globe, which will be conducive to the long-term balanced and sustainable development of the PV and silicon material markets.

GCL-Poly believes that spring has come to the PV industry, and is well prepared for it. We will continue to upgrade its existing diamond wire sawing technology in order to improve efficiency and reduce costs. Differentiating mono wafer ingot products will be developed according to market needs and products with a high cost performance will be introduced to the market with the help of the low-cost and high-quality Xinjiang intelligent production base as well as the mono wafer joint venture with Tianjin Zhonghuan. GCL-Poly will also steadily promote asset optimization in the Xuzhou production base and reduce its electricity cost with the aim of reinforcing its competitive strengths in anticipation of grid parity.

The challenges currently faced by the new energy sector are transient and crucial to the growth and development of the industry. Faith is invaluable. Having complete faith in the future, the Group will carry out resource sharing as well as platform, technological, capital and development co-operation through wider, stronger and deeper industry chain collaborations

Finally, I would like to express my heartfelt gratitude to the management team and all the staff members of the Company for their efforts and hard work in 2018. My sincere gratitude also goes to our shareholders and business partners for their staunch support to the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

2018 is a challenging year for the company. It is believed that the solar industry will enter into a reshuffle phase due to the consequence of the issuance of *Notice on Matters Related to Photovoltaic Power Generation* ("531 PV New Policy") issued by the PRC government during the year. The photovoltaic products faced a downward price pressure after 531 PV New Policy. Although more positive news released in the market and the price has stopped decreasing in late 2018, the Group's financial performance is still being affected accordingly.

Results of the Group

For the year ended 31 December 2018, the revenue and gross profit of the Group were approximately RMB20,565 million and RMB5,033 million, respectively, representing an decrease of 13.6% and 38.6% respectively as compared with approximately RMB23,794 million and RMB8,199 million in the corresponding period in 2017.

The Group recorded a loss attributable to the owners of the Company of RMB693 million as compared to profit attributable to owners of the Company of RMB1,974 million in 2017.

Business Structure

The Group is principally engaged in: (i) manufacturing and sales of polysilicon and wafers for solar industry and (ii) the development, construction, operation and management of solar farms.

GCL New Energy Holdings Limited ("GNE Group or GNE") is a listed company in HK (Stock code: 0451). Except for 371MW solar farm that were constructed or acquired by the Group prior to obtaining a controlling stake in GNE, the Group primarily develops, constructs, operates and manages downstream solar farms through the platform of GNE.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For illustrative purpose, if excluding GNE Group and recognising the costs of investment in GNE and the perpetual notes receivable from GNE as non-current assets, the effect of de-consolidated GNE Group as at 31 December 2018 would be as follows:

	The Group RMB million	GNE Group RMB million	Deconsolidation adjustment (note) RMB million	The effect of de-consolidated GNE Group RMB million
Total assets	112,494	61,180	(5,287)	56,601
Total liabilities	85,661	51,478	(894)	35,077
Bank balances and cash, pledged and restricted bank deposits	10,650	3,394	—	7,256
Bank balances and cash classified as assets held for sale	45	45	—	—
Pledged deposit at related companies	142	18	—	124
Subtotal	**10,837**	**3,457**	**—**	**7,380**
Indebtedness				
Bank and other borrowings	51,766	32,663	—	19,103
Indebtedness directly associated with assets held for sale	873	873	—	—
Loan from fellow subsidiaries	—	755	(755)	—
Obligations under finance leases	1,228	—	—	1,228
Notes and bonds payables	5,121	3,934	—	1,187
Loan from related parties	3,600	2,462	—	1,138
Subtotal	**62,588**	**40,687**	**(755)**	**22,656**
Net debt	**51,751**	**37,230**	**(755)**	**15,276**

Note:

Deconsolidation adjustments included:

1. The Group's cost of investment in GNE amounted to be RMB2,365,304,000.

2. The GNE's perpetual notes of RMB1,800,000,000 subscribed by the subsidiaries of the Group.

3. The transaction balances with GNE Group, mainly include loan to GNE Group of RMB754,952,000, amount due from GNE Group, net and other eliminations.

As at 31 December 2018, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB2,971 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Segment Information

The Group are reported on the three continuing operating segments as follows:

a) Solar Material Business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.

b) Solar Farm Business — manages and operates 371 MW solar farms, of which 18 MW is located in the United States and 353 MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.

c) New Energy Business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms.

The following table sets forth the Group's operating results from continuing operations by business segments:

	2018			2017		
	Revenue	**Segment (loss) profit**	**Adjusted EBITDA[3]**	Revenue	Segment profit	Adjusted EBITDA[3]
	RMB million	**RMB million**	**RMB million**	*RMB million*	*RMB million*	*RMB million*
Solar Material Business	**14,436**	**(1,011)**	**2,648**	19,355	1,264	5,705
Solar Farm Business	**497**	**115**	**423**	497	68	415
Corporate/intersegment transactions[1]	**N/A**	**N/A**	**34**	N/A	N/A	33
Sub-total	**14,933**	**(896)**	**3,105**	19,852	1,332	6,153
New Energy Business	**5,632**	**708**	**4,898**	3,942	852	3,379
Total	**20,565**	**(188)**	**8,003**	23,794	2,184	9,532

1. The corporate items that are not a reportable segment primarily included unallocated income, unallocated expenses and intersegment transactions.

2. The segment profit from continuing operations of the new energy business includes reported net profit of GNE Group of approximately RMB749 million (2017: RMB904 million) and allocated corporate expenses of approximately RMB41 million (2017: RMB52 million).

3. Calculation of the adjusted EBITDA is detailed in the Financial Review Section in this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review

Solar Material Business

Production

The Group's solar material business belongs to the upstream of the solar supply chain, which supplies polysilicon and wafer to companies operating in the solar industry. Polysilicon is the primary raw material used in the solar wafer production. In addition, the Group also produces wafer by using polysilicon that are produced by the Group. In the solar industry supply chain, wafers are further processed by downstream manufacturers to produce solar cells and modules.

Polysilicon

As at 31 December 2018, the annual production capacity of polysilicon of the Group's Xuzhou base remained at 70,000 MT. During the year ended 31 December 2018, the Group produced approximately 61,785 MT of polysilicon, representing a decrease of 17.4% as compared to 74,818 MT for the corresponding period in 2017. The production capacity of the Group's Xinjiang polysilicon production base was on the rise as at 31 December 2018 and will reach 50,000 MT in the first quarter of 2019. It is anticipated that the lower electricity tariff and energy cost in Xinjiang will help to reduce the cost of polysilicon production and boost the competitiveness of the Company.

Wafer

As at 31 December 2018, the Group's annual wafer production capacity remained at 30 GW. During the 12 months ended 31 December 2018, the Group produced approximately 24,189 MW of wafers, representing an increase of 1.2% from 23,902 MW for the corresponding period in 2017.

During the year ended 31 December 2018, the Group's monosilicon entered mass production and a capacity expansion was underway. It is anticipated that the monthly production capacity will surge to no less than 500 MW in 2019, making monosilicon a new profit driver.

Sales Volume and Revenue

During the twelve months ended 31 December 2018, the Group sold 20,041 MT of polysilicon and 24,761 MW of wafers, representing an increase of 173.9% and 5.7% respectively, as compared with 7,316 MT of polysilicon and 23,417 MW of wafer for the corresponding period in 2017.

The average selling prices (excluding tax) of polysilicon and wafer were approximately RMB78.8 (equivalent to US$11.73) per kilogram and RMB0.570 (equivalent to US$0.087) per W respectively for the twelve months ended 31 December 2018. The corresponding average selling prices of polysilicon and wafer for the twelve months ended 31 December 2017 were approximately RMB104.8 (equivalent to US$15.46) per kilogram and RMB0.905 (equivalent to US$0.134) respectively.

Revenue from external customers of the solar materials business amounted to approximately RMB14,436 million for the year ended 31 December 2018, representing a decrease of 25.4% from RMB19,355 million in 2017. Notwithstanding the increase in the sales volume of both polysilicon and wafers, the drop in average selling prices following the implementation of the 531 PV New Policy in 2018 led to the decrease in revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Cost and Segment Gross Profit

The Group's polysilicon and wafer production costs mainly depend on its ability to control raw material costs, lower energy consumption, achieve economies of scale in its operations and streamline production processes. During the year ended 31 December 2018, due to the higher wafer output after diamond wire cutting, improvement of ingot casting furnaces, and the upgrade of black silicon wafer from double-side textured to single-side textured product, which the Group has proprietary intellectual property rights, the Group recorded a further decrease in overall production cost as wafer production cost has been reduced significantly. The Group will continue to push forward cost reduction and control measures.

Segment gross profit of the solar material business decreased to RMB995 million for the year ended 31 December 2018 from RMB5,268 million for the year ended 31 December 2017. Such decrease was due to the drop in average selling prices of polysilicon and wafers of 24.8% and 37.0% respectively following the implementation of the 531 PV New Policy, despite the year-on-year rise in polysilicon and wafer sales of 173.9% and 5.7% respectively and the significant reduction in cost.

Solar Farm Business

Overseas Solar Farms

As at 31 December 2018, the solar farm business includes 18 MW of solar farms in the United States. Besides, 150 MW solar farms in South Africa, which was partnered with CAD Fund, commenced operation in 2014 with the total effective ownership of 9.7% owned by the Group.

PRC Solar Farms

As at 31 December 2018, the solar farm business also includes 10 solar farms in the PRC and its installed capacity and attributable installed capacity were remained unchanged at 353.0 MW and 289.3 MW, respectively.

Sales Volume and Revenue

For the year ended 31 December 2018, the electricity sales volume of solar farm business in overseas and the PRC were 30,473 MWh and 492,950 MWh respectively (2017: 29,804 MWh and 495,365 MWh, respectively).

For the year ended 31 December 2018, revenue for solar farm business was approximately RMB497 million (2017: RMB497million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

New Energy Business

As at 31 December 2018, the Group owns 11,880 million shares of GNE (approximately 62.28% of GNE's issued capital). As at 31 December 2018, the aggregated installed capacity of the 221 grid-connected solar farms of GNE Group (31 December 2017: 162) increased by 22.0% to 7,309 MW (31 December 2017: 5,990 MW). Details of capacity, electricity sales volume and revenue for the year ended 31 December 2018 are set out below.

Places	Tariff Zones	Number of Solar Farm	Aggregate Installed Capacity(1) (MW)	Grid-connected Capacity(1) (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Inner Mongolia	1	12	380	380	637	0.74	469
Ningxia	1	6	233	229	313	0.71	222
Qinghai	1	3	107	107	165	0.83	137
Xinjiang	1	2	81	81	114	0.68	77
	Zone 1	23	801	797	1,229	0.74	905
Shaanxi	2	18	1,018	1,018	1,092	0.69	756
Yunnan	2	8	284	233	177	0.60	107
Hebei	2	5	255	251	309	0.84	261
Qinghai	2	6	176	168	218	0.70	153
Inner Mongolia	2	3	121	121	85	0.65	55
Shanxi	2	1	107	107	125	0.86	108
Sichuan	2	2	85	85	126	0.75	95
Jilin	2	4	51	51	62	0.77	48
Liaoning	2	3	47	47	59	0.70	42
Xinjiang	2	2	47	47	35	0.69	24
Gansu	2	2	39	39	31	0.73	23
	Zone 2	54	2,230	2,167	2,319	0.72	1,672

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Places	Tariff Zones	Number of Solar Farm	Aggregate Installed Capacity[1] (MW)	Grid-connected Capacity[1] (MW)	Electricity Sales Volume (million kWh)	Average Tariff (Net of Tax) (RMB/kWh)	Revenue (RMB million)
Henan	3	17	827	733	712	0.72	515
Jiangsu	3	40	455	446	432	0.84	362
Anhui	3	12	410	410	476	0.78	370
Shanxi	3	9	405	405	490	0.69	337
Hubei	3	5	268	268	311	0.78	241
Guizhou	3	6	234	209	196	0.81	159
Hebei	3	9	230	230	296	0.91	270
Guangdong	3	7	202	107	114	0.80	91
Jiangxi	3	5	192	192	199	1.07	214
Shandong	3	6	182	182	217	0.83	179
Guangxi	3	3	159	137	90	0.83	74
Hunan	3	5	101	101	222	0.82	182
Hainan	3	3	80	66	68	0.86	58
Zhejiang	3	3	62	62	64	1.01	65
Fujian	3	3	54	28	27	0.79	21
Shanghai	3	1	7	7	7	0.94	7
Shaanxi	3	1	6	6	5	0.65	3
	Zone 3	135	3,874	3,589	3,926	0.80	3,148
Total of PRC subsidiaries		212	6,905	6,553	7,474	0.77	5,725
Japan		1	4	4	4	2.16	8
US		2	134	134	133	0.39	51
Total of Subsidiaries		**215**	**7,043**	**6,691**	**7,611**	**0.76**	**5,784**
Joint ventures and associates[2]							
PRC		3	261	261	213	0.84	179
Japan		3	5	5	6	2.13	12
Total		**221**	**7,309**	**6,957**	**7,830**	**0.76**	**5,975**

Representing:	
Electricity sales	2,223
Tariff adjustment — government subsidies received and receivables	3,561
Total of subsidiaries	5,784
Less: effect of discounting tariff adjustment to present value[3]	(152)
Total revenue of GNE Group	5,632

(1) Aggregate installed capacity represents the maximum capacity that were approved by the local government authorities while grid-connected capacity represents that the actual capacity connected to the State Grid.

(2) Revenue from joint ventures and associates was accounted for under "Share of profits of joint ventures" and "Share of profits of associates" in the consolidated statement of profit and loss and other comprehensive income.

(3) Certain portion of the tariff adjustment (government subsidies) will be recovered after twelve months from the reporting date and accordingly contains significant financing component. The tariff adjustment is discounted at an effective interest rate ranging from 2.90% to 2.98% per annum.

Most of the solar farms of the Group are located in China and almost all of the revenue is contributed by the subsidiaries of State Grid. The State Grid is a State-owned enterprise in China, which possesses low default risk. Therefore, the Directors considered that the credit risk was minimal and no provision for credit losses was considered necessary for the years ended 31 December 2018 and 31 December 2017.

Revenue

During the year ended 31 December 2018, the revenue of the GNE Group mainly comprised sales of electricity and related tariff adjustment (i.e. government subsidies) amounting to approximately RMB5,632 million (2017: RMB3,942 million), net of effect of discounting the tariff adjustment to its present value of approximately RMB152 million (2017: RMB175 million). The significant increase in revenue was mainly attributable to the increase in sales of electricity of the solar farms by 45% as a result of intensive developments of solar farms in 2017 and 2018. The average tariff (net of tax) for the PRC was approximately RMB0.76/kWh (2017: RMB0.79/kWh). The decrease in average tariff was mainly due to the tariff cut adopted from 1 July 2017 and competitive bidding tariff for some of our projects.

In terms of revenue generated by tariff zone from the PRC, for the year ended 31 December 2018, approximately 16%, 29% and 55% of revenue were generated from zone 1, zone 2 and zone 3 respectively (2017: 20% for zone 1, 25% for zone 2 and 55% for zone 3). In consistent with our prevailing strategy, GNE Group focused more on developing solar farms in well-developed areas with strong domestic power demand (i.e. zone 2 and zone 3) to minimize the grid curtailment risk in zone 1 area.

Gross Profit

GNE Group's gross margin for the year ended 31 December 2018 was 66.5%, as compared to 67.3% for the year ended 31 December 2017. The slight decrease in gross margin was mainly due to tariff cut for the projects connected to the grid after 30 June 2017.

The cost of sales mainly consisted of depreciation, which accounted for 79.2% (2017: 78.5%) of cost of sales, with the remaining costs being operation and maintenance costs of solar farms.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial resources of GNE Group

The net cash from operating activities during the year ended 31 December 2018 was RMB2,462 million, representing a 33% increase from RMB1,854 million of the same period last year. The substantial increase in net cash from operating activities was mainly due to the cash received from sale of electricity and tariff adjustments for solar farms registered to the 7th batch of subsidy catalogue as well as the expansion of grid-connected capacity from 5,503MW as at 31 December 2017 to 6,957MW as at 31 December 2018.

The net cash used in investing activities during the year ended 31 December 2018 primarily arose from payments and deposit paid for the acquisition and development of solar farm projects.

For the year ended 31 December 2018, GNE Group's main source of funding was cash generated from financing activities amounting to RMB2,452 million, which mainly included the net effect of (1) newly raised bank and other borrowings of RMB9,266 million, (2) proceeds from loans from related parties of RMB2,885 million, (3) proceeds from issue of senior notes of RMB3,167 million, (4) repayment of bank and other borrowings of RMB8,038 million, (5) repayment of loans from related parties of RMB1,440 million, (6) redemption of bonds payable and convertible bonds of RMB1,240 million and (7) interest payment of RMB2,199 million.

Outlook

The Group's outlook and likely future developments of the Group's business, is set out in the CEO's Review of Operations and Outlook of this report.

Financial Review

Continuing operations

Revenue

Revenue for the year ended 31 December 2018 amounted to approximately RMB20,565 million, representing a decrease of 13.6% as compared with approximately RMB23,794 million for the corresponding period in 2017. The decrease was mainly affected by downward average selling price adjustment for wafer products, which lead to a drop in revenue in solar material business, partly offset by combined effect of increase in sales volume of both polysilicon and wafer and growth in revenue from GNE Group.

Gross Profit Margin

The Group's overall gross profit margin for the year ended 31 December 2018 was 24.5%, as compared with 34.5% for the corresponding period in 2017.

Gross profit margin for the solar material business decreased from 27.2% for the year ended 31 December 2017 to 6.9% for the year ended 31 December 2018. The decrease was mainly attributable to the decrease in the average selling price for wafer, partially offset by the reduction of production costs.

Solar farm business has a gross profit margin of 52.4% for the year ended 31 December 2018, 3.9 percentage points higher than the corresponding period in 2017.

The gross profit margin for the new energy business was 66.5% for the year ended 31 December 2018 and 67.3% for the corresponding period in 2017. The decrease in gross profit margin was mainly due to the tariff cut for the projects connected to the grid after 30 June 2017.

Other Income

For the year ended 31 December 2018, other income mainly comprised government grants of approximately RMB255 million (2017: RMB141 million), sales of scrap materials of approximately RMB184 million (2017: RMB390 million) and bank and other interest income and interest arising from contracts containing significant financing components of approximately RMB265 million (2017: RMB229 million).

Distribution and Selling Expenses

Distribution and selling expenses decreased from approximately RMB119 million for the year ended 31 December 2017 to approximately RMB113 million for the year ended 31 December 2018.

Administrative Expenses

Administrative expenses amounted to approximately RMB2,020 million for the year ended 31 December 2018, representing a decrease of 7.7% from approximately RMB2,188 million for the corresponding period in 2017. Decrease in administrative expenses was primarily due to the decrease in salaries and staff welfare driven by the cost control policy.

Other Expenses, Gains and Losses, Net

The other expenses, gains and losses, net represents net expenses of RMB1,290 million for the year ended 31 December 2018 (2017: net expenses of RMB1,351 million). The net expenses for the current year mainly comprises of research and development costs of approximately RMB521 million (2017: RMB956 million), impairment on property, plant and equipment of RMB526 million (2017: RMB263 million), net exchange loss of approximately RMB480 million (2017: net exchange gain of RMB8 million), impairment loss on goodwill of approximately RMB177 million (2017: nil); loss on fair value change of convertible bonds payable of approximately RMB46 million (2017: RMB157 million), gain on fair value change of other financial assets at fair value through profit or loss of approximately RMB84 million (2017: RMB17 million), loss on deemed disposal of an associate of approximately RMB78 million (2017: nil) and gain on disposal of a subsidiary of approximately RMB445 million (2017: nil).

Finance Costs

Finance costs for the year ended 31 December 2018 were approximately RMB3,419 million, increased by 34.6% as compared to approximately RMB2,541 million for the corresponding period in 2017. Increase was mainly related to the increase of bank and other borrowings by GNE Group during the year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Share of Profits of Associates and Joint Ventures

The Group's share of profits of associates for the year ended 31 December 2018 was approximately RMB139 million, mainly contributed by an associate, Inner Mongolia Zhonghuan — GCL Solar Material Co., Ltd.* ("Mongolia Zhonghuan — GCL") (內蒙古中環協鑫光伏材料有限公司).

The Group's share of profits of joint ventures for the year ended 31 December 2018 was approximately RMB21 million, mainly contributed by the joint venture in South Africa.

Income Tax (Credit) Expense

Income tax credit for the year ended 31 December 2018 was approximately RMB52 million, representing a significant decrease of 108.2% as compared with approximately RMB638 million of income tax expense for the corresponding period in 2017. The change was mainly due to the loss from the solar material business and the deferred income tax credit from the impairment on fixed assets in 2018.

(Loss) Profit attributable to Owners of the Company

Loss attributable to owners of the Company from continuing operations amounted to approximately RMB693 million for the year ended 31 December 2018 as compared with a profit of approximately RMB1,926 million for the corresponding period in 2017. Loss for the year was mainly due to the loss arising from the segment loss of RMB1,011 million from the solar material business for the year, which was partially offset by the increase in profit contributed by the new energy business.

No discontinued operation resided during the year

The profit for the year ended 31 December 2017 from discontinued operations was RMB77 million.

Profit attributable to owners of the Company from continuing operations and discontinued operations amounted to approximately RMB1,974 million for the year ended 31 December 2017.

* English name for identification only

Adjusted EBITDA and Adjusted EBITDA Margin

	2018 **RMB million**	2017 RMB million
For the year ended 31 December:		
(Loss) profit for the year from continuing operations	**(458)**	2,274
Adjust: non-operating or non-recurring items:		
Impairment loss of property, plant and equipment	**526**	263
Loss (gain) on fair value change of convertible bonds receivable	**2**	(13)
Loss on fair value change of convertible bonds payables	**46**	157
Loss on fair value change of held for trading investments	**15**	28
Restructuring and acquisition costs	**—**	78
Loss on deemed disposal of an associate	**78**	—
Impairment loss on goodwill	**177**	—
Gain on disposal of a subsidiary	**(445)**	—
Compensation income in relation to shutdown of a power plant	**—**	(156)
Gain on fair value change of other financial assets at fair value through profit or loss	**(84)**	(17)
Loss on fair value change of derivative financial instruments, net	**10**	—
Exchange losses (gains), net	**480**	(8)
	347	2,606
Add:		
Finance costs	**3,419**	2,541
Income tax (credit) expense	**(52)**	638
Depreciation and amortisation	**4,289**	3,747
Adjusted EBITDA	**8,003**	9,532
Adjusted EBITDA Margin	**38.9%**	40.1%

Property, Plant and Equipment

Property, plant and equipment increased from RMB63,780 million as at 31 December 2017 to RMB71,000 million as at 31 December 2018. The significant increase is mainly attributable to the increase in the total installed capacity of solar-farms in GNE Group from 5,990 MW as at 31 December 2017 to 7,309 MW as at 31 December 2018 and expansion of polysilicon production capacity in Xinjiang.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Deposits, Prepayments and Other Non-current Assets and Contract Assets

Non-current portion for deposits, prepayments and other non-current assets and contract assets increased from RMB6,083 million as at 31 December 2017 to RMB7,964 million as at 31 December 2018.

Contract assets of RMB4,236 million represent tariff adjustment receivable (government subsidies) for solar farms yet to obtain approval for registration in the Subsidy Catalogue. This item with amount of RMB1,836 million was included in "Deposit, prepayment and other non-current assets" in 2017.

The increase was mainly attributable to the increase in tariff adjustments expected to be received after twelve months because some solar farms were waiting for registration into the coming 8th batch or after of subsidies catalogue which is not yet open for registration.

Interests in Associates and Joint Ventures

Interests in associates and joint ventures increased when compared to 31 December 2017 mainly because of (1) further capital injection to Xinxin Finance Leasing Company Limited* (芯鑫融資租賃有限責任公司); (2) share of profit from Mongolia Zhonghuan — GCL during the year; partially offset with (3) deemed disposal in Lamtex Holdings Limited due to equity interest dilution.

Trade and Other Receivables

Trade and other receivables decreased from RMB14,537 million as at 31 December 2017 to RMB13,309 million as at 31 December 2018. The decrease was mainly due to decrease in trade receivables from solar material business; and partly offset by the overall increase in refundable value-added tax.

Trade and Other Payables

Trade and other payables increased from RMB19,592 million as at 31 December 2017 to RMB20,959 million as at 31 December 2018. The increase was mainly due to increase in construction payables, partially offset with trade payables under solar material business.

Liquidity and Financial Resources

As at 31 December 2018, the total assets of the Group were about RMB112.5 billion, of which the aggregate restricted and unrestricted cash and bank balances amounted to approximately RMB10.8 billion. The bank and other interest received for the year ended 31 December 2018 was approximately RMB0.1 billion.

For the year ended 31 December 2018, the Group's main source of funding was cash generated from operating activities. The net cash from operating activities was RMB6.4 billion, compared with RMB9.0 billion in the corresponding period in 2017. The decrease is mainly attributable to the decrease in operating cash flow from solar material business.

For the year ended 31 December 2018, the net cash used in investing activities was approximately RMB12.7 billion (2017: RMB18.8 billion), primarily related to purchase of property, plant and equipment of approximately RMB10.9 billion, which was mainly attributable to GNE Group of approximately RMB8.2 billion.

* English name for identification only

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For the year ended 31 December 2018, the net cash used in financing activities was approximately RMB0.4 billion (2017: net inflow RMB11.7 billion). This was mainly due to repayment of convertible bonds and notes and payables RMB4.9 billion, interest paid of RMB3.2 billion, partly offset by net proceeds of notes issuance of RMB3.2 billion from GNE Group and the net addition of bank and other borrowings of RMB2.8 billion. During the year, the Company paid in total of RMB67 million to Trustee to purchase 100,000,000 shares of the Company from the market pursuant to the Share Award Scheme. Also, the Company repurchased and cancelled 262,424,000 shares of its own ordinary shares at the total consideration of RMB163 million.

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB23,058 million as at 31 December 2018 and the Group had cash and cash equivalents of RMB4,121 million (including bank balances and cash classified as assets held for sale of approximately RMB45 million) against the Group's total borrowings (comprising bank and other borrowings, obligations under finance leases, notes, bonds payable, loan from a related company) amounted to approximately RMB62,588 million. The amounts included indebtedness directly associated with assets classified as held for sale of RMB873 million. For the remaining balance of the Group's total borrowings, approximately RMB27,058 million will be due in the coming twelve months.

In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors are of the opinion that, taking into account the registered short-term commercial paper and corporate bonds that are available for issuance, undrawn banking, renewal of existing banking facilities, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described in Note 2 "Basis of Preparation" to the consolidated financial statements, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

For detailed information, please refer to "Basis of Preparation" section of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Indebtedness

Details of the Group's indebtedness are as follows:

	2018 RMB million	2017 RMB million
Current liabilities		
Bank and other borrowings — due within one year	**25,288.8**	17,107.8
Obligations under finance leases — due within one year	**277.1**	740.9
Notes payables — due within one year	**984.4**	2,968.0
Convertible bonds payables — due within one year	**—**	1,765.3
Indebtedness associated with assets classified as held for sale	**873.0**	—
Loans from related parties — due within one year	**508.0**	—
	27,931.3	22,582.0
Non-current liabilities		
Bank and other borrowings — due after one year	**26,477.1**	32,857.1
Obligations under finance leases — due after one year	**951.3**	895.7
Notes and bonds payables — due after one year	**4,136.7**	1,861.4
Loans from related parties — due after one year	**3,091.8**	—
	34,656.9	35,614.2
Total indebtedness	**62,588.2**	58,196.2
Less: Pledged and restricted bank deposits and bank balances and cash (including bank balances and cash classified as assets held for sale)	**(10,836.7)**	(15,580.1)
Net indebtedness	**51,751.5**	42,616.1

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group's indebtedness are denominated in the following currencies:

	2018	2017
	RMB million	RMB million
RMB	**53,364.2**	50,898.1
USD	**9,047.1**	6,178.3
EUR	**111.4**	125.6
JPY	**65.5**	68.6
HKD	**—**	925.6
	62,588.2	58,196.2

Below is a table showing the bank and other borrowing structure and maturity profile of the Group.

	2018	2017
	RMB million	RMB million
Secured	**40,330.5**	39,399.0
Unsecured	**11,435.4**	10,565.9
	51,765.9	49,964.9
Maturity profile of bank and other borrowings		
On demand or within one year	**25,288.9**	17,107.8
After one year but within two years	**4,617.5**	7,993.8
After two years but within five years	**10,723.8**	11,382.0
After five years	**11,135.7**	13,481.3
Group's total bank and other borrowings	**51,765.9**	49,964.9

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Bank and other borrowings are denominated in the following currencies:

	2018 RMB million	2017 RMB million
RMB	**46,341.8**	45,025.9
USD	**5,247.2**	4,813.4
EUR	**111.4**	125.6
JPY	**65.5**	—
	51,765.9	49,964.9

As at 31 December 2018, RMB bank and other borrowings carried floating interest rates with reference to the Benchmark Borrowing Rate of The People's Bank of China. USD bank and other borrowings carried interest rates with reference to the London Interbank Offer Rate.

The notes payables bear interest at a rate of 4.15%–7.5% per annum (2017: 4.15%–7.5%) and the convertible bonds payables bear interest at a fixed rate of 0.75%–6.0% per annum in 2017.

Key Financial Ratios of the Group

	As at 31 December 2018	As at 31 December 2017
Current ratio	**0.54**	0.72
Quick ratio	**0.52**	0.69
Net debt to equity attributable to owners of the Company (Note)	**236.7%**	187.1%

Note:

As at 31 December 2018, the net debt of GNE was approximately RMB37,230 million (including the loans from fellow subsidiaries of RMB755 million) and the net debt to equity attributable to owners of GNE was 606.8%. For illustration purpose, if purely excluding GNE Group's net debt of RMB36,475 million (excluded the loans provided by the Group to GNE Group) and assuming the equity attributable to owners of the Company remains unchanged, the net debt to equity attributable to owners of the Company would be 69.8%.

Current ratio	=	Balance of current assets at the end of the year/balance of current liabilities at the end of the year
Quick ratio	=	(Balance of current assets at the end of the year - balance of inventories at the end of the year)/balance of current liabilities at the end of the year
Net debt to total equity attributable to owners of the Company	=	(Balance of total indebtedness at the end of the year - balance of bank balances and cash and pledged and restricted bank deposits at the end of the year)/balance of equity attributable to owners of the Company at the end of the year

Subsequent event update

The Group is required to comply with certain restrictive financial and other covenants and undertaking requirements.

As at 31 December 2018, the Group was not able to meet certain of the covenant requirements as stipulated in the relevant loan agreements, and thereby triggered the cross default clauses in several other bank borrowings. On discovery of the breach, the Directors informed the lenders and commenced renegotiations of the terms of the bank borrowings with the relevant banks and the waivers of strict compliance on the financial ratios have been obtained before the announcement date.

As at 31 December 2018, negotiations have not been concluded and the bank borrowings were classified as current liabilities as at 31 December 2018 under applicable accounting standards, despite the fact that waivers have been granted by the relevant banks and such bank borrowings will be due and repayable after 2019 in accordance with the amended repayment terms.

On 22 March 2019 and 27 March 2019, the Group obtained waivers on financial covenant ratios for the relevant bank borrowings. As part of an undertaking, the repayment schedules of such bank borrowings have been amended accordingly. The below condensed consolidated statement of financial position of the Group at 31 December 2018 is presented for illustrative purpose.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

	At 31 December 2018	Adjustments upon obtained waiver	For illustrative purpose adjusted financial position
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Pledged and restricted bank deposits	935,469	6,000	941,469
Other non-current assets	84,683,693		84,683,693
	85,619,162		85,625,162
CURRENT ASSETS			
Pledged and restricted bank deposits	5,638,363	(6,000)	5,632,363
Bank balances and cash	4,075,791		4,075,791
Other current assets	17,160,448		17,160,448
	26,874,602		26,868,602
CURRENT LIABILITIES			
Bank and other borrowings — due within one year	25,288,840	(5,291,182)	19,997,658
Obligations under finance leases — due within one year	277,138		277,138
Notes payables — due within one year	984,453		984,453
Loans from related companies	508,000		508,000
Indebtedness associated with assets classified as held for sale	872,955		872,955
Other current liabilities	22,001,223		22,001,223
	49,932,609		44,641,427
NET CURRENT LIABILITIES	(23,058,007)		(17,772,825)
TOTAL ASSETS LESS CURRENT LIABILITIES	62,561,155		67,852,337
OTHER NON-CURRENT LIABILITIES			
Bank and other borrowings — due after one year	26,477,062	5,291,182	31,768,244
Obligations under finance leases — due after one year	951,261		951,261
Notes and bonds payables — due after one year	4,136,665		4,136,665
Loans from related companies	3,091,789		3,091,789
Other non-current liabilities	1,071,871		1,071,871
	35,728,648		41,019,830
NET ASSETS	26,832,507		26,832,507

Policy risk

Policies made by the Government have a pivotal role in the solar power industry. Any alternation in the preferential tax policies, on-grid tariff subsidies, generation dispatch priority, incentives, upcoming issuance of green certificates, laws and regulations would cause substantial impact on the solar power industry. Although the Chinese Government has been supportive in aiding the growth of the renewable industry by carrying out a series of favorable measures, it is possible that these measures will be modified abruptly. In order to minimize risks, the Group will follow rules set out by the government strictly, and will pay close attention to policy makers in order to foresee any disadvantageous movements.

Credit Risk

Each major operating business of the Group has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

Credit risk on sales of polysilicon and wafer products is not significant as the major customers are listed entities with good repayment history. Credit risk of sales of electricity is also not significant as most of the revenue is obtained from the subsidiaries of State Grid Corporation of China (the "State Grid"). The State Grid is a state-owned enterprise in China, which possesses low default risk.

In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade receivables periodically to ensure that adequate expected credit losses are made.

Grid curtailment risk

With the growth in power generating capacity outpaced electricity consumption growth, it has led to utilization decline for power generating capacity across the country since 2014. Although solar power has a higher dispatch priority over conventional power generation in China, given electricity generated from areas with rich solar energy resources cannot be fully consumed in the provinces, and the excess electricity cannot be transmitted to other regions with higher power demand given limited power transmission capacity, grid curtailment has become an issue with high degree of concern for solar power. In this regard, GNE mainly focuses on developing solar power projects in regions with well-developed inter-province power transmission network or with strong domestic power demand such as zone 2 and 3, hence, minimizing grid curtailment risk.

Risk associated with tariff

Power tariff is one of the key earning drivers for GNE. Any adjustment in tariff might have an impact on the profitability of new solar power projects. Given China's National Development and Reform Commission (NDRC) targets to accelerate the technology development for solar power industry in order to bring down development costs, hence, lowering solar power tariff to the level of coal-fired power by near future, the government subsidy for solar power industry will finally be faded out. To minimize this risk, GNE will continue to fasten technology development and implement cost control measures in order to lower development cost for new projects.

Risk related to high gearing ratio

The new energy business under the Group is a capital intensive industry, which highly relies on external financing in order to fund for the construction of solar farm while the recovery of capital investment takes a long period of time. To cope with the gearing risk, GNE Group and the Group will pay close attention to the market dynamics, and to avoid any unfavorable changes to the Company. Additionally, the Company is constantly seeking alternative financing tools and pursing asset-light model to optimize the finance structure and lower its gearing ratio.

Risk related to interest rate

Interest risk may result from fluctuations in bank loan rates. Given GNE Group highly relies on external financing in order to obtain investment capital for new solar power project development, any interest rate changes will have impact on the capital expenditure and finance expenses of GNE Group, hence, affecting our operating results. Transformation into asset-light model in GNE Group is an effective way to reduce debts and interest rate exposure.

Foreign Currency Risk

Most of the Group's businesses are located in the PRC and the presentation currency of the consolidated financial statements of the Company is RMB. Substantially all of the Group's revenue, cost of sales and operating expenses are denominated in RMB, and the majority of the Group's assets and liabilities are denominated in RMB, while the rest are mainly denominated in US dollar and Hong Kong dollar. Any depreciation/appreciation of RMB against US dollar or any other foreign currencies may result in a change in value of the monetary assets and liabilities that are denominated in foreign currencies and affect the earnings and value of the net assets of the Group.

The Group continues to adopt a conservative approach on foreign exchange exposure management and ensure that its exposure to fluctuations in foreign exchange rates is minimised. The majority of the Group's borrowings are denominated in RMB. Foreign currency forward contracts will be utilised when it is considered as appropriate to hedge against foreign currency risk exposure.

Risk related to disputes with joint venture partners

Our joint ventures may involve risks associated with the possibility that our joint venture partners may have financial difficulties or have disputes with us as to the scope of their responsibilities and obligations. We may encounter problems with respect to our joint venture partners which may have an adverse effect on our business operations, profitability and prospects.

Pledge of Assets

As at 31 December 2018, the following assets were pledged for certain bank and other borrowings, obligations under finance leases, bills payable, short-term letters of credit for trade and other payables granted to the Group:

— Property, plant and equipment of RMB39.7 billion (31 December 2017: RMB38.0 billion)

— Prepaid lease payments of RMB0.4 billion (31 December 2017: RMB0.3 billion)

— Aircraft of RMB0.2 billion (31 December 2017: RMB0.2 billion)

— Trade receivable and contract assets of RMB9.8 billion (31 December 2017: RMB6.8 billion)

— Pledged and restricted bank deposits of RMB6.6 billion (31 December 2017: RMB4.9 billion)

— Deposit paid to a related company of RMB0.1 billion (31 December 2017: N/A)

Capital Commitments

As at 31 December 2018, the Group's capital commitments in respect of purchase of property, plant and equipment contracted for but not provided amounted to RMB2,893 million respectively (2017: RMB7,185 million).

Contingencies

Financial guarantees contracts

As at 31 December 2018 and 2017, the Company and certain of its subsidiaries guaranteed bank and other borrowings of certain subsidiaries of GNE which amounted to RMB2,971 million and RMB4,355 million, respectively.

Contingent liability

As at 31 December 2018 and 2017, the Group and the Company did not have any significant contingent liabilities.

Material Acquisitions and Disposals of Subsidiaries and/or Associated Companies

Acquisitions

For the year ended 31 December 2018, GNE Group acquired several subsidiaries, which are engaged in solar farm business in the PRC of aggregated 240MW at a total consideration of approximately RMB8 million. The construction of the farm plant projects has been completed as at the dates of acquisitions. Thus, the acquisitions are classified as business combination.

Disposals

On 28 December 2018, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 100% equity interest in Suzhou Kezhun Photovoltaic Technology Co. Ltd.* (蘇州客准光伏科技有限公司) at a consideration of RMB850,000,000.

On 9 February 2018, GNE Group entered into an interest transfer agreement with an independent third party to sell 50% interest of ADSolar No.3 Godo Kaisha and Himeji Tohori Taiyo-No-Sato No.1 Godo Kaisha which owned a solar farm project of 12 MW in Japan. GNE Group retained 50% interest of the project after completion and classified as a joint venture accordingly.

On 20 May 2018, Suzhou GCL New Energy Investment Co., Ltd. ("Suzhou GCL New Energy") (蘇州協鑫新能源投資有限公司), a subsidiary of GNE Group, entered into a share transfer agreement with an independent third party. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 100% equity interest of Inner Mongolia Xinjing Photovoltaic Electric Power Co., Ltd.* (內蒙古鑫景光伏發電有限公司) which owned a solar farm of 21MW at a consideration of RMB22,000,000.

* English name for identification only

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

On 24 October 2018, Suzhou GCL New Energy, a subsidiary of GNE Group, entered into share transfer agreements with CGN Solar Energy Development Co., Ltd* (中廣核太陽能開發有限公司), an independent third party. Pursuant to the agreements, Suzhou GCL New Energy agreed to sell 80% equity interests in Linzhou City Xinchuang Solar Company Limited* (林州市新創太陽能有限公司) and Huarong GCL New Energy Company Limited* (華容縣協鑫光伏電力有限公司) at a consideration of approximately RMB164,221,000 and RMB141,833,000, respectively.

On 30 December 2018, GNE Group entered into share transfer agreements with China Three Gorges New Energy Company Limited* (中國三峽新能源有限公司), an independent third party, pursuant to which the Group agreed to sell 100% equity interest of several wholly-owned subsidiaries of GNE Group to China Three Gorges New Energy Company Limited for consideration in aggregate of RMB184,643,000. The wholly-owned subsidiaries of GNE Group operates a number of solar farm projects in Inner Mongolia, the PRC.

Save as disclosed above, there were no other significant investments during the year ended 31 December 2018, or plans for material investments as at the date of this report, nor were there other material acquisitions and disposals of subsidiaries during the year ended 31 December 2018.

Events After the End of The Reporting Period

On 1 February 2019, GNE Group entered into certain agreements for a financing arrangement with Greater Bay Area Asset Management (粵港澳大灣區產融資產管理有限公司) to obtain a financing of approximately RMB420,000,000 for a six month ended.

On 28 March 2019, GNE Group announced to dispose first batch of 55% equity interests in approximately 280MW of its solar farm projects to Wuling Power Corporation Ltd.* (五凌電力有限公司), a subsidiary of the China Power Investment Corporation at the consideration of approximately RMB246 million. Details of the transaction are set out in GNE's announcement on the same date.

Employees

We consider our employees to be our most important resource. Employees are remunerated with reference to individual performance, working experience, qualification and the prevailing industry practice. Apart from basic remuneration and the statutory retirement benefit scheme, employee benefits including but not limited to discretionary bonuses, with share options granted to eligible employees.

* English name for identification only

MAJOR INVESTOR RELATIONS ACTIVITIES

The Board and management of the Company believe that effective investor relations is instrumental in enhancing investors' understanding to the Company, improving the quality of corporate governance and creating shareholders' value. Last year, we, together with various investor relations intermediaries and securities brokers, organized a series of investor relations activities to promote the Company in the capital markets.

In 2018, we organised a reverse road show at GCL-Poly Xinjiang polysilicon production base. Over 50 investors from 25 global institutions participated in this activity. We hope that capital market could rebuild their confidence after 531 new policy by attending this visit and understand its competitive advantages for "low-cost and high quality" of the new capacity.

Conventionally, we launched various non-deal roadshows in Hong Kong and the Mainland China (such as Beijing, Shanghai and Shenzhen). We always made proactive actions in contacting and communicating with the investors community, so that they keep abreast of the overall environment of solar industry and various active measures of the Company taken to respond to market changes and effects of those on the industry as a whole to maintain confidence in the future growth of the Company.

Throughout last year, we participated in over 200 investor relations activities including non-deal and deal road-shows, investor seminars and one-on-one meetings. We met over 1,000 investors from more than 100 international institutions by participating in respective road-shows activities arranged by investment banks such as UBS, Credit Suisse and Citi, and through domestic and overseas investment conferences organized by JP Morgan, HSBC, CICC, China Merchants, Sinolink Securities, Guotai Junan, SWS, Goldman Sachs and etc.

We also organised site visits in our Corporate Open Day in 2018 as we hoped that global investors would learn more about our manufacturing competitiveness in the solar industry. Representatives from major media groups, research analysts of major investment banks, a number of fund managers and representatives of large investors all over the world were invited to visit our polysilicon and wafer manufacturing facilities in the PRC. Through face-to-face meetings with our frontline staff members, media and investors were able to experience our operations and management in an objective manner.

Furthermore, we update the information on our website on a timely manner and participate in interactions among social networking platforms, and through various new methods, we communicate responsively with a number of investors on the latest business developments of the Company.

CORPORATE ENVIRONMENTAL POLICIES AND PERFORMANCE

While striving to achieve a win-win situation for the Company, shareholders and business partners, the Company also actively assumes the responsibility to protect the environment. The Company has been adhering to the philosophy of "Bringing Green Power to Life" with its mission to provide effective clean energy and continuously improve our living environment. By continuous reinforcing the environmental protection concept, the improvement of production efficiency and the development of energy-and-water-saving solutions, the Company is committed to achieving the aim of reducing resource consumption and waste generation.

The Company actively responds to the national strategy of promoting the construction of ecological civilization and has devoted considerable resources into the upgrading and reforming of environmental protection, disposal of urban solid and hazardous wastes, environment surveillance and management so as to enhance its environmental performance, including constantly improving the environmental management systems, formulating and updating the environmental policies, actively integrating the environmental objectives into life cycle and every parts of the production and operation of products, taking advantage of the technology to recover the emission and by-products generated during production in an effective manner, encouraging our staff to take joint action and strengthening supply chain management. In addition, some of our subsidiaries would take the Company's environmental performance history into consideration while selecting new suppliers, at the same time to enhance the level of environmental management of the industrial chain as a whole.

The Company has always been in stringent compliance with national and local laws and regulations, and will continue its efforts to actively response to and perfect the deficiencies in our projects and footprints, so as to enhance the level and performance of environmental management of our Company. Furthermore, the Company will also abide by relevant laws and regulations in relation to the Group's operations, including the labor laws, occupation disease prevention laws, company laws and pollution prevention laws, etc. The Company has human resource department and safety department in place to establish various management, welfare and safety policies. In respect of the prevention of pollution, the Company has installed a lot of surveillance devices and enhanced its production techniques to achieve real time monitoring and minimal pollution at the sources. Our average emission is always lower than the standard emission rate.

CORPORATE ENVIRONMENTAL POLICIES AND PERFORMANCE (CONTINUED)

The Company believes that, a bilateral, transparent and regular communication is conducive to maintaining harmonious relationship among parties, enhancing mutual trust and respect and laying a solid foundation for the Company's sustainable development. Therefore, the Company has committed to communicating with stakeholders in multi channels and attaching great importance to their views. Regular communications with various stakeholders, including the staff, shareholders/investors, government authorities, customers, partners, community personnel/organizations and media etc., were also held in an active manner to understand their concerns and regularly reviews the effectiveness of such efforts, so as to optimize the ways of communication and give a comprehensive reflection of the opinions from stakeholders.

Talents are the most precious resources of the Company. By adhering to the principle of people-oriented management, the Company constantly improves the employment mechanism to attract talents, strives to create a healthy and safe working environment, conducts diversified and targeted trainings to enhance employee skills and capabilities, and builds a pleasant employment environment through the adoption of intensive humanistic management, promoting the common development of employees and the Company.

Environmental, Social and Governance Report

The Company has published environmental, social and governance reports ("ESG Report(s)") every year since 2013. The contents of these reports are prepared with reference to the core plan of the latest Global Reporting Initiative ("GRI") Sustainability Reporting Standards. Since 2016, ESG reports includes Environmental, Social, and Governance (ESG) Reporting Guidelines by the Hong Kong Stock Exchange and the Guidelines for the Compilation of China's Corporate Social Responsibility Report by the Chinese Academy of Social Sciences.

Please refer to the ESG Report to be published by the Company in separate for the Company's performance in environmental protection, staff relations, community investment and other aspects, and its strategic objectives to assume corporate social responsibility. The ESG report will be uploaded to the Company's website in or about July 2019.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

ZHU Gongshan (Chairman), aged 61, is the founder of the Company. He has been an Executive Director and the Chairman of the Company since July 2006. Mr. Zhu is also a member of the Strategy and Investment Committee of the Company. Mr. Zhu and his family (including his son, Mr. Zhu Yufeng, who is also a Director of the Company) are the beneficiaries of a discretionary trust which was interested in about 34.75% issued share capital of the Company at 28 March 2019, the date of this report.

Mr. Zhu Gongshan is currently a member of the 12th National Committee of the Chinese People's Political Consultative Conference (the "CPPCC"), a member of the 12th Jiangsu Province Committee of the CPPCC, the chairman of Global Solar Council, the chairman of Asian Photovoltaic Industry Association, the executive chairman of ICC China Environment and Energy Committee, the vice chairman of China Overseas Chinese Entrepreneurs Association, the vice chairman of China Industrial Overseas Development & Planning Association, the chairman of China New Energy International Alliance, the vice president of Chinese Renewable Energy Industries Association, the vice chairman of China Fortune Foundation Limited, the vice chairman of the Cogeneration Professional Committee of the Chinese Society for Electrical Engineering (中國電機工程學會熱電專業委員會), the vice president of Jiangsu Federation of Industry and Commerce, the honorary chairman of Jiangsu Residents Association in Hong Kong, an executive vice chairman of the Federation of HK Jiangsu Community Organisations, the honorary chairman of the 6th committee of the Jiangsu Overseas Exchanges Association (江蘇省海外交流協會), the honorary chairman of the board of directors of Nanjing University, the honorary president of the Energy Research Institute of the Nanjing Institute of Technology (南京工程學院能源研究院), the honorary president of Hong Kong Baptist University Foundation, the permanent honorary chairman of Africa Food Fund (非洲糧食基金), the vice director (China) of The Prince's Charities Foundation and a member of American Council on Renewable Energy.

Mr. Zhu Gongshan has been awarded the "Figure of Energy Revolution and Leading Energy Entrepreneur of 40 Years Reform and Opening" and honored with medal of Chinese Enterprise Reform in 2018, was named "China Energy Figure of the Year 2016" "Global Innovation Leader 2016" and "China's Top Ten Economic Person of the Year 2015", and was given the "New Global Energy Outstanding Contributor" award in 2015. Mr. Zhu Gongshan graduated from Nanjing Electric Power College (南京電力專科學校) in July 1981 and obtained a diploma in electrical automation. Mr. Zhu Gongshan is also the director of GCL System Integration Technology Co., Ltd., a company with its shares listed on the Shenzhen Stock Exchange (Stock Code: 002506).

ZHU Zhanjun (CEO), aged 49, has been an Executive Director and Executive President of the Company since January 2015. He has been appointed as the Chief Executive Officer ("CEO") of the Company since April 2016. Mr. Zhu is a member of the Strategy and Investment Committee of the Company and also a director of several subsidiaries of the Company. He has vast experience in the polysilicon and wafer business. He joined the Company in 2004 as a plant manager of one of our power plants and became a general manager in 2006. He was transferred to Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業發展有限公司) ("Jiangsu Zhongneng"), a subsidiary of the Company which manufactures polysilicon, as Deputy Director-Infrastructure in 2008. Mr. Zhu was promoted as the General Manager of Jiangsu GCL Silicon Material Technology Development Co., Ltd. (江蘇協鑫硅材料科技發展有限公司) ("Jiangsu GCL"), a subsidiary of the

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Company in 2009 and was appointed as a vice president of the Company in 2013, overseeing the Company's ingot business and Jiangsu GCL's wafer business. Mr. Zhu is an engineer and obtained a Master's degree in Business Administration from China Europe International Business School (中歐國際工商學院) in 2013. Mr. Zhu is currently responsible for the overall operation and management of the Group.

ZHU Yufeng, aged 37, has been an Executive Director of the Company since September 2009 and is a member of the Remuneration Committee of the Company. Mr. Zhu is also a director of several subsidiaries of the Company. He graduated from George Brown College (Business Administration Faculty) in 2005. Mr. Zhu and his family (including his father, Mr. Zhu Gongshan, who is also a Director of the Company) are the beneficiaries of a discretionary trust which owns about 34.75% issued share capital of the Company at 28 March 2019. Mr. Zhu joined a subsidiary of the Company in 2006. He is responsible for human resources, administration and project tender of the Company. Mr. Zhu is also the chairman and an executive director of GCL New Energy Holdings Limited ("GNE"), a subsidiary of the Company with its shares listed on the Hong Kong Stock Exchange Main Board (Stock Code:451).

SUN Wei, aged 47, has been an Executive Director of the Company since September 2016. Prior to the appointment, Ms. Sun was an Executive Director of the Company for the periods from November 2006 to July 2007 and from October 2007 until January 2015, she has also served the Company as the Honorary Chairman of Finance and Strategy Function. She is also a director of several subsidiaries of the Company. Ms. Sun currently is responsible for the corporate finance, financial strategy and management of the Group. Ms. Sun is the non-executive director of GNE. She is also the vice chairman of Golden Concord Holdings Limited, a company controlled by Mr. Zhu Gongshan. Ms. Sun has over 20 years' experience in corporate finance, financial strategy and management experience. Ms. Sun was awarded a Doctorate degree in Business Administration in 2005.

YEUNG Man Chung, Charles (CFO and Company Secretary), aged 51, has been an Executive Director of the Company since September 2014. He is also a member of the Nomination Committee, Corporate Governance Committee and Strategy and Investment Committee of the Company. Mr. Yeung was appointed as the Chief Financial Officer ("CFO") of the Company on 30 April 2014 and Company Secretary of the Company on 20 March 2017. He is also a director of several subsidiaries of the Company. Prior to joining the Company in April 2014, he served as a partner of Deloitte Touche Tohmatsu and was a part-time member of the Central Policy Unit of the Government of Hong Kong Special Administrative Region. When he left Deloitte Touche Tohmatsu in March 2014, he was the Head of Corporate Finance Advisory Services, Southern China. Mr. Yeung has a Bachelor of Business degree with a major in accounting and he is also a member of The Hong Kong Institute of Certified Public Accountants and The Australian Society of Certified Practising Accountants. Mr. Yeung has over 25 years of experience in accounting, auditing and financial management. Mr. Yeung is responsible for the financial control and reporting, corporate finance, tax and risk management of the Company and its subsidiaries. Mr. Yeung is a non-executive director of GNE and also is the vice president of Golden Concord Group Limited, a company controlled by the Zhu Family Trust, since November 2017. Mr. Yeung is an independent non-executive director of Tree Holdings Limited, a company with its shares listed on the Hong Kong Stock Exchange GEM Board (Stock code: 8395). He is also a director of Millennial Lithium Corp., a company with its shares listed on the TSX Venture Exchange in Canada.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

JIANG Wenwu, aged 55, has been an Executive Director of the Company since April 2016. He was the deputy general manager of Jiangsu Zhongneng in 2007 and was promoted as the general manager in 2010. In 2015, Mr. Jiang was further promoted as senior vice president (solar business) of the Company. In 2017, Mr. Jiang was promoted as the chairman of Jiangsu Zhongneng. He is also a director of several subsidiaries of the Company. Mr. Jiang is a senior engineer. He obtained an executive master's degree in business administration in 2014 from Cheung Kong Graduate School of Business and a master's degree in engineering in 2003 from Liaoning Shihua University (遼寧石油化工大學), the PRC. Mr. Jiang is responsible for the operation and management of the business of polysilicon materials.

ZHENG Xiongjiu, aged 50, has been an Executive Director of the Company since April 2016. He was the general manager of the Company's two wafer plants in 2010. Since 2013, Mr. Zheng has managed the wafer business of five wafer plants including the two original wafer plants. In 2015, Mr. Zheng was promoted as senior vice president (solar business) of the Company. Mr. Zheng is also a director of several subsidiaries of the Company. He graduated from Xian Jiaotong University in 1991, major in mechanical engineering. Mr. Zheng obtained a Master's degree in Business Administration from China Europe International Business School (中歐國際工商學院) in 2016. Mr. Zheng is currently responsible for the daily operation and management of the five wafer plants of the Company, the principal business of which is production and sale of wafer.

Independent Non-Executive Directors

HO Chung Tai, Raymond *SBS, MBE, S.B.St.J., JP*, aged 80, has been an Independent Non-Executive Director of the Company since September 2007. He is the chairman of the Remuneration Committee, the Strategy and Investment Committee and the Corporate Governance Committee of the Company, and also a member of the Audit Committee and the Nomination Committee of the Company.

Dr. Ho has 56 years' experience in the fields of civil, structural, energy, environmental and geotechnical engineering and direct project management of many mega-size engineering projects including 46 years in Hong Kong and 10 years in the United Kingdom. As Project Director, he had direct management responsibilities for the HK$3.0 billion (cost at the time) project of Electrification and Modernisation of Kowloon-Canton Railway (East Rail line) from the mid-70's till early 80's; and also as Project Director for all the government-funded infrastructure works for (i) Shatin New Town and (ii) Tseung Kwan O New Town from early 1982 till the end of 1993, as well as professionally responsible experience in the construction of tunnels, bridges, flyovers, roads, dockyards, wharves, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, slope, reclamation, environmental studies and environmental protection projects.

Dr. Ho is currently the Chairman of Guangdong Daya Bay Nuclear Power Station and Ling Ao Nuclear Power Station Nuclear Safety Consultative Committee and professional advisor to The Ombudsman of Hong Kong (Architecture, Engineering and Surveying). He also participates in the promotion of innovation and technology such as Blockchain and Graphene. Dr. Ho is the Chairman and Non-executive Director of SCUD Group Limited. Dr. Ho also is currently an independent non-executive director of the following listed companies in Hong Kong, namely, China State Construction International Holdings Limited, Deson Development International Holdings Limited, Chinlink International Holdings Limited and AP Rentals Holdings Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

YIP Tai Him, aged 48, has been an Independent Non-Executive Director of the Company since March 2009. He is the chairman of the Audit Committee and the Nomination Committee and is also a member of the Remuneration Committee, the Strategy and Investment Committee and the Corporate Governance Committee of the Company. Mr. Yip is a practising accountant in Hong Kong. He is also a member of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants in the United Kingdom. He has over 20 years of experience in accounting, auditing and financial management. Mr. Yip is currently an independent non-executive director of the following listed companies in Hong Kong, namely, Shentong Robot Education Group Company Limited, Redco Properties Group Limited and Bisu Technology Group International Limited.

SHEN Wenzhong, aged 50, Dr. Shen has been an Independent Non-Executive Director of the Company since July 2015. He is a member of the Audit Committee and the Strategy and Investment Committee of the Company. Dr. Shen has been a Professor and PhD Supervisor in the Department of Physics and Astronomy, Shanghai Jiao Tong University since 1999 as well as a Changjiang Chair Professor of Shanghai Jiao Tong University since 2000. He became the director of the Solar Power Research Institute of Shanghai Jiao Tong University since 2007. Dr. Shen has participated in various science and technology research programmes in the PRC, published scientific papers in international journals and books on photovoltaic subjects. He graduated from the Shanghai Institute of Technical Physics, Chinese Academy of Sciences with a doctorate degree in 1995. During the period from 1996–1999, he joined Georgia State University in the U.S. as a postdoctoral fellow. Dr. Shen is currently an executive council member of China Renewable Energy Society, the chairman of the Committee of Shanghai Solar Energy Society, an advisory committee member of the International Photovoltaic Science and Engineering Conference and the chief editor of an academic journal "Solar PV of China". He is an independent non-executive director of Shanghai Aerospace Automobile Electromechanical Co., Ltd. (上海航天汽車機電股份有限公司), a company with its shares listed on The Shanghai Stock Exchange, and Jolywood (Suzhou) Sunwatt Co., Ltd. (蘇州中來光伏新材股份有限公司), a company with its shares listed on The Shenzhen Stock Exchange.

WONG Man Chung, Francis, aged 54, has been an Independent Non-Executive Director of the Company since April 2016. He is a member of the Audit Committee and the Strategy and Investment Committee of the Company. He is a Certified Public Accountant (Practising). Mr. Wong is a fellow member in respect of The Chartered Association of Certified Accountants, The Institute of Chartered Accountants in England and Wales, The Society of Chinese Accountants & Auditors and The Hong Kong Institute of Certified Public Accountants and a certified tax adviser of the Taxation Institute of Hong Kong. Previously, Mr. Wong has worked for KPMG, an international accounting firm for 6 years and the Compliance Department of Hong Kong Securities Clearing Company Limited for about 2 years. He has over 27 years of experience in auditing, taxation, corporate internal control & governance, acquisition & financial advisory, corporate restructuring & liquidation, family trust & wealth management. Mr. Wong is currently an independent non-executive director of China Oriental Group Company Limited, Digital China Holdings Limited, Wai Kee Holdings Limited, Integrated Waste Solutions Group Holdings Limited, Greenheart Group Limited, China New Higher Education Group Limited, Hilong Holding Limited and Qeeka Home (Cayman) Inc., the shares of all these companies are listed on the Main Board of the Stock Exchange of Hong Kong Limited. Mr. Wong holds a master's degree in management from Guangzhou Jinan University (廣州暨南大學), the PRC.

Senior Management

At the date of this report, the senior management of the Group comprises the above executive Directors, namely, Mr. Zhu Gongshan, Mr. Zhu Zhanjun, Mr. Zhu Yufeng, Ms. Sun Wei, Mr. Yeung Man Chung, Charles, Mr. Jiang Wenwu and Mr. Zheng Xiongjiu.

CORPORATE GOVERNANCE REPORT

The Company is dedicated to achieve and maintain a high standard of corporate governance to maximize the Company's and the stakeholders' value, with continuous review and evaluation of the various systems and procedures are carried out to ensure their effectiveness. During 2018, the Company had organised an in-house Directors' training in corporate governance for the Directors and senior management of the Company. The Strategy and Investment Committee has reviewed and assessed its responsibility to cover evaluation of significant investment and disposal proposals. Other work done in relation to corporate governance during 2018 is delineated in this report.

The Company has complied with all the code provisions as stipulated in the Corporate Governance Code (the "Code") under Appendix 14 in the Listing Rules throughout the year ended 31 December 2018 save for the deviation from the following code provisions of the Code:

i) **Code provision A.6.7**
Code provision A.6.7 stipulates that (including but not limited to) independent non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Two of our independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 5 January 2018 due to other engagement.

ii) **Code provision E.1.2**
Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Zhu Gongshan, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 28 May 2018 as he had to attend certain business abroad. Mr. Zhu had invited Mr. Yeung Man Chung, Charles, an executive Director, Chief Financial Officer and Company Secretary of the Company to attend and act as the chairman of such meeting.

The Board

Board Composition

During the year, the Board comprised twelve Directors with professional background and/or extensive expertise and experience in the Group's business related industries. Mr. Ji Jun resigned as an executive director and a member of the strategy and investment committee of the Company with effect from 1 February 2019.

The Directors who served the Board during the year ended 31 December 2018 and up to the date of this report are as follows:

Executive Directors	Gender	Age	Length of service as director	Ethnicity
Zhu Gongshan *(Chairman)*	Male	61	13 years	Chinese
Zhu Zhanjun *(CEO)*	Male	49	4 years	Chinese
Zhu Yufeng	Male	37	10 years	Chinese
Sun Wei	Female	47	10 years	Chinese
Yeung Man Chung, Charles *(CFO and Company Secretary)*	Male	51	5 years	Chinese
Jiang Wenwu	Male	55	3 years	Chinese
Zheng Xiongjiu	Male	50	3 years	Chinese
Ji Jun (Resigned on 1 February 2019)	Male	71	13 years	Chinese

Independent Non-executive Directors	Gender	Age	Length of service	Ethnicity
Ho Chung Tai, Raymond	Male	80	12 years	Chinese
Yip Tai Him	Male	48	10 years	Chinese
Shen Wenzhong	Male	50	4 years	Chinese
Wong Man Chung, Francis	Male	54	3 years	Chinese

Biographical details of the Directors are set out under the section headed "Biographical details of Directors and Senior Management" of this annual report on pages 44 to 47.

Mr. Zhu Gongshan and Mr. Zhu Yufeng are members of the Zhu Family Trust which is a controlling shareholder of the Company. Mr. Zhu Yufeng is the son of Mr. Zhu Gongshan. Ms. Sun is a vice chairman of Golden Concord Holdings Limited, a company controlled by Mr. Zhu Gongshan. Mr. Yeung Man Chung, Charles is the vice president of Golden Concord Group Limited, a company controlled by the Zhu Family Trust.

Save for the above and to the best knowledge of the Company, there is no financial, business, family or other material or relevant relationships among members of the Board and the substantial shareholders of the Company.

Each of the four INEDs has made a written confirmation to the Company of his independence with reference to the criteria and guidelines as set out in Rule 3.13 of the Listing Rules. Each Director has declared to the Company of his/her interests in any material contracts or other interest in the business of the Group or in any competing business with the Group. During the year ended 31 December 2018, the Company complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules which require the minimum number of INEDs and at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

Appropriate insurance to cover against liability of the Directors and officers of the Company has been arranged and renewed annually.

Board Process and Effectiveness

The Board is responsible for leading the Group's activities by determining strategic directions and business plan, exercising a number of reserved powers to oversee the operations and monitor the financial performance of the Group by determination of the annual budget, approving significant capital investment, ensuring the integrity of the Group's accounting and financial reporting system and to oversee management in the design, implementation and monitoring of the risk management and internal control systems of the Group.

The management is responsible to implement the Board's decision within the delegated authority, to make investment proposal, report their performance regularly to the Board and ensure by continuous monitoring that the Group's risk management and internal control systems are effective. Key features of Board process:

- at least four regular Board meetings will be held each year, with additional meetings to be held as and when required. All Directors will be informed of the tentative dates of the regular board meetings to be held at the beginning of each year. In 2018, there were four regular meetings and twenty-five non-regular meetings held by the Board;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- in respect of regular meetings, at least 14 days' notice is given to all Directors to give them an opportunity to attend. For all other meetings, reasonable notice is given;
- proposed agenda will be given to all Directors at least 14 days prior to the regular meetings to give them an opportunity to include matters in the agenda and the board papers were sent to all Directors at least 3 days before the meetings;
- all Directors are able to access to the advice and services of the Company Secretary, management and external professionals with a view to ensuring that board procedures, all applicable rules and regulations, are followed;
- minutes of all board meetings and committee meetings have been sent to all Directors for their comments and records respectively, within a reasonable time after the meetings are held; and
- a procedure has been adopted by the Company to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

Appointment and Re-election of Directors

The INEDs are appointed for a specific term of office for three years. All Directors, including the INEDs, are subject to retirement by rotation and eligible for re-election at annual general meetings in accordance with the Company's Articles of Association, provided that every Director shall be retired at least once every three years. At the annual general meeting held on 28 May 2018. Mr. Jiang Wenwu, Mr. Ho Chung Tai, Raymond, Mr. Shen Wenzhong and Mr. Wong Man Chung, Francis, had been retired and re-elected as Directors at such meeting.

Nomination of Director

Where vacancies arise at the Board or whenever any qualified professionals or individuals with relevant expertise and experience is likely to be invited to join the Board, the qualifications, experience and awards (if any) of the proposed candidate(s) will be put forward to the Nomination Committee for its consideration and decision whether to make recommendation to the Board. During the year, a nomination policy has been adopted by the Company.

Responsibilities of Directors

During the year, the Directors had performed their responsibilities by attending and participating in various committees meetings, board meetings and general meetings. In order to encourage the Director's active participation in the meetings, meeting materials will be and had been dispatched to the Directors in advance of the meetings (for all regular meetings, at least three days in advance) to allow them to have the chance to read and understand the issues to be discussed at the meetings. The Company will also circulate a monthly report to the Directors to keep them up-to-date of the status and position of the Group.

At the beginning of each year, the Directors are provided with the tentative schedule of regular meetings so that they can mark their calendar as early as possible to avoid conflict of meetings. There were twenty-nine Board meetings held during the year and the average attendance rate is 71%. An annual general meeting and two extraordinary general meeting were held during the year of 2018. The attendance of such meetings is shown in the table below:

Members of the Board	Number of Board meetings attended/held	Number of general meetings attended/held
Executive Directors		
Zhu Gongshan *(Chairman)*	6/29	0/2
Zhu Zhanjun	20/29	0/2
Ji Jun	18/29	0/2
Zhu Yufeng	5/29	0/2
Sun Wei	14/29	0/2
Yeung Man Chung, Charles	29/29	2/2
Jiang Wenwu	27/29	0/2
Zheng Xiongjiu	19/29	0/2
Independent Non-executive Directors		
Ho Chung Tai, Raymond	28/29	2/2
Yip Tai Him	28/29	2/2
Shen Wenzhong	27/29	2/2
Wong Man Chung, Francis	27/29	2/2

Directors' Induction and Continuous Professional Development

Upon the appointment of new Directors, a comprehensive directors' handbook, which sets out the Company's business and a summary of the applicable laws, rules and regulations and key governance issues, will be and had been provided to each newly appointed Directors. A training regarding the rules and regulations applicable to directors of listed companies to observe during their services on Board will also be provided to each of the newly appointed Directors. During the year, the Company had organised an in-house Directors' training for the Directors and the senior management of the Company to attend.

Ongoing updating the Directors and senior management of the Company on further developments and requirements of any applicable rules, regulations and laws or refreshing their knowledge and skills by providing briefings or arrangement of seminars had been adopted by the Company during the year. In addition, understanding the business and operations of the Group is also important for the Directors to discharge their responsibilities.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Directors acknowledged the importance of updating their professional development and refreshing their knowledge and skills. The Company encouraged the Directors to participate in any seminar or forum organised by professional bodies, independent auditors, solicitors, chambers and business organisations as well as reading relevant articles. Below is a table in accordance with the records maintained by the Company indicating the Directors had received the following training in compliance with code provision A.6.5 of the Code during the year:

	Corporate Governance/ Updates on Laws, Rules & Regulations		Accounting/Financial/ Management or Other Professional Skills	
Directors	**Read Materials**	**Attend Seminars/ Briefings**	**Read Materials**	**Attend Seminars/ Briefings**
Executive Directors				
Zhu Gongshan *(Chairman)*	√	√	√	√
Zhu Zhanjun *(CEO)*	√	√	√	√
Ji Jun	√	√	√	√
Zhu Yufeng	√	√	√	—
Sun Wei	√	√	√	—
Yeung Man Chung, Charles	√	√	√	—
Jiang Wenwu	√	√	√	—
Zheng Xiongjiu	√	√	√	—
Independent Non-executive Directors				
Ho Chung Tai, Raymond	√	√	√	√
Yip Tai Him	√	√	√	√
Shen Wenzhong	√	√	√	√
Wong Man Chung, Francis	√	√	√	√

Chairman and Chief Executive Officer

Mr. Zhu Gongshan had been the Chairman of the Board since September 2009, and since 1 April 2016, Mr. Zhu Zhanjun was appointed as CEO of the Company. The primary responsibilities of the Chairman are to provide leadership to the Board in setting corporate goals of the Company, overseeing the performance and effectiveness of the Board, ensuring the compliance of rules and regulations and taking a lead to ensure that the Board acts in the best interest of the Company and shareholders as a whole. In particular, the Chairman should ensure that Board meetings are effectively conducted, including all Directors to receive timely, adequate, accurate, complete and reliable information. The Chairman also takes the primary responsibility for ensuring that good corporate governance practices and procedures are established.

The primary responsibilities of the Chief Executive Officer of the Company are to provide leadership for the management of the Company, taking a lead to implement the Company's business strategies and oversee the performance of the management in achieving corporate goals.

The Chairman will meet with the non-executive Directors to discuss openly with them of any issues concerning the Company, without the presence of the executive Directors. During the year, a meeting had been held among the Chairman and the INEDs.

Delegation by the Board

The Board delegates certain responsibilities to various committees which are discussed below. Each of these committees has its respective terms of reference, all of them are posted on the Stock Exchange's and the Company's websites.

Accountability and Audit

The Directors acknowledge their responsibility for preparing the financial statements for each financial year, which give a true and fair view of the state of affairs of the Group and of the profits and cash flows of the Group in accordance with International Financial Reporting Standards, disclosure requirements of the Hong Kong Companies Ordinance and the Listing Rules. In preparing the financial statements for the year ended 31 December 2018, the Directors have selected suitable accounting policies and applied them consistently; made judgements and estimates which are reasonable and have prepared the financial statements on a going concern basis. The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position, results of operations, cash flows and changes in equity of the Group. The Independent Auditor's Report relating to their reporting responsibilities on the financial statements of the Company is set out on pages 109 and 117 of this annual report.

Audit Committee

The Audit Committee comprises four INEDs, namely Mr. Yip Tai Him, Ir. Dr. Ho Chung Tai, Raymond, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis. We are delighted that Mr. Wong Man Chung, Francis, a Certified Public Accountant (Practising), was appointed as a member of the Audit Committee of the Company with effect from 30 November 2018. Mr. Yip Tai Him, who is a practicing accountant in Hong Kong and a member of the Institute of Chartered Accountants in England and Wales and the Association of Chartered Certified Accountants in the United Kingdom, possesses extensive accounting experience and serves as the chairman of the committee.

The terms of reference of the Audit Committee, which has been updated on 4 January 2016, setting out the operation, authorities and responsibilities of the committee is available on the websites of the Company and the Stock Exchange. The major responsibilities of the Audit Committee includes:

- monitoring integrity of the financial statements, annual report and interim report;
- monitoring and assessing the risk management and internal control systems (including the adequacy of resources, qualifications and experience of accounting and financial reporting staff);
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;
- considering any major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- monitoring the independence of an external auditor;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- monitoring and assessing the performance of the external auditor, proposing to the Board the appointment or removal of the external auditor, and facilitating the communication between external auditor and internal audit function;
- reviewing any material queries raised by the external auditor to management about accounting records, financial accounts or systems of control, management's response and the Board's timely response; and
- acting as key representative body for overseeing the Company's relations with the external auditor.

Three Audit Committee meetings were held in 2018 and the attendance is set out in the following table:

Members of Audit Committee	Number of meetings attended/eligible to attend
Mr. Yip Tai Him *(Chairman)*	3/3
Ir. Dr. Ho Chung Tai, Raymond	3/3
Dr. Shen Wenzhong	3/3
Mr. Wong Man Chung, Francis (appointed on 30 November 2018)	1/1

In addition to the aforesaid three meetings, the Audit Committee also held a meeting in March 2019. The following work was performed by the Audit Committee during the year ended 31 December 2018 and up to the date of this report:

i. reviewed and approved the audit fees;
ii. assessed the independence of the external auditors;
iii. approved the scope of audit for the year ended 31 December 2018;
iv. reviewed the reports from Deloitte Touche Tohmatsu ("Deloitte") for the interim and year end of 2018;
v. reviewed the 2018 audited financial statements and the results announcement (including the unaudited financial statements and the results announcement for the 1st half of 2018);
vi. reviewed the report on the continuing connected transactions for the financial year ended 31 December 2018;
vii. reviewed the interim and year end internal audit reports and concluded that the Group has effective risk management and internal control systems and the qualifications and experience of the Company's accounting staff and resources for financial reporting function are adequate;

viii. reviewed the corporate governance review report (including the compliance status of provisions in relation to risk management and internal audit under Appendix 14 of the Listing Rules) prepared by Protiviti Shanghai Co., Limited and reported to the Board of its conclusion and recommendation;

ix. recommended the election of the proposed external auditors at the forthcoming annual general meeting; and

x. reviewed and approved certain non-audit services provided by Deloitte.

The Audit Committee monitors the audit and non-audit services rendered to the Group by its external auditors and ensures that their engagement in other non-audit services will not impair their audit independence.

For the year ended 31 December 2018, the total remuneration in respect of services provided by Deloitte is analysed as follows:

Nature of Service	**Fees** (RMB'000)
Audit services	
— 2018 Annual audit	13,088
Non-audit services	
— 2018 Interim review	3,339
— Others	8,394

Risk Management and Internal Controls

Assisted by the Corporate Governance Committee and the Audit Committee, the Board monitors the risk management and internal control systems of the Company and its subsidiaries on an ongoing basis. The risk management and internal control systems (the "Systems") implemented by the Board, management and relevant parties aims to manage rather than eliminate risks of failure to achieve the following objectives, and to only provide reasonable, but not absolute, assurance against material misstatement or loss:

- efficiency and effectiveness of operation
- reliability of financial reporting
- compliance with applicable laws and regulations
- effectiveness of risk management

CORPORATE GOVERNANCE REPORT (CONTINUED)

Members of the Board and the management of the Company actively participate in activities related to corporate governance and discuss major issues. The Audit Committee collects corporate governance information and reports to the Board. The senior management of the Company is proactively engaged in the risks assessment of the Company and the review of its response measures.

The Company has an internal control department in place to be responsible for the implementation of risk management and internal control policies. In performing its responsibilities, the internal control department must organise and coordinate management to identify and assess the risks exposed to the Company for the Board's consideration and motivate the management to design, implement and manage a suitable internal control and risk management system to facilitate policies adopted by the Board. In addition to the internal control department, all employees are accountable for the risk management and internal control under each of their scope of responsibilities.

Systems Overview

Each business units of the Company adopts the risk management and internal control structure of the Company during the ordinary course of business. The risk management portion within the structure provides clear and effective management procedures for each business units to identify and review risks and set risk priorities for the purpose of resource allocation and corresponding risk management. The management can also has a clear understanding of the significant risks exposed to the Company through such System and make and implement decisions accordingly, enabling its business to achieve a better performance. Further, the internal control portion within the structure offers a clear guideline to each business units by clarifying the internal control objective of each key line of business and conducting regular review of the effectiveness of control activities adopted for the purpose of control.

Systems Structure and Communication Mechanism

The Board of the Company has established the Audit Committee, which is currently comprised of 4 independent non-executive directors. Mr. Wong Man Chung, Francis was appointed as a member of Audit Committee of the company on 30 November 2018. Members of the Audit Committee have extensive experiences in the industry and ensure their full independence. The Company has established and published the Terms of Reference for the Audit Committee, which expressly specifies the authorities and responsibilities of the Audit Committee, in accordance with the Listing Rules.

The Board of the Company has established the Corporate Governance Committee, which is currently comprised of the Chief Financial Officer and two independent non-executive directors of the Company, with one of the independent non-executive director acting as the Chairman. The Corporate Governance Committee meets regularly to review the governance policies and practices, compliance of laws and regulations and implementation of regulatory and monitoring system of the Company.

Business units established under the headquarter of the Company include polysilicon unit, ingot unit and wafer unit. The internal control department is responsible for the overall management of internal control and risk management works within both of the headquarter and each business units thereunder. Each business units (including direct subsidiaries) has established its own legal and internal control department for the conducting of specific internal control and risk management works.

For the purpose of continuous monitoring of risk management and internal controls by the Board and management, the Company has established various communication channels, ensuring that information are communicated and implemented in a timely and accurate manner, and providing the Board with relevant confirmation from management:

- The legal and internal control department of each business unit has adopted a dual-reporting mechanism, i.e. matters in relation to risks and internal controls are required to report simultaneously to the relevant head in each business unit and the internal control department;
- The internal control department collects risk information monthly. Each business unit shall complete a form regarding progress made in risk controls on a monthly basis and submit it to the internal control department for preparation of monthly risk report, and remind the management of such matters like significant risk warning; and
- The internal control department reports risk management and internal controls regularly to the management, the Audit Committee and the Board, ensuring the Board having known sufficient information for the fulfillment of continuous supervision responsibility.

Review Procedure for Systems Effectiveness

The Audit Committee of the Company, on behalf of the Board, makes a comprehensive assessment of the effectiveness of risk management and internal control system at least semi-annually. The Audit Committee has strictly implemented the supervision function of risk management and internal control during the year in the following specific procedures:

- to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective internal control and risk management systems; discussion shall include whether the resources of the Company in accounting and financial reporting functions, qualification and experience of employees, employee training and relevant budget is sufficient or not;
- to consider major investigation findings on risk management and internal control matters on its own initiative or as delegated by the Board and management's response to these findings;
- to ensure coordination between the internal and external auditors, and also ensure the internal audit function entitles sufficient resource and proper place inside the Company, and review and supervise its effectiveness;
- to report to the Board in relation to matters regarding code provision C.3 of the Code.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Three meetings were held by the Audit Committee during the year, mainly discussing risk controls, follow-up of corporate governance and external audit, as well as reviewing the internal control reports in relation to corporate governance and risk management scope.

It is the responsibility of the management of the Company to implement risk management and internal control systems on an on-going basis and report the implementation position at least semi-annually to the Audit Committee and the Board. Management has primarily conducted the following works in relation to risk management and internal control during the year:

- The Company has established a unified risk framework and complete risk pool, and carried out internal risk examination and risk assessments on a regular basis;
- The Company carried out activities in response to major risks, and has analyzed and formulated strategic, operational, financial, and technological responses to the recent changes in the policies of the PV industry in mainland China;
- The Company has carried out quantitative risk management in the year with the aim of establishing quantitative risk measurement indexes to optimize the risk assessment and risk monitoring programs;
- The Company has conducted an internal control system optimization program, consolidated the internal control manual, established unified internal control system evaluation standards, and continuously monitored the operation of the internal control system with both independent and internal assessment;
- The Company has established risk-oriented internal audit, effectively carried out the annual audit in accordance with the annual audit plan, and regularly communicated with, and reported to, the management and the Audit Committee about significant audit findings.

Significant Risks and Management Procedure

At the end of the year, the Company has identified risk updates, performed overall risk assessment, reviewed risk changes and selected significant risks which need constant attention. During the year, the Company has adopted the following measures in relation to significant risks:

- To cope with potential market competition during the development of monosilicon, the Company focused on the profitability of its existing assets, such as securing major customers with long-term contracts, enhancing utilization rates through introducing diversified and customized products, and reinforced its advantage over producers of polysilicon by improving its quasi-mono wafer production technique and narrowing the power gap between quasi-mono wafer and multi-wafer modules. The Company has also strengthened the cooperation with its strategic partners in order to obtain monosilicon production capacity through such strategic partnerships while acquiring market share in the monosilicon market through sales collaboration;

- To cope with the liquidity risk brought by the macro economy and its own relatively high gearing ratio, the Company has tightened its communication with financial institutions to maintain secured financing. It has also enhanced its efficiency and increased cash flows from its production activities by promoting the quasi-mono wafer and the polysilicon produced by its Xinjiang production base. It has also stepped up the collection of trade receivables and tightly controlling its capital expenditures;
- To cope with the technological, research and development risks resulting from any delay in its research and development projects, the Company has maintained the existing scale of FBR and CCZ. In particular, it is boosting the quality of FBR modules and testing their ability to work long cycles. As for CCZ, the Company focused on refining their production technique in order to improve quality, increase the reliability of domestic modules and explore applications beyond PV. Additional efforts have been made to research and develop better quasi-mono wafer crystal growth technique as well as to product promotion. The performance of polycrystalline black silicon products has been enhanced while costs dropped. The application of the black silicon technologies was also extended from polysilicon wafer to monosilicon wafer and third-grade quasi-mono wafer. Furthermore, the Company will persist in improving its corporate image, shouldering its corporate social responsibility, monitoring market response, bolstering relationship with the media, and extending its social influence.

Inside Information Internal Control

An inside information committee has been set up since November 2012, which is currently comprises four executive Directors. The committee's principal function is to determine whether any confidential information arises from time to time is inside information or not. If the committee recognizes that the information constitutes inside information, it will report to the Board and recommend timely disclosure of such information pursuant to the relevant provisions under the Securities and Futures Ordinance and the Listing Rules. A monthly report of potential inside information, which if further develops, may become inside information will be provided to the committee for continuous monitoring. A policy of inside information has been provided to the senior managers of the Group. They are encouraged to report any incidence or information they believe as inside information when performing their duties to their senior managers or the committee directly.

Apart from the aforesaid and based on the efforts devoted by the Group, external reviews carried out by external advisor, the auditor's report from Deloitte, the Audit Committee and the management had concluded that there is neither material irregularities nor areas of material concerns that would have the significant adverse impact on the Company's financial position or results of operations, and that the risk management and internal control systems are adequate and effective and the Company's staff and resources for the accounting, internal audit and financial reporting functions are adequate. The above conclusion has been reported and confirmed to the Board, and the Board is of the view that the risk management and internal control systems of the Group are effective.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Remuneration of Directors and Senior Management

Remuneration Committee

The Remuneration Committee comprises two INEDs and one executive Director, namely Ir. Dr. Ho Chung Tai, Raymond (chairman of the committee), Mr. Yip Tai Him and Mr. Zhu Yufeng. The Board resolved to adopt that the Remuneration Committee has the duty to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management. A copy of the terms of reference setting out the operation, authorities and responsibilities of the Remuneration Committee is available at the Company's and the Stock Exchange's websites.

The primary responsibilities of the Remuneration Committee include:

- determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management;
- making remuneration recommendations of non-executive Directors to the Board;
- recommending the remuneration policy and structure for all Directors and senior management to the Board for approval; and
- reviewing and approving the compensation arrangement to executive Directors and senior management for any loss or termination of officer appointment to ensure that it is consistent with contractual terms and is fair and not excessive.

A meeting was held by the Remuneration Committee during the year 2018 and the attendance is set out in the following table:

Members of Remuneration Committee	**Number of meetings attended/held**
Ir. Dr. Ho Chung Tai, Raymond (Chairman)	1/1
Mr. Yip Tai Him	1/1
Mr. Zhu Yufeng	0/1

Subsequent to the year ended 31 December 2018 and up to the date of this report, the committee had convened a meeting in March 2019.

The Remuneration Committee had performed the following work during the year ended 31 December 2018 and up to the date of this report:

i. reviewed and recommended the Board on the remuneration policy of the executive Directors and senior management of the Company;
ii. reviewed, considered and approved the remuneration package of the existing executive Directors; and
iii. approved the adjustment of remuneration of the executive Directors.

Other Committee

Strategy and Investment Committee

During the year, the Strategic and Investment Committee comprised eight members, four INEDs (Ir. Dr. Ho Chung Tai, Raymond (who is also the chairman of the committee), Mr. Yip Tai Him, Dr. Shen Wenzhong and Mr. Wong Man Chung, Francis) and four executive Directors (Mr. Zhu Gongshan, Mr. Zhu Zhanjun, Mr. Ji Jun and Mr. Yeung Man Chung, Charles). Mr. Ji Jun resigned as a member of the Strategic and Investment Committee on 1 February 2019. A copy of the terms of reference setting out the operation, authorities and responsibilities of such committee is available at the Company's and the Stock Exchange's websites.

The primary responsibilities of the Strategy and Investment Committee include:

- reviewing long-term strategic development plans;
- reviewing the annual performance of the Company and assessing implementation and progress of the long term strategic development plans;
- reviewing and recommending to the Board on opportunities of upgrading the facilities, expansion, mergers and acquisitions;
- reviewing and recommending to the Board with regard to the political, social and economic development in the PRC affecting or potentially affecting the business activities of the Group;
- reviewing and monitoring the relationship of the Company with its key strategic joint-venture partners or the relationship building with these partners; and
- reviewing, evaluation and recommendation to the Board of any significant investment and disposal proposals.

Two meetings were held by the Strategy and Investment Committee during the year 2018 and the attendance is set out in the following table:

Members of Strategy and Investment Committee	**Number of meetings attended/held**
Ho Chung Tai, Raymond	2/2
Zhu Gongshan	1/2
Zhu Zhanjun	2/2
Ji Jun	2/2
Yeung Man Chung, Charles	2/2
Yip Tai Him	2/2
Shen Wenzhong	2/2
Wong Man Chung, Francis	2/2

The Strategy and Investment Committee had carried out the following work during the year:

- Reviewed the long-term strategic development plan of the Group; and
- Reviewed certain investment proposals and reported to the Board of its conclusion.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Subsequent to the year ended 31 December 2018 and up to the date of this report, Mr. Ji Jun resigned as a member of the strategy and investment committee of the Company with effect from 1 February 2019.

Nomination Committee

The Nomination Committee comprises two INEDs, namely Mr. Yip Tai Him (chairman of the committee) and Ir. Dr. Ho Chung Tai, Raymond, and an executive Director, namely Mr. Yeung Man Chung, Charles. A copy of the terms of reference setting out the operation, authorities and responsibilities of the Nomination Committee is available at the Company's and the Stock Exchange's websites.

The duties of the Nomination Committee include reviewing the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board, identifying and making recommendations to the Board on the selection of individual nominated for directorships, assessing the independence of INEDs, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

A meeting was held by the Nomination Committee during the year 2018 and the attendance is set out in the following table:

Members of Nomination Committee	**Number of meetings attended/held**
Yip Tai Him	1/1
Ho Chung Tai, Raymond	1/1
Yeung Man Chung, Charles	1/1

During the meeting, the committee had reviewed, assessed or made recommendations to the Board (where suitable) on (i) the independence of the INEDs against the criteria and guidelines as set out in Rule 3.13 of the Listing Rules and concluded that all INEDs had complied with the criteria; (ii) the composition of the existing Board members with reference to their age, sex, experience, qualification and expertise against the business scope of the Company and (iii) succession plan.

Nomination policy

The Company adopted a nomination policy (the "Nomination Policy") and board diversity policy ("Board Diversity Policy") with effect from 1 January 2019.

A summary of the Nomination Policy is set out as follows:

1. Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

- Reputation for integrity
- Accomplishment and experience relevant in the principal activities of the group or photovoltaic and related industry
- Commitment in respect of available time and relevant interest
- Diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

2. Nomination Procedures

1 The Secretary of the Nomination Committee shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

2 For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval.

3 Until the issue of the Members' circular, the nominated persons shall not assume that they have been proposed by the Board to stand for election at the general meeting.

Board Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

CORPORATE GOVERNANCE REPORT (CONTINUED)

A summary of the board diversity policy is set out as follows:

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, ethnicity, age, length of service) will be disclosed in the Corporate Governance Report annually.

The Nomination Committee will review this Policy, as appropriate, to ensure the effectiveness of this Policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Corporate Governance Committee

The Corporate Governance Committee comprises two INEDs, namely Ir. Dr. Ho Chung Tai, Raymond (chairman of the committee), Mr. Yip Tai Him and an executive Director, namely Mr. Yeung Man Chung, Charles. A copy of the terms of reference setting out the operation, authorities and responsibilities of the Corporate Governance Committee is available at the Company's website.

The duties of the Corporate Governance Committee includes:

i. developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;

ii. reviewing and monitoring the training and continuous professional development of Directors and senior management;

iii. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

iv. developing, reviewing and monitoring the code of conduct applicable to employees and Directors; and

v. reviewing the Company's compliance with the Code and disclosure in the Corporate Governance Report.

A meeting was held by the committee during the year 2018 and the attendance is set out in the following table:

Members of Corporate Governance Committee	**Number of meetings attended/held**
Ho Chung Tai, Raymond	1/1
Yip Tai Him	1/1
Yeung Man Chung, Charles	1/1

The committee had reviewed and evaluated the effectiveness of (i) the performance of certain policies and practices adopted by the Company, including the whistle-blowing policy, the inside information policy and discloseable transaction policy and connected transaction policy; and (ii) the Board committees, including the Audit Committee, Remuneration Committee, Nomination Committee and Strategy and Investment Committee; (iii) the policy in relation to the training and continuous professional development of Directors and senior management; (iv) the constitution, authority and responsibilities of the Strategy and Investment Committee which mainly deals with the investment proposals and make recommendations to the Board; and (v) the report on whistle-blowing policy. The committee concluded the adopted policies are effective.

Dividend Policy

The Company has adopted a dividend policy (the "Dividend Policy"). The Board would consider the following factors before declaring or recommending dividend to the Shareholders from time to time:-

(a) financial results of the Company;

(b) Shareholders' interests;

(c) general business conditions, strategies and future expansion needs;

(d) the Company's capital requirements;

(e) the payment of cash dividends to the Company from its subsidiaries;

(f) possible effects on liquidity and financial position of the Company; and

(g) the amount of profit can be distributed under applicable accounting standards and other factors that the Board may deem relevant and appropriate.

Any dividend declared by the Company shall be conducted in accordance with the Cayman Islands Companies Law, the Memorandum and Articles of the Company and other applicable laws and regulations, and shall not affect the normal operation of the Company and its subsidiaries.

The Board will review the Dividend Policy, as appropriate, which will include an assessment of the effectiveness of the Dividend Policy and approve any amendments thereto if necessary.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Compliance with Model Code

The Board has adopted the model code with terms no less exacting than the required standard as set out in Appendix 10 of the Listing Rules as its own model code of conduct regarding Directors' securities transactions (the "Model Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2018.

Investor Relations and Communication with Shareholders

The Board recognizes the importance of communication with shareholders and has adhered to its established communication policy. The general communication policy includes timely dispatch full and accurate information to shareholders and investment public by announcement, financial reports and circulars through the website of the Stock Exchange and the Company's website; maintain dialogue with shareholders by disclosing the way of communication to the Board and in relation to share registration matters, the contact of the share registrar in Hong Kong; and by convening the general meetings (if any) and annual general meeting. On 28 May 2018, the Company convened an annual general meeting. At the meeting, the Directors, members and/or chairman of the Board committees had attended and answer questions raised by the shareholders.

Directors and our Investor Relations team also communicated from time to time with analysts, fund managers, institutional shareholders and media while keeping the stringent standard of not disclosing inside information to any selective group. The Directors, executives together with our Investor Relations team held/participated in meetings, presentations and conference with them. Details of investor relations activities were further described under the section headed "Major Investor Relations Activities" of this report.

There is no change in the Company's Memorandum and Articles of Association during the year. A copy of the Memorandum and Articles of Association is available at the websites of the Stock Exchange and the Company.

Shareholders' Rights

Procedures for members to convene extraordinary general meeting ("EGM")

The following procedures are subject to the Company's Articles of Association and applicable legislation and regulation.

1. Pursuant to Article 58 of the Articles of Association of the Company, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. The requisitionist(s) shall deposit his/their requisition together with the proposals to be considered at such meeting at the principal place of business of the Company at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary.

3. If the requisition is in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the requirements under the Articles of Association to all the registered members. On the contrary, if the requisition is invalid, the members concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

4. The notice period to be given to all the registered members for consideration of the proposal raised by the member(s) concerned at an EGM varies according to the nature of the proposal, as follows:

   — at least twenty-one (21) clear days' notice in writing if the proposal constitutes a special resolution of the Company, which cannot be amended other than to a mere clerical amendment to correct a patent error; and

   — at least fourteen (14) clear days' and not less than ten (10) clear business days' notice in writing if the proposal constitutes an ordinary resolution of the Company.

Members who have enquiries about the above procedures may write to the Company Secretary at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time.

Procedures for a Member to Propose a Person for Election as a Director

The following procedures are subject to the Company's Articles of Association and applicable legislation and regulation.

1. If a member, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of director(s), wishes to propose a person (other than the member himself/herself) for election as a director at that meeting, he/she can deposit a written notice at the Company's principal office at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, or at any address notified by the Company from time to time for the attention of the Company Secretary of the Company.

2. In order for the Company to inform all members of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the member concerned and that person indicating his/her willingness to be elected.

CORPORATE GOVERNANCE REPORT (CONTINUED)

3. The period for lodgment of such a written notice will commence on the day after the despatch of the notice of the general meeting and end no later than seven (7) clear days prior to the date of such general meeting. If the notice is received less than fifteen (15) business days prior to that general meeting (twenty (20) business days in case of annual general meeting), the Company will need to consider adjournment of the general meeting in order to (i) assess the suitability of the proposed candidate; and (ii) publish an announcement or circulate a supplementary circular in relation to the proposal to the members at least fourteen (14) clear days and not less than ten (10) business days prior to the general meeting (twenty (20) business days in case of annual general meeting).

Members who have enquiries about the above procedures may write to the Company Secretary at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time.

Enquiries to the Board

No procedure set in the Articles of Association of the Company is available for any member to put forward an enquiry to the Board. A member may, of course, at any time write to the board of directors of the Company at the Company's principal office at Unit 1703B–1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong or at any address notified by the Company from time to time. In relation to share registration matters in Hong Kong, a member shall contact the branch share registrar in Hong Kong, namely Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

REPORT OF THE DIRECTORS

The directors of the Company (the "Directors" or the "Board") submit their report together with the audited consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

Principal Activities

The principal activities of the Group during the year 2018 are principally engaged in the manufacturing and sale of polysilicon and wafers products, and developing, owning and operation of solar farms.

The particulars of the Group's principal subsidiaries, interests in associates and interests in joint ventures are set out in notes 57, note 20 and 21 of the consolidated financial statements, respectively.

Business Review

The Group's revenue is derived principally from the sales of polysilicon, wafer and electricity, which is primarily conducted in the PRC. An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

A fair review of the Group's business, including the important events affecting the Group that have occurred since the end of 2018 and the likely future developments of the Group's business, is set out in the Chairman's Statement, CEO's Review of Operations and Outlook, and the Management Discussion and Analysis sections on pages 12 to 40 of this report. Potential risks and uncertainties were reviewed and assessed by the Board, which was set out in the Corporate Governance Report under the Risk Management and Internal Controls section on pages 55 to page 59. Details about the Group's financial risk management are set out in note 46 to the consolidated financial statements.

There was no incidence of non-compliance with the relevant laws and regulations in relation to the operations that have a significant impact on the Group's business.

A description of the Group's environmental policies and performance, compliance with relevant laws and regulations and relationships with major stakeholders are set out on pages 42 and 43 of this report, details of which will be included in the environmental, social and governance report to be published by the Company.

Results and Appropriations

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income from pages 118 to 120. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for the last five financial years is set out on pages 2 to 3.

REPORT OF THE DIRECTORS (CONTINUED)

Property, Plant and Equipment

Movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

Share Capital

Details of movements in the issued share capital of the Company during the year are set out in note 42 to the consolidated financial statements.

Distributable Reserves

The distributable reserves of the Company as at 31 December 2018 amounted to RMB27,730.2 million (2017: RMB26,750.2 million).

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Bank and Other Borrowings

Particulars of the Group's bank and other borrowings are set out in note 37 to the consolidated financial statements.

Donations

Donations by the Group for charitable and other purposes as at 31 December 2018 amounted to RMB5.9 million (2017: RMB5.7 million).

Equity-linked Agreements

Save for the share option schemes, the share award scheme and the US subsidiary's equity incentive plan described below with details of movements set out in note 52 to the consolidated financial statements, no equity-linked agreements were entered into by the Group during the year ended 31 December 2018, or subsisted at the end of the year 2018.

Closure of Register of Members

The register of members of the Company will be closed from Wednesday, 5 June 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares of the Company will be effected and for the purpose of determining the identity of members who are entitled to attend and vote at the annual general meeting of the Company to be held on Wednesday, 12 June 2019 at 11:00 a.m.. In order to be eligible to attend and vote at the annual general meeting, all completed share transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Tuesday, 4 June 2019.

Directors

The directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Zhu Gongshan *(Chairman)*
Mr. Zhu Zhanjun *(Chief Executive Officer)*
Mr. Zhu Yufeng
Ms. Sun Wei
Mr. Yeung Man Chung, Charles *(Chief Financial Officer and Company Secretary)*
Mr. Jiang Wenwu
Mr. Zheng Xiongjiu
Mr. Ji Jun (resigned on 1 February 2019)

Independent Non-executive Directors

Ir. Dr. Ho Chung Tai, Raymond
Mr. Yip Tai Him
Dr. Shen Wenzhong
Mr. Wong Man Chung, Francis

In accordance with Articles 87(1) and (2) of the Articles of Association of the Company, Mr. Zhu Gongshan, Mr. Zhu Yufeng, Mr. Zheng Xiongjiu, and Mr. Yip Tai Him and will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company has assessed their independence and considers that all the independent non-executive Directors are independent in accordance with guidelines set out in the Listing Rules.

Directors’ Services Contracts

Each of the non-executive Directors has entered into a service contract with the Company for a fixed term of three years and will be terminated by not less than three months’ notice in writing served by either party on the other. Upon the expiry of the notice period, the appointment will be terminated.

No Director proposed for re-election at the forthcoming annual general meeting has entered into any service agreements with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors’ Interest in Contracts

Save as disclosed under the section headed “Connected Transactions and Continuing Connected Transactions” in this report of the Directors, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party, and which subsisted at the end of the year or at any time during the year.

REPORT OF THE DIRECTORS (CONTINUED)

Permitted Indemnity Provision

Subject to the applicable laws, every Directors, Company Secretary and other officers of the Company shall be indemnified out of the assets and profits of the Company against all actions, costs charges, losses, damages and expenses incurred by him or her in the execution of his or her duties or in relation thereto pursuant to the Company's Articles of Associations, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons. Such provisions were in force during the course of the financial year ended 31 December 2018 and remained in force as of the date of this report.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and Associated Company

As at 31 December 2018, the Directors and chief executive of the Company had the following interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules:

(A) Long position in the shares and underlying shares of the Company:

	Number of Shares held					
Name of Director/ chief executive	Beneficiary of a trust	Corporate interests	Personal/ Family interests	Number of underlying Shares held	Total	Approximate percentage of issued share capital
Zhu Gongshan	6,370,388,156 (note 1)	—	—	—	6,370,388,156	34.75%
Zhu Zhanjun	—	—	3,400,000	2,719,359 (note 2)	6,119,359	0.03%
Ji Jun	—	—	—	2,215,774	2,215,774	0.01%
Zhu Yufeng	6,370,388,156 (note 2)	—	—	2,517,925 (note 1)	6,372,906,081	34.77%
Sun Wei	—	—	5,723,000	3,222,944 (note 2)	8,945,944	0.05%
Yeung Man Chung, Charles	—	—	—	1,700,000 (note 2)	1,700,000	0.01%
Jiang Wenwu	—	—	9,600,000	1,712,189 (note 2)	11,312,189	0.06%
Zheng Xiongjiu	—	—	250,000	2,517,924 (note 2)	2,767,924	0.02%
Ho Chung Tai, Raymond	—	—	—	1,007,170 (note 2)	1,007,170	0.01%
Yip Tai Him	—	—	—	1,007,170 (note 2)	1,007,170	0.01%

Notes:

(1) An aggregate of 6,370,388,156 shares of the Company are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee and Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries.

(2) These are share options granted by the Company to the Directors, pursuant to the share option scheme adopted by the shareholders of the Company on 22 October 2007. Such granted share options can be exercised by the Directors at various intervals during the period from 1 April 2009 to 28 March 2026 at an exercise price of HK$1.324, HK$1.160 or HK$0.586.

(B) Long position in the shares of the Company's associated corporation, namely GCL New Energy Holdings Limited ("GNE"), in which the Company indirectly holds approximately 62.28% issued shares:

	Number of shares of GNE held					
Name of Director/ chief executive	Beneficiary of a trust	Corporate interests	Personal interests	Number of underlying shares held	Total	Approximate percentage of issued share capital of GNE
Zhu Gongshan	1,909,978,301 (Note 1)	—	—	—	1,909,978,301	10.01%
Zhu Yufeng	1,909,978,301 (Note 1)	—	—	3,523,100 (Note 2)	1,913,501,401	10.03%
Sun Wei	—	—	—	27,178,200 (Note 2)	27,178,200	0.14%
Yeung Man Chung, Charles	—	—	—	15,099,000 (Note 2)	15,099,000	0.08%
Zheng Xiongjiu	—	—	2,450,000	—	2,450,000	0.01%

Notes:

1. 1,909,978,301 shares in GNE are beneficially owned by Dongsheng Photovoltaic Technology (Hong Kong) Limited ("Dongsheng PV"). Dongsheng PV is wholly-owned by GCL System Integration Technology Co., Ltd. and an aggregate of over 50% of the issued shares in GCL System Integration, Technology Co., Ltd., is held by the Zhu Family Trust and Mr. Zhu Yufeng, an executive director of GNE and son of Mr. Zhu Gongshan, collectively.

2. These are share options granted by GNE. Such granted share options can be exercised by Mr. Zhu Yufeng at the interval between 24 July 2015 and 23 July 2025 at an exercise price of HK$0.606 per share of GNE and by Ms. Sun Wei and Mr. Yeung Man Chung, Charles at the interval between 24 November 2014 and 23 July 2025 at an exercise price of HK$1.1798 or HK$0.606 per share of GNE.

REPORT OF THE DIRECTORS (CONTINUED)

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

Option Schemes

Share option scheme of the Company

The Company adopted a share option scheme (the "Share Option Scheme") on 22 October 2007 which became effective on 13 November 2007. The purpose of the Share Option Scheme is to motivate personnel to optimize their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives of the Company, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. The Share Option Scheme shall be valid and effective for a period of 10 years from 22 October 2007, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any subsisting options granted prior to the expiry of the 10-year period or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

At an extraordinary general meeting of the Company held on 26 November 2015, the shareholders of the Company approved the refreshment of the existing limit to an aggregate number of shares of the Company which may be allotted and issued pursuant to the exercise of options granted under the Share Option Scheme and any other share option scheme of the Company not exceeding 200,000,000 shares of the Company.

During the year, no share options was granted, a total of 10,041,203 share options were lapsed, the outstanding share option under the Scheme Option Scheme as at 31 December 2018 is 164,422,440.

Details of the share options outstanding and movements under the Share Option Scheme of the Company during the year are as follows:

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Number of options: Outstanding as at 1.1.2018	Granted during the year	Lapsed or forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31.12.2018
Directors/chief executive and their associates									
Ji Jun	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,510,755	—	—	—	—	1,510,755
	29.3.2016	18.4.2016 to 28.3.2026	1.324	705,019	—	—	—	—	705,019
Zhu Yufeng	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,007,170	—	—	—	—	1,007,170
	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,510,755	—	—	—	—	1,510,755
Sun Wei	16.2.2009	1.4.2009 to 15.2.2019	0.586	1,510,755	—	—	—	—	1,510,755
	19.2.2016	15.3.2016 to 18.2.2026	1.16	1,712,189	—	—	—	—	1,712,189
Zhu Zhanjun	29.3.2016	18.4.2016 to 28.3.2026	1.324	2,719,359	—	—	—	—	2,719,359
Yeung Man Chung, Charles	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,700,000	—	—	—	—	1,700,000
Jiang Wenwu	19.2.2016	15.3.2016 to 18.2.2026	1.16	1,712,189	—	—	—	—	1,712,189
Zheng Xiongjiu	19.2.2016	15.3.2016 to 18.2.2026	1.16	2,517,924	—	—	—	—	2,517,924
Yip Tai Him	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,007,170	—	—	—	—	1,007,170
Ho Chung Tai, Raymond	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,007,170	—	—	—	—	1,007,170
Zhu Qingsong (associate of Mr. Zhu Gongshan and an employee of the Group)	29.3.2016	18.4.2016 to 28.3.2026	1.324	1,007,170	—	—	—	—	1,007,170

REPORT OF THE DIRECTORS (CONTINUED)

Name or category of participant	Date of grant	Exercise period	Exercise Price per share (HK$)	Number of options: Outstanding as at 1.1.2018	Granted during the year	Lapsed or forfeited during the year	Cancelled during the year	Exercised during the year	Outstanding as at 31.12.2018
Non-director employees (in aggregate)	16.2.2009	1.4.2009 to 15.2.2019	0.586	5,350,480	—	—	—	(192,007)	5,158,473
	24.4.2009	1.5.2009 to 23.4.2019	1.046	807,750	—	—	—	—	807,750
	12.1.2011	1.3.2011 to 11.1.2021	3.296	5,035,850	—	—	—	—	5,035,850
	15.7.2011	1.9.2011 to 14.7.2021	4.071	6,093,378	—	—	—	—	6,093,378
	5.7.2013	16.9.2013 to 4.7.2023	1.630	25,456,222	—	(4,703,484)	—	—	20,752,738
	24.3.2014	26.5.2014 to 23.3.2024	2.867	21,855,589	—	(503,585)	—	—	21,352,004
	19.2.2016	15.3.2016 to 18.2.2026	1.16	88,272,265	—	(4,834,134)	—	(160,000)	83,278,131
	29.3.2016	18.4.2016 to 28.3.2026	1.324	2,316,491	—	—	—	—	2,316,491
Total				**174,815,650**		**(10,041,203)**		**(352,007)**	**164,422,440**

Notes:

1) The vesting period under the Share Option Scheme is 20% of the share options granted on the year of grant, the first, second, third and fourth anniversary of the date of grant, respectively. All share options granted will be fully vested on the fourth anniversary of the date of grant.

2) After the reporting period, the share options granted on 16 February 2009 at the exercise price of HK$0.586 was expired and all the outstanding options were lapsed thereafter.

(A) Share option scheme of a subsidiary

GCL New Energy Holdings Limited ("GNE"), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 451), in which the Company indirectly owned 62.28% issued shares as at 31 December 2018, is a subsidiary of the Company.

GNE adopted a share option scheme (the "GNE Share Option Scheme") on 15 October 2014 for the purpose to motivate personnel to optimise their future contributions to GNE and its subsidiaries ("GNE Group") and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such personnel who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the GNE Group, and additionally in the case of executives of GNE, to enable GNE Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

REPORT OF THE DIRECTORS (CONTINUED)

The GNE Share Option Scheme shall be valid and effective for a period of 10 years from 15 October 2014, after which no further options will be granted or offered. The total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the shares of GNE in issue from time to time. Any offer of grant of options shall remain open for acceptance together with an acceptance remittance of HK$1.00 to be received by GNE shall not be more than 30 days from the date of offer. The exercise price of any options granted shall not be less than whichever is the highest of:

(a) the nominal value of the share of GNE;

(b) the closing price of a share of GNE as stated in the Stock Exchange's daily quotations sheet on the date of offer; and

(c) the average closing price of a share of GNE as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer.

During the year, no share options was granted, exercised nor cancelled under the GNE Share Option Scheme, and 41,552,448 share options were lapsed.

Details of the outstanding and movements of share options under the GNE Share Option Scheme during the year are as follows:

				Number of options				
Name or category of participant	**Date of grant**	**Exercise period**	**Exercise Price per share (HK$)**	**Outstanding as at 1.1.2018**	**Granted during the year**	**Lapsed or forfeited during the year**	**Exercised during the year**	**Outstanding as at 31.12.2018**
Directors/chief executive								
Zhu Yufeng	24.7.2015	24.7.2015 to 23.7.2025	0.606	3,523,100	—	—	—	3,523,100
Sun Wei	23.10.2014	24.11.2014 to 22.10.2024	1.1798	24,158,400	—	—	—	24,158,400
	24.7.2015	24.7.2015 to 23.7.2025	0.606	3,019,800	—	—	—	3,019,800
Yeung Man Chung, Charles	23.10.2014	24.11.2014 to 22.10.2024	1.1798	12,079,200	—	—	—	12,079,200
	24.7.2015	24.7.2015 to 23.7.2025	0.606	3,019,800	—	—	—	3,019,800
Directors of GNE and employees of GNE	23.10.2014	24.11.2014 to 22.10.2024	1.1798	259,259,896	—	(6,039,600)	—	253,220,296
	24.7.2015	24.7.2015 to 23.7.2025	0.606	286,327,370	—	(35,512,848)	—	250,814,522
Total				**591,387,566**		**(41,552,448)**		**549,835,118**

Please refer to the 2018 annual report of GNE under the section "Report of Directors" with the heading "Share Option Schemes" for the details of the GNE Share Option Scheme and the movements of options granted thereunder during the year.

REPORT OF THE DIRECTORS (CONTINUED)

Share Award Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") on 16 January 2017 (the "Adoption Date"), pursuant to which existing shares of the Company ("Shares") may be purchased by the trustee from the market out of cash contributed by the Group and/or the Company may allot and issue new Shares to Computershare Hong Kong Trustees Limited (the "Trustee") in accordance with any specific mandate approved by the shareholders. Such Shares would be used to grant to certain eligible persons who are employees of the Company and its subsidiaries. The purpose of the Share Award Scheme is to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole.

The Share Award Scheme shall be subject to the administration of the Board, a committee (comprising Executive Director, Independent Non-executive Directors and senior executive) and the Trustee in accordance with the Share Award Scheme rules and the trust deed.

The maximum number of Shares that can be held by the Trustee under the Share Award Scheme is limited to 2% of the total number of issued Shares from time to time.

Save as disclosed above, during the year, neither the Company nor any of its subsidiaries is a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities of, the Company or any associated corporation and none of the Directors had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

US Subsidiary's Equity Incentive Plan

The Company's US subsidiary, GCL Solar Materials US II, LLC ("GCL US II"), has adopted an equity plan on 31 March 2017 ("Plan Date") pursuant to a resolution passed on the same date to grant non-voting Class B Units ("Class B Units") which will expire on the later of (i) the sixth anniversary of the Plan Date, or (ii) such date that all Class B Units outstanding are fully vested, settled, lapsed, forfeited or cancelled (as the case may be) (the "US Equity Incentive Plan"). The purpose of the US Equity Incentive Plan is to, through the grant of Class B Units to certain eligible persons, effectively attract, retain and incentivise the core employees and align their interests with the growth of GCL US II as a whole.

Under the US Equity Incentive Plan, the board of directors of GCL US II may grant Class B Units of GCL US II to eligible persons. The aggregate number of Class B Units granted shall not exceed 10% of the fully diluted equity of GCL US II.

The Class B Units granted will be vested in full in three years with one-third to be vested on each of the first, the second and the third anniversary of the Plan Date, respectively.

No Class B Unit has been issued to Directors of the Company.

Further details of the US Equity Incentive Plan are set out in note 52a(III) to the consolidated financial statements for the year ended 31 December 2018.

REPORT OF THE DIRECTORS (CONTINUED)

Interests and Short Positions of Substantial Shareholders

As at 31 December 2018, so far as is known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO:

(i) Long position in the shares and underlying shares of the Company

Name	Note	**Capacity/nature of interest**	**Number of shares/ underlying shares**	**Approximate percentage of issued share capital of the Company**
Asia Pacific Energy Fund Limited	1	Interest in a controlled corporation	6,370,388,156	34.75%

Notes:

1. An aggregate of 6,370,388,156 shares of the Company are collectively held by Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited, which are wholly-owned by Golden Concord Group Limited, which in turn is wholly-owned by Asia Pacific Energy Holdings Limited. Asia Pacific Energy Holdings Limited is in turn wholly-owned by Asia Pacific Energy Fund Limited. Asia Pacific Energy Fund Limited is ultimately held under a discretionary trust with Credit Suisse Trust Limited as trustee for Mr. Zhu Gongshan and his family (including Mr. Zhu Yufeng, a Director and the son of Mr. Zhu Gongshan) as beneficiaries.

2. The total number of ordinary shares of the Company in issue as at 31 December 2018 is 18,329,949,207.

Save as disclosed aforesaid, so far as is known to any Directors or chief executive of the Company, as at 31 December 2018, no other persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register kept pursuant to Section 336 of the SFO.

Director's Interest in Significant Contracts

Save as disclosed in the heading "Connected Transactions and Continuing Connected Transactions", there is no transaction, arrangement or contract of significance subsisting during or at the end of the year in which a director of the Company is or was materially interested, either directly or indirectly.

REPORT OF THE DIRECTORS (CONTINUED)

Connected Transactions & Continuing Connected Transactions

The INEDs of the Company, have reviewed and considered the report from internal auditors in respect of the internal audit procedures taken and findings on the continuing connected transactions, confirmed that the continuing connected transactions for the year ended 31 December 2018 and that they were entered into:

i. in the ordinary course of the business of the Group;

ii. on normal commercial terms or better; and

iii. in accordance with the relevant written agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed to the Board in writing that for the year ended 31 December 2018, the continuing connected transactions, which were entered into:

a. have received the approval of the Board;

b. have been in accordance with the pricing policies of the Company for transactions involving the provision of goods or services;

c. have been in accordance with the relevant agreement governing such transactions; and

d. have not exceeded the relevant announced cap amounts for the financial year ended 31 December 2018.

Details of the connected transactions and continuing connected transactions of the Company for the year ended 31 December 2018 that are subject to reporting and annual review requirements under the Listing Rules are as follows:

(A) Connected Transactions

The following are summaries of transactions which were disclosed in the announcements of the Company during the year ended 31 December 2018:

(1) Subscription agreement with Millennial Lithium Corp. ("Millennial")

Stand Virtue Limited ("Stand Virtue") (a subsidiary of the Company) entered into a subscription agreement (the "Company Subscription Agreement") with Millennial dated 26 February 2018, pursuant to which Stand Virtue agreed to:

(i) subscribe for 1,636,213 units in Millennial for C$3.50 per unit for an aggregate consideration of C$5,726,745.50; and

(ii) if the over-allotment option is exercised, subscribe for up to a further 186,301 units in Millennial for C$3.50 per unit up to a maximum consideration of C$652,053.50.

Million Surge Holdings Limited ("Million Surge") (a subsidiary of the Zhu Family Trust) has agreed to guarantee the obligations of Stand Virtue under the Company Subscription Agreement. In addition, on 26 February 2018, Lamtex, through its subsidiary, Lamtex Securities Limited ("Lamtex Securities"), entered into the Company Subscription Agreement dated 26 February 2018 with Millennial, pursuant to which Lamtex Securities agreed to subscribe for 134,157 units for C$3.50 per unit in Millennial, for an aggregate consideration of C$469,549.50. Lamtex has agreed to guarantee the obligations of Lamtex Securities under the Lamtex Subscription Agreement.

Lithium demand is expected to continue growing with the shift from fossil-fuel powered vehicles to electric vehicles, in addition to the steady growth of lithium-ion batteries for electric devices. Demand growth to date has seen the lithium price more than doubled in the past few years. The Group will be able to diversify its investments into the business of acquiring, exploring, developing lithium mineral properties and energy related industry and broaden revenue sources of the Group.

As at the date of the Company Subscription Agreement, approximately 16.55% of the common shares of Millennial were indirectly held by the Zhu Family Trust. Mr. Zhu and Mr. Zhu Yufeng are both Directors and therefore connected persons of the Company. As the Zhu Family Trust is a substantial shareholder of Millennial, the transactions contemplated under the Company Subscription Agreement constitute a connected transaction of the Company under Rule 14A.28 of the Listing Rules.

As Million Surge is a subsidiary of the Zhu Family Trust, Million Surge is a connected person of the Company under Chapter 14A of the Listing Rules. The guarantee provided by Million Surge under the Company Subscription Agreement will constitute financial assistance provided by a connected person for the benefit of the Group. As such guarantee will be conducted on normal commercial terms or better and no security over the assets of the Group will be required, the provision of guarantee by Million Surge under the Company Subscription Agreement is exempt under Rule 14A.90 of the Listing Rules from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An announcement of the Company dated 26 February 2018 setting out details of the above-mentioned transactions were issued.

(2) Transactions with Xi'an Datang Electric

2.1 GNE, through its subsidiaries, entered into the following agreements with Xi'an Datang Electric dated 29 March 2018:

(i) the Taiqian PC Agreement between Taiqian GCL New Energy as principal and Xi'an Datang Electric as contractor in relation to the Taiqian Project at an estimated consideration of RMB91,345,401.89;

(ii) the Taiqian PC Supplemental Agreement between Suzhou GCL New Energy and Taiqian GCL New Energy as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Taiqian GCL New Energy's obligations and liabilities under the Taiqian PC Agreement;

(iii) the Taiqian GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Taiqian GCL New Energy's obligations under the Taiqian PC Agreement; and

(iv) the Taiqian Equipment Purchase Agreement between Xi'an Datang Electric as customer and Nanjing GCL New Energy as supplier and Taiqian GCL New Energy as principal in relation to the sale and purchase of certain solar power station equipment for the Taiqian Project at a consideration of RMB74,633,112.00.

An announcement of the Company dated 29 March 2018 setting out details of the above-mentioned transaction was issued.

2.2 GNE, through its subsidiaries, entered into the following agreements with Xi'an Datang Electric dated 26 April 2018:

(i) the Yongcheng EPC Agreement between Yongcheng GCL New Energy as principal and Xi'an Datang Electric as contractor in relation to the Yongcheng Project at an estimated consideration of RMB348,752,104.77;

(ii) the Yongcheng EPC Supplemental Agreement between Suzhou GCL New Energy and Yongcheng GCL New Energy as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Yongcheng GCL New Energy's obligations and liabilities under the Yongcheng EPC Agreement;

(iii) the Yongcheng GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Yongcheng GCL New Energy's obligations under the Yongcheng EPC Agreement;

(iv) the Yongcheng Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Yongcheng GCL New Energy as principal in relation to the sale and purchase of certain solar power station equipment for the Yongcheng Project at a consideration of RMB282,911,821.91;

(v) the Shangshui EPC Agreement between Shangshui GCL New Energy as principal and Xi'an Datang Electric as contractor in relation to the Shangshui Project at an estimated consideration of RMB485,757,465.11;

(vi) the Shangshui EPC Supplemental Agreement between Suzhou GCL New Energy and Shangshui GCL New Energy as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Shangshui GCL New Energy's obligations and liabilities under the Shangshui EPC Agreement;

(vii) the Shangshui GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Shangshui GCL New Energy's obligations under the Shangshui EPC Agreement;

(viii) the Shangshui Equipment Purchase Agreement I between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Shangshui GCL New Energy as principal in relation to the sale and purchase of certain solar power station equipment for the Shangshui Project at a consideration of RMB110,431,006.00; and

(ix) the Shangshui Equipment Purchase Agreement II between Xi'an Datang Electric as customer and Nanjing GCL New Energy as supplier and Shangshui GCL New Energy as principal in relation to the sale and purchase of certain solar power station equipment for the Shangshui Project at a consideration of RMB68,400,605.65.

A joint announcement of the Company and GNE dated 26 April 2018 setting out details of the above-mentioned transaction was issued.

REPORT OF THE DIRECTORS (CONTINUED)

2.3 GNE, through its subsidiaries, entered into the following agreements with Xi'an Datang Electric dated 17 May 2018:

(i) the Shanglin EPC Agreement between Shanglin Xinan as principal and Xi'an Datang Electric as contractor in relation to the Shanglin Project at an estimated consideration of RMB199,187,990;

(ii) the Shanglin EPC Supplemental Agreement between Suzhou GCL New Energy and Shanglin Xinan as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Shanglin Xinan's obligations and liabilities under the Shanglin EPC Agreement;

(iii) the Shanglin GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Shanglin Xinan's obligations under the Shanglin EPC Agreement;

(iv) the Shanglin Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Shanglin Xinan as principal in relation to the sale and purchase of certain solar power station equipment for the Shanglin Project at a consideration of RMB167,711,821;

(v) the Tongyu EPC Agreement between Tongyu Xinyuan as principal and Xi'an Datang Electric as contractor in relation to the Tongyu Project at an estimated consideration of RMB64,522,616;

(vi) the Tongyu EPC Supplemental Agreement between Suzhou GCL New Energy and Tongyu Xinyuan as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Tongyu Xinyuan's obligations and liabilities under the Tongyu EPC Agreement;

(vii) the Tongyu GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Tongyu Xinyuan's obligations under the Tongyu EPC Agreement;

(viii) the Tongyu Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Tongyu Xinyuan as principal in relation to the sale and purchase of certain solar power station equipment for the Tongyu Project at a consideration of RMB52,631,346;

(ix) the Donghai EPC Agreement between Donghai GCL as principal and Xi'an Datang Electric as contractor in relation to the Donghai Project at an estimated consideration of RMB82,356,439;

(x) the Donghai EPC Supplemental Agreement between Suzhou GCL New Energy and Donghai GCL as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Donghai GCL's obligations and liabilities under the Donghai EPC Agreement;

(xi) the Donghai GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Donghai GCL's obligations under the Donghai EPC Agreement;

(xii) the Donghai Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Donghai GCL as principal in relation to the sale and purchase of certain solar power station equipment for the Donghai Project at a consideration of RMB63,111,475;

(xiii) the Zhuzhai EPC Agreement between Pei County Xinri as principal and Xi'an Datang Electric as contractor in relation to the Zhuzhai Project at an estimated consideration of RMB73,510,471;

(xiv) the Zhuzhai EPC Supplemental Agreement between Suzhou GCL New Energy and Pei County Xinri as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Pei County Xinri's obligations and liabilities under the Zhuzhai EPC Agreement;

(xv) the Zhuzhai GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Pei County Xinri's obligations under the Zhuzhai EPC Agreement; and

(xvi) the Zhuzhai Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Pei County Xinri as principal in relation to the sale and purchase of certain solar power station equipment for the Zhuzhai Project at a consideration of RMB57,554,072.

A joint announcement the Company and GNE dated 17 May 2018 setting out details of the above-mentioned transaction was issued.

REPORT OF THE DIRECTORS (CONTINUED)

2.4 *GNE, through its subsidiaries, entered into the following agreements with Xi'an Datang Electric dated 31 May 2018:*

(i) the Kunming EPC Agreement between Kunming Xufeng as principal and Xi'an Datang Electric as contractor in relation to the Kunming Project at an estimated consideration of RMB216,080,141;

(ii) the Kunming EPC Supplemental Agreement between Suzhou GCL New Energy and Kunming Xufeng as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Kunming Xufeng's obligations and liabilities under the Kunming EPC Agreement;

(iii) the Kunming GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Kunming Xufeng's obligations under the Kunming EPC Agreement;

(iv) the Kunming Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Kunming Xufeng as principal in relation to the sale and purchase of certain solar power station equipment for the Kunming Project at a consideration of RMB176,419,103;

(v) the Honghe EPC Agreement between Honghe Ruixin as principal and Xi'an Datang Electric as contractor in relation to the Honghe Project at an estimated consideration of RMB188,963,077;

(vi) the Honghe EPC Supplemental Agreement between Suzhou GCL New Energy and Honghe Ruixin as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Honghe Ruixin's obligations and liabilities under the Honghe EPC Agreement;

(vii) the Honghe GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Honghe Ruixin's obligations under the Honghe EPC Agreement;

(viii) the Honghe Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Honghe Ruixin as principal in relation to the sale and purchase of certain solar power station equipment for the Honghe Project at a consideration of RMB158,457,708;

(ix) the Luquan EPC Agreement between Luquan GCL as principal and Xi'an Datang Electric as contractor in relation to the Luquan Project at an estimated consideration of RMB117,801,248;

(x) the Luquan EPC Supplemental Agreement between Suzhou GCL New Energy and Luquan GCL as joint principals and Xi'an Datang Electric as contractor under which Suzhou GCL New Energy agreed to undertake Luquan GCL's obligations and liabilities under the Luquan EPC Agreement;

(xi) the Luquan GNE Guarantee between GNE and Xi'an Datang Electric in connection with the guarantee provided by GNE to Xi'an Datang Electric in respect of Luquan GCL's obligations under the Luquan EPC Agreement; and

(xii) the Luquan Equipment Purchase Agreement between Xi'an Datang Electric as customer and Zhenjiang GCL New Energy as supplier and Luquan GCL as principal in relation to the sale and purchase of certain solar power station equipment for the Luquan Project at a consideration of RMB96,620,429.

A joint announcement of the Company and GNE dated 31 May 2018 setting out details of the above-mentioned transaction was issued.

2.5 The GNE Group entered into the following agreements dated 9 August 2018:

(i) the Huaibei Finance Lease Agreements with Beijing Financial Leasing, pursuant to which (A) Beijing Financial Leasing shall purchase the Huaibei Leased Assets I from Xi'an Datang Electric at a consideration of RMB330,000,000 and the Huaibei Leased Assets II from Zhenjiang GCL New Energy at a consideration of RMB30,000,000; and (B) following the acquisition, Beijing Financial Leasing, as the lessor, shall lease the Huaibei Leased Assets to Huaibei GCL New Energy, as the lessee, for a term of 8 years at an aggregate estimated rent of approximately RMB482,131,362. In addition, pursuant to the Huaibei Finance Lease Agreements, Huaibei GCL New Energy shall pay Beijing Financial Leasing an asset management fee of RMB34,560,000; and

(ii) the Second Huaibei PC Supplemental Agreement, with Xi'an Datang Electric, pursuant to which the terms of the Huaibei PC Agreement shall be amended so that Xi'an Datang Electric no longer needs to procure all the solar power plant equipment and construction materials for Huaibei GCL New Energy and the total consideration is reduced by RMB330,000,000.

A joint announcement of the Company and GNE dated 9 August 2018 setting out details of the above-mentioned transaction was issued.

REPORT OF THE DIRECTORS (CONTINUED)

2.6 The GNE Group entered into the following agreements dated 16 November 2018:

(i) the Kunming Finance Lease Agreements with Cornerstone Jingxin Financial Leasing, pursuant to which (A) Cornerstone Jingxin Financial Leasing shall purchase the Kunming Leased Assets from Xi'an Datang Electric at a consideration of RMB176,419,103; and (B) following the acquisition, Cornerstone Jingxin Financial Leasing, as the lessor, shall lease the Kunming Leased Assets to Suzhou GCL New Energy and Kunming Xufeng (together, the "Kunming Lessees"), as the lessees, for a term of 96 months at an aggregate estimated rent of approximately RMB245,209,841. In addition, pursuant to the Kunming Finance Lease Agreements, the Kunming Lessees shall pay Cornerstone Jingxin Financial Leasing a finance lease handling fee of approximately RMB12,525,756; and

(ii) the Honghe Finance Lease Agreements with Cornerstone Jingxin Financial Leasing, pursuant to which (A) Cornerstone Jingxin Financial Leasing shall purchase the Honghe Leased Assets from Xi'an Datang Electric at a consideration of RMB158,457,708; and (B) following the acquisition, Cornerstone Jingxin Financial Leasing, as the lessor, shall lease the Honghe Leased Assets to the Suzhou GCL New Energy and Honghe Ruixin (together, the "Honghe Lessees"), as the lessees, for a term of 96 months at an aggregate estimated rent of approximately RMB220,244,796. In addition, pursuant to the Honghe Finance Lease Agreements, the Honghe Lessees shall pay Cornerstone Jingxin Financial Leasing a finance lease handling fee of approximately RMB11,250,497;

(iii) the Kunming EPC Supplemental Agreement with Xi'an Datang Electric, pursuant to which the terms of the Kunming EPC Agreement shall be amended so that Xi'an Datang Electric no longer needs to procure all the solar power plant equipment and construction materials for the Kunming Lessees and the total consideration is reduced to approximately RMB4,379,986; and

(iv) the Honghe EPC Supplemental Agreement with Xi'an Datang Electric, pursuant to which the terms of the Honghe EPC Agreement shall be amended so that Xi'an Datang Electric no longer needs to procure all the solar power plant equipment and construction materials for the Honghe Lessees and the total consideration is reduced to approximately RMB3,829,691.

A joint announcement of the Company and GNE dated 16 November 2018 setting out details of the above-mentioned transaction was issued.

2.7 The GNE Group entered into the following agreements dated 30 November 2018:

(i) the Donghai Finance Lease Agreements with Cornerstone Jingxin Financial Leasing, pursuant to which (A) Cornerstone Jingxin Financial Leasing shall purchase the Donghai Leased Assets from Xi'an Datang Electric at a consideration of approximately RMB63,111,475; and (B) following the acquisition, Cornerstone Jingxin Financial Leasing, as the lessor, shall lease the Donghai Leased Assets to the Suzhou GCL New Energy and Donghai GCL (together, the "Donghai Lessees"), as the lessees, for a term of 96 months at an aggregate estimated rent of RMB87,720,402. In addition, pursuant to the Donghai Finance Lease Agreements, the Donghai Lessees shall pay Cornerstone Jingxin Financial Leasing a finance lease handling fee of approximately RMB4,480,915; and

(ii) the Zhuzhai Finance Lease Agreements with Cornerstone Jingxin Financial Leasing, pursuant to which (A) Cornerstone Jingxin Financial Leasing shall purchase the Zhuzhai Leased Assets from Xi'an Datang Electric at a consideration of RMB57,554,072; and (B) following the acquisition, Cornerstone Jingxin Financial Leasing, as the lessor, shall lease the Zhuzhai Leased Assets to the Suzhou GCL New Energy and Pei County Xinri Pei County Xinri (together, the "Zhuzhai Lessees"), as the lessees, for a term of 96 months at an aggregate estimated rent of approximately RMB79,996,013. In addition, pursuant to the Zhuzhai Finance Lease Agreements, the Zhuzhai Lessees shall pay Cornerstone Jingxin Financial Leasing a finance lease handling fee of approximately RMB4,086,339;

(iii) the Donghai EPC Supplemental Agreement with Xi'an Datang Electric, pursuant to which the terms of the Donghai EPC Agreement shall be amended so that the total consideration of Xi'an Datang Electric to procure all the solar power plant equipment and construction materials for the Donghai Lessees is reduced to approximately RMB1,557,416; and

(iv) the Zhuzhai EPC Supplemental Agreement with Xi'an Datang Electric, pursuant to which the terms of the Zhuzhai EPC Agreement shall be amended so that the total consideration of Xi'an Datang Electric to procure all the solar power plant equipment and construction materials for the Zhuzhai Lessees is reduced to approximately RMB1,439,001.

An announcement of the Company dated 30 November 2018 setting out details of the above-mentioned transaction was issued.

The purposes of the transactions for paragraphs 2.1 to 2.4 above are since various subsidiaries of GNE Group as developers of photovoltaic power station projects, they have to engage contractors to provide PC/EPC services to construct their power generation projects. Xi'an Datang Electric is an established EPC contractor and has extensive local resources. The GNE Group believes that it can deliver service at a quality standard which meets the expectations of the GNE Group.

The purposes of the transactions for paragraphs 2.5 to 2.7 above are as a developer of solar power plant projects, the GNE Group requires capital from time to time to construct its solar power plant projects. The GNE Directors believe that the GNE Group will be able to derive additional liquidity utilising its existing investments in its existing equipment and assets under the respective agreements and benefit from the additional working capital to support its business and operational activities.

As at the respective dates of the announcements disclosing details of the connected transactions with Xi'an Datang Electric for paragraphs 2.1 to 2.7 above, as Wuxi Huaguang holds approximately 24.81% shareholding interest in Konca Solar and the Company is interested in approximately 62.28% of the issued share capital of GNE, therefore, Wuxi Huaguang is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. In addition, Wuxi Huaguang effectively holds approximately 90.33% of shareholding interests in Xi'an Datang Electric, Xi'an Datang Electric is therefore an associate of a connected person of the Company at the subsidiary level. Accordingly, the entering into of the respective agreements as mentioned above constitutes connected transactions for the Company under Chapter 14A of the Listing Rules.

(3) Loan agreement with GNE Development

The Company (as lender) entered into a loan agreement with GNE Development (as borrower) pursuant to which the Company agreed to advance a loan in the principal amount of US$110,000,000 (the "Loan") to GNE Development dated 19 April 2018 (the "Loan Agreement"). The Loan will be used by GNE and its subsidiaries for general working capital purpose.

The Loan can help GNE Group improve its cash flow. The advancement of the Loan will also provide interest income to the Group.

On 19 April 2018, Mr. Zhu and Mr. Zhu Yufeng are both Directors and therefore connected persons of the Company. Mr. Zhu Yufeng and the Zhu Family Trust, hold approximately 22.40% and 28.19% of the issued shares in GCL System Integration, respectively. GCL System Integration is a substantial shareholder holding 10.01% of GNE. Mr. Zhu and Mr. Zhu Yufeng together can control the exercise of 10% or more of the voting power at GNE's general meetings. GNE and its subsidiaries are therefore connected subsidiaries of the Company and the transaction contemplated under the Loan Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

An announcement of the Company dated 19 April 2018 setting out details of the above-mentioned transaction was issued.

All the above-mentioned connected transactions were one-off transactions.

(B) Continuing Connected Transactions

Details of the continuing connected transactions of the Company for the year ended 31 December 2018 are as follows:

(1) Steam supply

(i) The Group entered into the following agreements dated 30 June 2017:

Reference is made to the announcement of the Company dated 30 June 2017 in relation to (A) the supply of steam by Taicang Power to Taicang GCL; and (B) the supply of steam by Yangzhou Power to Yangzhou GCL after the expiry of the Existing Yangzhou Steam Supply Agreement on 9 June 2017

Steam Supply Agreements

(A) Taicang GCL and Taicang Power entered into the Taicang Steam Supply Agreement dated 30 June 2017 in relation to the supply of steam by Taicang Power to Taicang GCL.

Steam is required by Taicang GCL for production of wafer products purpose.

On 30 June 2017, Zhu Family Trust holds 72% equity interests in Taicang Power therefore Taicang Power is an associate of Mr. Zhu and a connected person of the Company. Accordingly, the transaction contemplated under the Taicang Steam Supply Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The transaction amount and the annual cap for the year ended 31 December 2018 under the Taicang Steam Supply Agreement was as follows:

Agreement	**Transaction amount for the year ended 31 December 2018** (RMB)	**Annual Cap for the year ended 31 December 2018** (RMB)
Taicang Steam Supply Agreement	1,199,452	5,317,000

REPORT OF THE DIRECTORS (CONTINUED)

(B) Reference is also made to the announcement dated 25 April 2018, in relation to, among other things, the New Yangzhou Steam Supply Agreement and the Supplemental Agreement.

On 30 June 2017, Yangzhou GCL and Yangzhou Power entered into the New Yangzhou Steam Supply Agreement dated 30 June 2017 in relation to the supply of steam by Yangzhou Power to Yangzhou GCL after the expiry of the Existing Yangzhou Steam Supply Agreement on 9 June 2017.

On 25 April 2018, Yangzhou GCL and Yangzhou Power entered into the Supplemental Agreement to, among other things, revise the annual caps for the continuing connected transactions under the New Yangzhou Steam Supply Agreement from RMB3,740,000, RMB3,930,000 and RMB1,720,000 to RMB7,993,000, RMB10,719,000 and RMB5,309,000 for the year ending 31 December 2018, the year ending 31 December 2019 and the five months ending 31 May 2020 respectively.

Steam is required by Yangzhou GCL for production of wafer and black-silicon products purpose.

On 25 April 2018, Zhu Family Trust effectively holds 40.8% equity interests indirectly in Yangzhou Power, therefore Yangzhou Power is an associate of Mr. Zhu and a connected person of the Company. Accordingly, the transaction contemplated under the Supplemental Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The transaction amount and the revised annual cap for the year ended 31 December 2018 under the New Yangzhou Steam Supply Agreement (as supplemented by the Supplemental Agreement) was as follows:

Agreement	**Transactions amounts for the year ended 31 December 2018** (RMB)	**(Revised) Annual Caps for the year ended 31 December 2018** (RMB)
Yangzhou Steam Supply Agreement	2,757,049	3,740,000
New Yangzhou Steam Supply Agreement (as supplemented by Supplemental Agreement)	3,985,680	7,993,000

Announcements of the Company dated 30 June 2017 and 25 April 2018 (for the Supplemental Agreement) setting out details of the above-mentioned transactions were issued.

(ii) *Reference is made to the announcement dated 19 September 2018 in relation to the supply of steam by Xinjiang Guoxin.*

Xinjiang Guoxin Steam Supply Agreement

Xinjiang GCL entered into the Xinjiang Guoxin Steam Supply Agreement dated 19 September 2018 with Xinjiang Guoxin.

Xinjiang Guoxin agreed to supply, and Xinjiang GCL agreed to purchase, steam for industrial use with pressure of more than 1.0 Mpa and temperature at 200°C to 230°C for the period commencing from 19 September 2018 and ending on 31 August 2021 in relation to the Xinjiang Project.

The agreed steam supply price under the Xinjiang Guoxin Steam Supply Agreement will be RMB57.60 per tonne if 2.2 million to 3 million tonnes of steam is consumed by Xinjiang GCL per year and shall be payable monthly in arrears based on the amount of steam supplied by Xinjiang Guoxin in the relevant month.

The agreed steam supply price is based on the coal price of RMB89.00 per tonne. The agreed steam supply price is adjustable once every year. Subject to the Xinjiang Guoxin steam supply annual cap, if, in any one-year period, the average market coal price has changed for more than RMB6.00 per tonne, the agreed steam supply price will be adjusted for RMB1.00 per tonne for every RMB6.00 change in coal price.

Steam is required by Xinjiang GCL for the production of polysilicon products.

On 19 September 2018, the Zhu Family Trust is the ultimate controlling shareholder of the Company and a connected person. Xinjiang Guoxin was a subsidiary of the Zhu Family Trust and therefore is an associate of the Zhu Family Trust and connected person of the Company. Accordingly, the transaction contemplated under the Xinjiang Guoxin Steam Supply Agreement dated 19 September 2018 constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

The transaction amount and the annual cap for the year ended 31 December 2018 under the Xinjiang Guoxin Steam Supply Agreement was as follows:

Agreement	**Transaction amount for the year ended 31 December 2018** (RMB)	**Annual Cap for the year ended 31 December 2018** (RMB)
Xinjiang Guoxin Steam Supply Agreement	11,246,840	46,080,000

An announcement of the Company dated 19 September 2018 setting out details of the above-mentioned transaction was issued.

(2) Raw water and Desalted Water Supply

Reference is made to the announcement of the Company dated 19 September 2018 in relation to the Raw Water and Desalted Water Supply Agreement with Xinjiang Guoxin in relation to the supply of raw water and desalted water by Xinjiang Guoxin.

On 19 September 2018, Xinjiang GCL, a subsidiary of the Company, entered into the Xinjiang Guoxin Raw Water and Desalted Water Supply Agreement with Xinjiang Guoxin in relation to the supply of raw water and desalted water by Xinjiang Guoxin.

Xinjiang Guoxin agreed to supply, and Xinjiang GCL agreed to purchase, raw water and desalted water for the period commencing from 19 September 2018 and ending on 31 August 2021 in relation to the Xinjiang Project.

The agreed raw water supply price is RMB10.82 per tonne and the agreed desalted water supply price is RMB24.20 per tonne under the Xinjiang Guoxin Raw Water and Desalted Water Supply Agreement, and shall be payable monthly in arrears based on the amount of raw water and desalted water supplied by Xinjiang Guoxin in the relevant month.

The agreed raw water supply price and desalted water supply price are based on the untreated water price of RMB6.49 per tonne, and are adjustable in accordance with the change in the untreated water price demanded by the relevant supplier.

Raw water and desalted water are required by Xinjiang GCL for the production of polysilicon products.

On 19 September 2018, the Zhu Family Trust is the ultimate controlling shareholder of the Company and a connected person. Xinjiang Guoxin is a subsidiary of the Zhu Family Trust and therefore is an associate of the Zhu Family Trust and connected person of the Company. Accordingly, the transaction contemplated under the Xinjiang Guoxin Raw Water and Desalted Water Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

The transaction amount and the annual cap for the year ended 31 December 2018 under the Xinjiang Guoxin Raw Water and Desalted Water Agreement was as follows:

Agreement	**Transaction amount for the year ended 31 December 2018** (RMB)	**Annual Cap for the year ended 31 December 2018** (RMB)
Xinjiang Guoxin Raw Water and Desalted Water Agreement	1,185,827	17,576,000

An announcement of the Company dated 19 September 2018 setting out details of the above-mentioned transaction was issued.

(3) Coal Supply

Reference is made to the announcement of the Company dated in relation to the New Coal Supply Framework Agreement dated 6 January 2017.

Due to the surging coal price in the PRC, Jiangsu Zhongneng and Suzhou GCL entered into the New Coal Supply Framework Agreement on 6 January 2017, pursuant to which Suzhou GCL agreed to supply coal to Jiangsu Zhongneng for a period of three years commencing from 1 January 2017. Upon the New Coal Supply Framework Agreement becoming effective, the Existing Coal Supply Framework Agreement will be terminated and superseded by the New Coal Supply Framework Agreement.

Coal is required by Jiangsu Zhongneng for the generation of electricity by its captive power plant, which has been in operation since July 2015. The entering into of the New Coal Supply Framework Agreement will enable Jiangsu Zhongneng to procure a supplier of coal with steady supply and quality, and take the advantage of bulk purchase discount which may be available to Suzhou GCL as it also procures coal for its own group of power plants.

REPORT OF THE DIRECTORS (CONTINUED)

As at the date of the New Coal Supply Framework Agreement, 72% of the equity interest in Suzhou GCL is held by the Zhu Family Trust. As Mr. Zhu and Mr. Zhu Yufeng are both Directors and therefore connected persons of the Company and Suzhou GCL is an associate of them, Suzhou GCL is a connected person of the Company. Accordingly, the transaction contemplated under the New Coal Supply Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The transaction amount and the annual cap for the year ended 31 December 2018 under the New Coal Supply Framework Agreement was as follows:

Agreement	Transaction amount for the year ended 31 December 2018 (RMB)	Annual Cap for the year ended 31 December 2018 (RMB)
New Coal Supply Framework Agreement	683,066,020	1,200,000,000

Announcement of the Company dated 6 January 2017 setting out details of the above-mentioned transaction was issued.

(4) Staff Training Services

Reference is made to the announcement on 19 June 2017 in relation to the Staff Training Agreement dated 19 June 2017 relating to GCL-Poly Suzhou New Energy entered into the Staff Training Agreement with Suzhou Xin Zhi Hai.

Under the Staff Training Agreement, Suzhou Xin Zhi Hai provides customised training services for the employees of the Group from 16 June 2017 to 31 May 2020, including:

- standardised training module designed for the entire Group;
- customised training modules targeting specific employees;
- implementation and management of training programs; and
- development of a system to maintain employee training records.

Reference is also made to the announcement of GNE dated 25 May 2017, in which GNE Investment entered into an agreement with Suzhou Xin Zhi Hai, pursuant to which Suzhou Xin Zhi Hai provides customized training services to the employees of the GNE Group from 1 June 2017 to 31 May 2020 ("Previous Agreement") by subscription of the e-learning platform at a cost of RMB730 per employee annually.

Other than the subscription to the E-learning Platform, GCL-Poly Suzhou or GCL New Energy Investment can also coordinate with Suzhou Xin Zhi Hai to arrange for other customised training programs (協鑫大學培訓服務) at additional costs agreed between themselves. GCL-Poly Suzhou or GCL New Energy Investment shall pay the annual subscription fee for the e-learning platform in the first quarter every year. Fees of other training provided by Suzhou Xin Zhi Hai shall be paid under separate arrangements.

The Company believes that it is important to the success of the Group that its staff receives continued professional development and training.

On 19 June 2017, Suzhou Xin Zhi Hai is a subsidiary of Golden Concord, which owns approximately 34.27% of the issued shares in the Company. Further, Golden Concord is held by the Zhu Family Trust. Accordingly, Suzhou Xin Zhi Hai is a connected person of the Company. As a result, the entering into of the Staff Training Agreement with Suzhou Xin Zhi Hai constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The transactions amounts and the annual caps for the year ended 31 December 2018 under the Previous Agreement and the Staff Training Agreement were as follows:

Agreements	**Transactions amounts for the year ended 31 December 2018** (RMB)	**Annual Caps for the year ended 31 December 2018** (RMB)
Previous Agreement	6,344,401	8,424,610
Staff Training Agreement	7,522,480	7,606,000

An announcement of the Company dated 19 June 2017 setting out details of the above-mentioned transactions was issued.

REPORT OF THE DIRECTORS (CONTINUED)

(5) Lease of property

(i) Reference is made to the announcement of the Company dated 29 September 2017 in relation to the lease agreements.

Suzhou GCL Research, entered into the following lease agreements as landlord, dated 29 September 2017:

1. the GCL Intelligent Energy Lease Agreement with GCL Intelligent Energy as tenant in relation to the leasing of 3/F Headquarter for use as offices for a term of two years commencing from 1 October 2017 to 30 September 2019; and

2. the Jiangsu Jiarun Lease Agreement with Jiangsu Jiarun as tenant in relation to the leasing of 2/F NE Zone Research Building for use as offices for a term of two years commencing from 1 October 2017 to 30 September 2019.

3/F Headquarter and 2/F NE Zone Research Building are spare space in the property of the Group. The leasing of such spare space could bring additional rental income to the Group.

On 29 September 2017, GCL Intelligent Energy is an indirectly owned subsidiary of Golden Concord Group Limited, which is in turn ultimately held by Zhu Family Trust. Jiangsu Jiarun is ultimately wholly-owned by Mr. Zhu Yufeng. As both GCL Intelligent Energy and Jiangsu Jiarun are associates of Mr. Zhu and Mr. Zhu Yufeng, respectively, they are connected persons of the Company within the meaning of the Listing Rules. Therefore, the transactions under the Leasing Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The transaction amounts and the annual caps for the year ended 31 December 2018 under the GCL Intelligent Energy Lease Agreement and the Jiangsu Jiarun Lease Agreement were as follows:

Agreements	**Transactions amounts for the year ended 31 December 2018** (RMB)	**Annual Caps for the year ended 31 December 2018** (RMB)
GCL Intelligent Energy Lease Agreement	18,284,670	18,284,670
Jiangsu Jiarun Lease Agreement	4,447,170	4,447,170

An announcement of the Company dated 29 September 2017 setting out details of the above-mentioned transactions was issued.

(ii) Reference is made to the announcement on 27 December 2017 in relation to the lease agreements dated 29 September 2017 between (1) GNE Investment, as tenant, and Suzhou GCL Research, as landlord entered into the First Lease Agreement in relation to the lease of a commercial property for a two years term from 1 October 2017 to 30 September 2019; and (2) GCL Electric, as tenant, and Suzhou GCL Research, as landlord entered into the Second Lease Agreement in relation to the lease of a commercial property for a two years term from 1 October 2017 to 30 September 2019.

The leasing of spare space could maximize the Group's resources and increase efficiency.

Further references are made to the joint announcements of the Company and GNE dated 24 November 2017 and 12 December 2017 in relation to the Acquisitions. As disclosed in the announcement dated 12 December 2017, the separate conditional sale and purchase agreements ("SPAs") dated 11 December 2017 entered into by Dongsheng PV, with the respective Vendors in relation to the sale and purchase of approximately 10.01% of the total issued shares of GNE would only become effective if certain conditions set out therein were fulfilled by 22 December 2017.

All conditions set out in the SPAs were fulfilled upon which the SPAs became effective. While completion of the Acquisitions is expected to take place in early 2018, pursuant to the SPAs, the voting rights of the Subject Shares at general meeting of GNE were vested in Dongsheng PV on 27 December 2017.

On 27 December 2017, approximately 22.40% and 28.19% of the issued shares in GCL System Integration, the holding company of Dongsheng PV, is held by the Zhu Family Trust and Mr. Zhu Yufeng, respectively. As GCL System Integration is a connected person of the Company at the Company level, GNE and its subsidiaries have become connected subsidiaries of the Company pursuant to Chapter 14A of the Listing Rules.

The transaction amounts and the annual caps for the year ended 31 December 2018 under the First Lease Agreement and the Second Lease Agreement were as follows:

Agreements	**Transactions amounts for the year ended 31 December 2018** (RMB)	**Annual Caps for the year ended 31 December 2018** (RMB)
First Lease Agreement	23,212,980	23,212,980
Second Lease Agreement	4,311,270	4,311,276

An announcement of the Company dated 27 December 2017 setting out details of the above-mentioned transactions was issued.

REPORT OF THE DIRECTORS (CONTINUED)

(6) Supply of Wafer

Reference is made to the announcement on 21 November 2017 in relation to supply of wafer products.

GCL-Poly Suzhou New Energy, and GCL System Integration and GCL System Integration (Suzhou) (together, the "GCL System Integration Entities") entered into the Framework Agreement dated 21 November 2017, pursuant to which GCL-Poly Suzhou agreed to supply through itself or its affiliates the Wafer Products to the GCL System Integration Entities (or their subsidiaries) from 1 January 2018 to 31 December 2018.

The establishment of stable customer relationships is important to the development of the Group as a polysilicon and wafer manufacturer, particularly in the highly competitive market in which the Group operates. The manufacturing and sale of polysilicon and wafer products is a core business of the Group. The entering into of the Framework Agreement serves to secure customer order for the Company in respect of the Wafer Products, which is consistent with the Company's strategy to focus on its core integrated solar business. The sale of the Wafer Products under the Framework Agreement is expected to generate stable income for the Company.

On 21 November 2017, approximately 22.40% and 28.19% of the issued shares in GCL System Integration is held by the Zhu Family Trust and Mr. Zhu Yufeng, respectively. GCL System Integration (Suzhou) is a subsidiary of GCL System Integration. As Mr. Zhu and Mr. Zhu Yufeng are both Directors and therefore connected persons of the Company and GCL System Integration is an associate of them, GCL System Integration and GCL System Integration (Suzhou) are therefore connected persons of the Company within the meaning of the Listing Rules. Accordingly, the transactions under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The transaction amount and the annual cap for the year ended 31 December 2018 under the Framework Agreement was as follows:

Agreement	**Transaction amount for the year ended 31 December 2018** (RMB)	**Annual Cap for the year ended 31 December 2018** (RMB)
Framework Agreement	1,583,163,003	3,588,000,000

An announcement of the Company dated 21 November 2017 setting out details of the above-mentioned transaction was issued.

(7) Operation and Management Services

Reference is made to the announcement on 27 December 2017 in relation to the operation and management agreements between (1) GNE International, as service provider, and GCL Solar Energy as service recipient entered into the Asset Management & Administrative Services Agreement for a term of three years in relation to the provision of certain asset management and administrative services dated 19 May 2016; and (2) Suzhou GNE Operation as service provider, and Suzhou GCL-Poly, as service recipient entered into the Operation Service Agreement for a term of three years in relation to the provision of operation and management services for the power plants dated 11 July 2017.

Following the subscription of shares in GNE by the Group in 2014, the Group transferred its staff involved in the solar power plants to GNE Group as disclosed in the circular of GNE dated 31 March 2014. As the staff are familiar with the development, operation of the solar power plants of the Group, the entering into the Operation Service Agreement as well as the Asset Management & Administration Services Agreement were in the interests of the Group and also in line with the strategy of the Group.

Further reference is made to the joint announcements of the Company and GNE dated 24 November 2017 and 12 December 2017 in relation to the Acquisitions. As disclosed in the announcement dated 12 December 2017, the SPAs dated 11 December 2017 entered into by Dongsheng PV, with the respective Vendors in relation to the sale and purchase of approximately 10.01% of the total issued shares of GNE would only become effective if certain conditions set out therein were fulfilled by 22 December 2017.

All conditions set out in the SPAs were fulfilled upon which the SPAs became effective. While completion of the Acquisitions is expected to take place in early 2018, pursuant to the SPAs, the voting rights of the Subject Shares at general meeting of GNE were vested in Dongsheng PV on 27 December 2017.

On 27 December 2017, approximately 22.40% and 28.19% of the issued shares in GCL System Integration, the holding company of Dongsheng PV, is held by the Zhu Family Trust and Mr. Zhu Yufeng, respectively. As GCL System Integration is a connected person of the Company at the Company level, GNE and its subsidiaries have become connected subsidiaries of the Company pursuant to Chapter 14A of the Listing Rules.

The transactions amounts and the annual caps for the year ended 31 December 2018 under the Asset Management and Administrative Services Agreement and Operation Service Agreement were as follows:

Agreements	Transactions amounts for the year ended 31 December 2018 (RMB/USD)	Annual Caps for the year ended 31 December 2018 (RMB/USD)
Asset Management and Administrative Services Agreement	USD500,000	USD4,500,000
Operation Service Agreement	RMB35,300,000	RMB35,300,000

An announcement of the Company dated 27 December 2017 setting out details of the above-mentioned transaction was issued.

(8) Energy Services

Reference is made to the announcement on 19 September 2018 in relation to the provision of electricity distribution services by Xinjiang Intelligent Energy.

On 19 September 2018, Xinjiang GCL, a subsidiary of the Company, entered into an Energy Services Agreement with Xinjiang Intelligent Energy in relation to the provision of electricity distribution services by Xinjiang Intelligent Energy.

Xinjiang GCL has engaged Xinjiang Intelligent Energy to provide electricity distribution services at Xinjiang GCL Zhundong Industrial Park for the period commencing from 19 September 2018 and ending on 31 August 2021 in relation to the Xinjiang Project.

Xinjiang Intelligent Energy agreed to install the 220kV and 10kV distribution systems (each equipped with devices such as busbar, switchgear, transformer and direct current protection unit) at the 220kV electrical substation at Xinjiang GCL Zhundong Industrial Park, and to provide electricity distribution services with the systems installed. Xinjiang GCL will be responsible for its own onsite electricity distribution facilities under 10kV.

Separately, Xinjiang GCL shall engage a power grid company (the "Power Grid Company") to provide electricity at the 220kV electrical substation in Xinjiang GCL Zhundong Industrial Park. The parties agreed that Xinjiang GCL shall be responsible for paying its electricity bill to the Power Grid Company.

The agreed energy service price under the Energy Services Agreement is fixed at approximately RMB2.83 million per month, and shall be payable monthly in arrears on the same schedule as Xinjiang GCL pays its electricity bill to the Power Grid Company.

Electricity are required by Xinjiang GCL for the production of polysilicon products.

On 19 September 2018, the Zhu Family Trust is the ultimate controlling shareholder of the Company and is therefore a connected person of the Company. Xinjiang Intelligent Energy is a subsidiary of the Zhu Family Trust and therefore is an associate of the Zhu Family Trust and a connected person of the Company. Accordingly, the transaction contemplated under the Energy Services Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Agreement	**Transaction amount for the year ended 31 December 2018** (RMB)	**Annual Cap for the year ended 31 December 2018** (RMB)
Energy Services Agreement	5,666,667	11,340,000

An announcement of the Company dated 19 September 2018 setting out details of the above-mentioned transaction was issued.

Note:

* English name for identification only.

\# Terms expressed in the above descriptions relating to connected and continuing connected transactions have the same meanings defined in the respective announcements unless defined in the context of this report.

REPORT OF THE DIRECTORS (CONTINUED)

Loan Agreement with Covenants Relating to Specific Performance of the Controlling Shareholder

As at the date of this report, the following facility agreements contain condition imposing specific performance obligations on the controlling shareholders and breach of such obligation will cause a default in respect of loan that are significant to the operations of the Company:

On 17 August 2017, the Company, as borrower and Richmore International Development Limited, GCL Solar Energy Technology Holdings Limited and Universe Solar Energy Holdings Inc., each a wholly-owned subsidiary of the Company, as guarantors, entered into a facility agreement with various banks relating to a US$200,000,000 (which may be increased up to US$300,000,000 through the accession of additional lenders, subject to the consent of the Company) syndicated term loan facility ("Facility Agreement I"). The Facility Agreement I is scheduled to be fully repaid within 36 months after the first loan is made under it.

Under the terms of the Facility Agreement I, a "Change of Control" would occur if Mr. Zhu Gongshan (and his family) (a) is no longer the single largest shareholder of the Company, or (b) no longer has management control over the Company. A Change of Control will trigger an obligation of mandatory prepayment under the Facility Agreement I and all amounts outstanding under the Facility Agreement I to any lender would become immediately due and payable in full on demand by the agent on behalf of such lender.

On 6 December 2017, the Company, as borrower entered into a facility agreement with the Bank as lender relating to a US$200,000,000 term loan facility ("Facility Agreement II"). The Facility Agreement II is scheduled to be fully repaid approximately 36 months after the first loan is made under it.

By the terms of the Facility Agreement II, if Mr. Zhu Gongshan and his family is no longer the single largest shareholder of the Company, the Bank may by notice to the Company, immediately cancel the Facility Agreement II and declare the outstanding loans together with accrued interest and all other amounts accrued under the Facility Agreement II, and all relevant security documents, to be immediately due and payable.

On 4 June 2018, the Company, as borrower entered into a facility agreement with a bank, as lender relating to a term loan facility of US$50,000,000 ("Facility Agreement III"). The Facility Agreement III is scheduled to be fully repaid approximately 12 months from the date of drawdown.

By the terms of the Facility Agreement III, if Mr. Zhu Gongshan is no longer the largest ultimate shareholder of the Company, the lender may by notice to the Company, cancel the Facility Agreement III and declare the outstanding loans, together with accrued interest and all other amounts accrued under the finance documents, would become immediately due and payable.

Up to the date of this report, the above obligations continue to exist.

Directors' Interests in Competing Business

The following Director is considered to have interest in the business which competes or is likely compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules:

Names of Director	Name of company in which the relevant Director has interest	Principal activities of the competing company	% interest in competing company
Mr. Zhu Yufeng	錫林郭勒中能硅業有限公司Xilingol Zhongneng Silicon Co., Ltd.* (Dormant and inactive)	Intend to produce polysilicon ingot upon completion of construction	Mr. Zhu Yufeng, through companies controlled by him, holds 70% interest

Note: * *English name for identification only*

Deed of Non-competition

Pursuant to a restated non-competition deed dated 8 November 2015 (the "Restated NCD") entered into between the Company and Mr. Zhu Gongshan, Mr. Zhu Yufeng, Highexcel Investments Limited, Happy Genius Holdings Limited and Get Famous Investments Limited (collectively the "Covenantors") and approved by the independent shareholders of the Company on 26 November 2015, each of the Covenantors had undertaken to the Company that he/it would not participate or hold interests in or be engaged in or acquire or hold any business during the restricted period set out in the Restated NCD, which is involved in the business of the Group from time to time, including the production and selling of polysilicon and wafer products, the development, owning and operation of solar power plants in the PRC or overseas (the "Restricted Business"). Nevertheless, under the Restated NCD, each Covenantor had undertaken that if he/it or any of his/its affiliates is offered or becomes aware of any new investment or business opportunity which is in competition, directly or indirectly, or may lead to direct or indirect competition with the Group in connection with the Restricted Business, he/it must first procure that such opportunity be offered to the Company on no less favourable terms, and that such Covenantor would only be allowed to take up the opportunity himself/itself if the Company has declined it (the "Right of First Refusal Arrangement").

On 14 May 2018, a meeting was held by the Board to consider the proposed tendering for the 2018 PV Power Generation Technology Leader Base (the "Tender Project") by GCL System Integration. Over 50% of the issued share of GCL System Integration is jointly controlled by the Zhu Family Trust and Mr. Zhu Yufeng. As the Group did not meet the tender requirements after considering and analysing the qualifications and past bidding experience required to participate in the Tender Project, the Board (including the INEDs) resolved to approve GCL System Integration to proceed with the tender.

On 21 September 2018, 16 November 2018 and 17 December 2018, meetings were held by the Board to consider the acquisition opportunity of certain PV power stations from some of the customers of GCL System Integration as the settlement proposal of its accounts receivable through judicial mediation. After consideration, the Board resolved to approve GCL System Integration to acquire such PV power stations from its customers through judicial mediation.

The Covenantors have provided confirmations to the Company that they have complied with the Restated NCD.

REPORT OF THE DIRECTORS (CONTINUED)

Emolument Policy

The emolument policy of the Group to reward its employees is based on their performance, qualifications, competence and market comparables. Remuneration package generally comprises salary, contribution to pension schemes and bonuses relating to the profit of the relevant company and individual's performance. The remuneration package of the executive Directors and the senior management are also linked to the performance of the Group and the return to its shareholders. The remuneration policy of the executive Directors is reviewed by the Remuneration Committee of the Company.

The Group has adopted share option schemes as incentives to Directors, employees and eligible participants, details of the schemes are set out under the section headed "Option Schemes" in this report and in note 52 to the consolidated financial statements.

The Company has adopted a share award scheme on 16 January 2017. The purpose of such scheme is, through the grant of awards to certain eligible persons, to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole. Details of the scheme and the scheme rules are disclosed under an announcement of the Company dated 16 January 2017.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or relevant laws of the Cayman Islands which would oblige the Company offer new Shares on a pro rata basis to the existing shareholders.

Major Customers and Suppliers

In 2018, the Group's largest supplier accounted for 15.1% of total purchases. The five largest suppliers accounted for 44.0% of the Group's total purchases, evidencing the purchasing department's commitment to ensuring that the Group is not dependent on any one supplier, and that our purchases are at fair market terms.

The Group's largest customer accounted for 6.8% of our revenue for the year 2018. In 2018, the Group's five largest customers accounted for 29.4% of our revenue. To the best knowledge of the Directors, there is no Directors or any of their associates or any shareholder who holds more than 5% of the ordinary shares of the Company has any interests in the suppliers or customers disclosed above.

Purchases, Sale or Redemption of the Company's Listed Securities

The Company announced on 15 July 2015 that it proposed to issue an aggregate principal amount of US$225 million of 0.75% convertible bonds due 2019 (the "2019 Convertible Bonds"), the issuance of which was completed on 22 July 2015. The 2019 Convertible Bonds was listed and quoted on the Singapore Stock Exchange with effect from 22 January 2016.

Thereafter, the Company entered into agreements with the bondholder to purchase each of US$50 million in the principal amount of the 2019 Convertible Bonds (the "Repurchased Bonds") at the purchase price of US$47,625,000 and US$49,375,000 in cash (the "Partial Buy-back") on 26 April 2016 and 7 April 2017, respectively. After the Partial Buyback, the Repurchased Bonds were cancelled by the Company and the principal amount of the 2019 Convertible Bonds which remains outstanding amounts to US$125 million. At 1 January 2018, the outstanding principal amount of the 2019 Convertible Bonds was US$125 million (the "Outstanding 2019 Convertible Bonds").

Pursuant to a notice delivered to the Company by the Bondholders in accordance with the terms and conditions of the 2019 Convertible Bonds, the Company has completed the redemption of the 2019 Convertible Bonds in full in the aggregate principal amount of US$125,000,000 for a total redemption price of US$132,593,750 on 23 July 2018 ("Full Redemption") in cash. After Full Redemption, the Outstanding 2019 Convertible Bonds were cancelled by the Company.

For the year ended 31 December 2018, the trustee of the Share Award Scheme pursuant to the trust deed and the Share Award Scheme purchased an aggregate of 100,000,000 shares from the market at a total consideration of approximately HK$81,385,000.

For the year ended 31 December 2018, the Company bought-back 262,424,000 shares on the Stock Exchange at the total consideration of HK$196,578,810 (excluding commission fee and etc.) with the monthly breakdown appended below. Shares bought back were cancelled thereafter.

Month of the buy-back	**Highest price paid per share** HK$	**Lowest price paid per share** HK$	**Number of ordinary shares bought-back**	**Aggregate amount** HK$
June 2018	0.78	0.73	232,424,000	176,274,190
July 2018	0.69	0.67	30,000,000	20,304,620
Total			262,424,000	196,578,810

Other than disclosed above, during the year ended 31 December 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Related Party Transactions

Details of the related party transactions undertaken in normal course of business are set out in note 56 to the consolidated financial statements. All related party transactions constituted connected transactions/continuing connected transactions under the Listing Rules and that they have complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

REPORT OF THE DIRECTORS (CONTINUED)

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Changes in Information on Directors

Changes in information required to be disclosed by the Directors of the Company pursuant to Rule 13.51(B) of the Listing Rules are set out below:

Name of Director	Details of Change	Effective Date
Mr. Ji Jun	Resigned as an executive director and a member of the strategy and investment committee of the Company	1 February 2019
Dr. Ho Chung Tai, Raymond	The annual Director's fee was adjusted to HK$489,352 per annum which was approved by the Board of the Company	1 January 2019
Mr. Yip Tai Him	The annual Director's fee was adjusted to HK$386,352 per annum which was approved by the Board of the Company	1 January 2019
Dr. Shen Wenzhong	The annual Director's fee was adjusted to HK$227,112 per annum which was approved by the Board of the Company	1 January 2019
Mr. Wong Man Chung, Francis	The annual Director's fee was adjusted to HK$272,536 per annum which was approved by the Board of the Company	1 January 2019

Auditor

The consolidated financial statements for the year ended 31 December 2018 have been audited by Messrs. Deloitte Touche Tohmatsu who will retire on conclusion of the forthcoming annual general meeting. A resolution for re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the forthcoming annual general meeting.

Events After Reporting Period

Details of the events after reporting period of the Group are set out in note 54 to the consolidated financial statements.

On behalf of the Board
Zhu Gongshan
Chairman

Hong Kong, 28 March 2019

Deloitte. 德勤

TO THE SHAREHOLDERS OF GCL-POLY ENERGY HOLDINGS LIMITED
保利協鑫能源控股有限公司
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of GCL-Poly Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 118 to 351, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related To Going Concern

We draw attention to note 2 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB458 million during the year ended 31 December 2018, and as of that date, the Group's current liabilities exceeded its current assets by approximately RMB23,058 million, a portion of which is contributed by its non-wholly owned subsidiary, GCL New Energy Holdings Limited, whose shares are listed on The Stock Exchange of Hong Kong Limited, and whose current liabilities exceeded its current assets by approximately RMB11,241 million and which has entered into agreements to construct solar farms and inject capital to joint ventures which will involve capital commitments of approximately RMB1,151 million. In addition, at 31 December 2018, the Group breached certain covenants in respect of bank borrowings in the amount of approximately RMB2,181 million as stipulated in the relevant loan agreements. Further, the breach of these

Material Uncertainty Related To Going Concern (Continued)

covenant requirements have triggered the cross default clauses in several other bank borrowings of the Group totaling approximately RMB6,022 million. Subsequent to the end of the reporting period, the Group has obtained consents from the relevant lenders to waive the financial covenants concerned and not to demand for immediate repayment of these bank borrowings; and accordingly, the cross default clauses on the relevant bank borrowings are remedied. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB6,012 million as current liabilities is still required at 31 December 2018 under applicable accounting standards because the bank waivers were obtained subsequent to the end of the reporting period.

The Company is undertaking a number of financing plans and other measures as described in note 2 to the consolidated financial statements in order to ensure it is able to meet its commitments in the next twelve months. The directors of the Company are of the opinion that based on the assumptions that these financing plans and other measures as set forth in note 2 to the consolidated financial statements can be successfully executed, the Group will have sufficient working capital to finance its operations and to pay its financial obligations as and when they fall due in the foreseeable future. However, the likelihood of successful implementation of these financing plans and other measures, including the Group's on-going compliance with its borrowing covenants, and along with other matters as set forth in note 2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables of the solar material business segment	
We identified impairment assessment of trade receivables of the solar material business segment as a key audit matter due to its significance to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables amounting to approximately RMB9,965 million which represented approximately 9% of the total assets of the Group and out of these receivables of approximately RMB1,072 million were past due. Out of the Group's net trade receivables, approximately RMB6,391 million was contributed by the solar material business segment. As explained in note 3 to the consolidated financial statements, in the current year, the Group adopted International Financial Reporting Standard 9 Financial Instruments ("IFRS 9"). The Group is required to perform impairment assessment based on ECL model as at 1 January 2018 and 31 December 2018.	Our procedures in relation to the impairment assessment of trade receivables of the solar material business segment included: • Understanding key controls on how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 1 January 2018 and 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents;

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables of the solar material business segment (Continued)	
As disclosed in note 46 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant balances or credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The Group recognised an additional amount of approximately RMB29 million of impairment of trade receivables of solar material business segment for the current year and the lifetime ECL on trade receivables of solar material business segment as at 31 December 2018 amounted to approximately RMB61 million.	• Challenging management's basis and judgement in assessing credit losses on trade receivables as at 1 January 2018 and 31 December 2018, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); • Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter

Impairment of property, plant and equipment and intangible assets of the solar material business segment

We identified the impairment of property, plant and equipment and intangible assets of the solar material business segment as a key audit matter due to the risk that the solar material segment business recognised a segment loss during the year and the machineries and equipment and intangible assets of the solar material business segment are vulnerable to the change in market condition due to government policies. During the year ended 31 December 2018, due to the change of government policies of the solar industry, the average selling price of polysilicon and wafer decreased significantly and the solar material business segment recognised a segment loss of RMB1,011 million during the year. With the impairment indictors identified, the carrying amounts of the machineries and equipment and intangible assets may be higher than the recoverable amount which involves estimation uncertainty on assumptions of such recoverable amount.

As at 31 December 2018, the carrying amount of the Group's property, plant and equipment and intangible assets of the solar material business segment was approximately RMB25,531 million and approximately RMB801 million, respectively. During the year ended 31 December 2018, the Group recognised an impairment loss of approximately RMB526 million on property, plant and equipment and nil for intangible assets.

When a review for impairment is conducted, the recoverable amount is determined based on higher of fair value less cost of disposal and value in use which relies on the management's assumptions and estimates of future income generation from the use of the relevant assets.

Our procedures in relation to the impairment of property, plant and equipment and intangible assets of the solar material business segment included:

- Understanding of the key controls in respect of the impairment review process of property, plant and equipment and intangible assets;
- Understanding on the management methodology and basis applied in calculating the recoverable amount;
- Evaluating the management prepared recoverable amount calculations of the relevant assets by 1) checking the mathematical accuracy of the impairment models; 2) assessing key assumptions applied in value in use calculations, if relevant; and 3) obtaining external valuation report for those assets where their recoverable amounts are determined by income approach and evaluating the methodology and assumptions adopted; and
- Involving our internal valuation experts to review and assess whether the valuation models used by the management were appropriate and whether the key assumptions used in the valuation models were reasonable.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter

Revenue recognition on tariff adjustments on electricity sales

We identified the recognition of the Group's revenue on tariff adjustment on electricity sales as a key audit matter due to the judgement and estimation involved in determining whether each of the Group's operating solar farms had qualified for, and had met, all the requirements and conditions as required for the registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue") on accruing revenue on tariff adjustments that the inclusion will not result in a significant revenue reversal in the future. Pursuant to the New Tariff Notice issued in August 2013 (the "New Tariff Notice") by the National Development and Reform Commission of the People's Republic of China (the "PRC"), approvals for the registration in the Catalogue on a project-by-project basis are required for the relevant state grid companies to be entitled to the tariff adjustments for settlement to the Group.

As described in note 6 to the consolidated financial statements, revenue on tariff adjustments on electricity sales of approximately RMB3,738 million were recognised for the year ended 31 December 2018 in which certain on-grid solar farms of the Group are still pending for registration to the Catalogue, which is an ongoing process as the Catalogue is opened for registrations on a batch by batch basis.

Our procedures in relation to the recognition of the Group's revenue on tariff adjustment on electricity sales included:

- Obtaining an understanding of key controls in connection with the recognition of tariff adjustment and assessing the operating effectiveness of key controls;
- Obtaining an understanding of the policies and regulations set by the government authorities on tariff adjustment on sales of electricity in this industry;
- Obtaining relevant supporting documents, for example, power purchase agreements and tariff approvals issued by the PRC government;
- Obtaining legal opinion from the Group's PRC legal advisor in relation to the assessment that all of the Group's solar farms currently in operation had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustment when the electricity was delivered on grid; and
- Assessing whether the previous registrations of the group entities operating the solar farms to the Catalogue were successfully completed against the historical record of the Group.

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Accounting and classification of the Group's various financing arrangements	
We identified the accounting and classification of the Group's various financing arrangements as a key audit matter due to the complexity of the terms of the arrangements and the deployment of different types and nature of financing vehicles. As at 31 December 2018, the Group obtained other borrowings of approximately RMB14,745 million via various financing arrangements and details of these are disclosed in note 37 to the consolidated financial statements. The accounting for these arrangements requires a careful consideration of all facts and circumstances and can involve a significant degree of both complexity and management judgement.	Our procedures in relation to the accounting and classification of the Group's various financing arrangements included: • Obtaining an understanding of key controls and making inquiries with the management in respect of their basis and assessment in relation to the accounting of each financing arrangement; • Evaluating the terms set out in the agreements relating to each key financing arrangement; and • Obtaining information and evidence to assess the substance of the transactions and evaluating the appropriateness of accounting treatment adopted by the management in accordance with IFRS Standards.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 Those Charged with Governance 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 IFRS Standards issued by the IASB 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.

Those charged with governance are 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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 the independent auditor's report is Au Chun Hing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Continuing operations			
Revenue	6	**20,565,435**	23,794,455
Cost of sales		**(15,532,570)**	(15,595,756)
Gross profit		**5,032,865**	8,198,699
Other income	7	**890,844**	843,063
Distribution and selling expenses		**(113,271)**	(119,140)
Administrative expenses		**(2,019,564)**	(2,188,439)
Finance costs	8	**(3,419,011)**	(2,541,020)
Impairment losses on financial assets, net of reversal	9A	**247,235**	43,246
Other expenses, gains and losses, net	9B	**(1,289,968)**	(1,351,368)
Share of profits of associates	20	**139,246**	8,444
Share of profits of joint ventures	21	**20,829**	18,517
(Loss) profit before tax		**(510,795)**	2,912,002
Income tax credit (expense)	10	**52,361**	(637,880)
(Loss) profit for the year from continuing operations	11	**(458,434)**	2,274,122
Discontinued operations			
Profit for the year from discontinued operations	12	**—**	77,112
(Loss) profit for the year		**(458,434)**	2,351,234
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Fair value loss on:			
Investments in equity instruments at fair value through other comprehensive income		**(34,672)**	—
Financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk		**(108)**	—
		(34,780)	—

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

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**67,605**	(143,387)
Fair value loss on investments in debt instruments measured at fair value through other comprehensive income	**(3,540)**	—
	64,065	(143,387)
Other comprehensive income (expense) for the year	**29,285**	(143,387)
Total comprehensive (expense) income for the year	**(429,149)**	2,207,847
(Loss) profit for the year attributable to owners of the Company		
— from continuing operations	**(693,399)**	1,926,373
— from discontinued operations	**—**	48,025
(Loss) profit for the year attributable to owners of the Company	**(693,399)**	1,974,398
Profit for the year attributable to non-controlling interests		
— from continuing operations	**234,965**	347,749
— from discontinued operations	**—**	29,087
Profit for the year attributable to non-controlling interests	**234,965**	376,836
	(458,434)	2,351,234
Total comprehensive (expense) income for the year attributable to:		
Owners of the Company	**(681,533)**	1,879,998
Non-controlling interests	**252,384**	327,849
	(429,149)	2,207,847

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

For the year ended 31 December 2018

	NOTE	**2018** **RMB cents**	2017 RMB cents
(Loss) earnings per share	15		
From continuing and discontinued operations			
— Basic		**(3.81)**	10.70
— Diluted		**(3.84)**	10.62
From continuing operations			
— Basic		**(3.81)**	10.44
— Diluted		**(3.84)**	10.37

Consolidated Statement of Financial Position

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**70,999,823**	63,780,283
Investment properties	17	**70,460**	75,116
Prepaid lease payments		**1,106,622**	1,177,644
Goodwill	18	**—**	176,528
Other intangible assets	19	**801,307**	853,552
Interests in associates	20	**1,814,544**	1,073,100
Interests in joint ventures	21	**777,596**	776,999
Available-for-sale investments	22	**—**	442,322
Other financial assets at fair value through profit or loss	22	**315,918**	131,689
Equity instruments at fair value through other comprehensive income	22	**90,716**	—
Convertible bonds receivable	23	**76,001**	—
Deferred tax assets	24	**364,041**	260,200
Deposits, prepayments and other non-current assets	26	**3,727,632**	6,083,415
Contract assets	27	**4,236,405**	—
Amounts due from related companies	28	**302,628**	151,700
Pledged and restricted bank deposits	30	**935,469**	1,186,848
		85,619,162	76,169,396
CURRENT ASSETS			
Inventories	25	**992,027**	990,885
Trade and other receivables	26	**13,309,008**	14,537,031
Amounts due from related companies	28	**934,216**	720,438
Prepaid lease payments		**26,647**	27,282
Available-for-sale investments	22	**—**	339,848
Debt instruments at fair value through other comprehensive income	22	**65,606**	—
Other financial assets at fair value through profit or loss	22	**220,328**	—
Held for trading investments	29	**108,408**	100,733
Tax recoverable		**116,199**	1,042
Pledged and restricted bank deposits	30	**5,638,363**	3,720,040
Bank balances and cash	30	**4,075,791**	10,673,203
		25,486,593	31,110,502
Assets classified as held for sale	31	**1,388,009**	—
		26,874,602	31,110,502

Consolidated Statement of Financial Position (CONTINUED)

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and other payables	32	**20,959,225**	19,591,747
Amounts due to related companies	33	**578,092**	177,061
Loans from related companies	34	**508,000**	—
Advances from customers	35	**—**	612,263
Contract liabilities	35	**195,985**	—
Bank and other borrowings — due within one year	37	**25,288,840**	17,107,779
Obligations under finance leases — due within one year	38	**277,138**	740,911
Notes payables — due within one year	39	**984,453**	2,968,031
Derivative financial instruments	40	**26,011**	15,899
Convertible bonds payables — due within one year	41	**—**	1,765,257
Deferred income		**57,495**	49,982
Tax payables		**121,907**	394,871
		48,997,146	43,423,801
Liabilities associated with assets classified as held for sale	31	**935,463**	—
		49,932,609	43,423,801
NET CURRENT LIABILITIES		**(23,058,007)**	(12,313,299)
TOTAL ASSETS LESS CURRENT LIABILITIES		**62,561,155**	63,856,097

Consolidated Statement of Financial Position (CONTINUED)

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
NON-CURRENT LIABILITIES			
Advances from customers	35	**—**	118,675
Contract liabilities	35	**197,411**	—
Loans from related companies	34	**3,091,789**	—
Bank and other borrowings — due after one year	37	**26,477,062**	32,857,143
Obligations under finance leases — due after one year	38	**951,261**	895,691
Notes and bonds payables — due after one year	39	**4,136,665**	1,861,383
Deferred income		**691,003**	593,784
Deferred tax liabilities	24	**183,457**	221,842
		35,728,648	36,548,518
NET ASSETS		**26,832,507**	27,307,579
CAPITAL AND RESERVES			
Share capital	42	**1,610,009**	1,632,181
Reserves		**20,255,547**	21,143,036
Equity attributable to owners of the Company		**21,865,556**	22,775,217
Non-controlling interests		**4,966,951**	4,532,362
TOTAL EQUITY		**26,832,507**	27,307,579

The consolidated financial statements on pages 118 to 351 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Zhu Gongshan
DIRECTOR

Yeung Man Chung, Charles
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to owners of the Company															
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 (Note i)	Capital redemption reserve RMB'000	Investments revaluation reserve RMB'000	Financial liabilities designated as at fair value through profit or loss ("FVTPL") credit risk reserve RMB'000 (Note ii)	Other reserve RMB'000 (Note iii)	Capital reserve RMB'000 (Note iv)	Statutory reserve funds RMB'000 (Note v)	Special reserves RMB'000 (Note vi)	Share options reserve RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	1,631,804	9,939,253	–	–	–	–	(619,157)	67,251	2,309,754	(2,395,805)	212,256	20,248	9,655,212	20,820,816	2,573,126	23,393,942
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	–	–	(94,400)	–	(94,400)	(48,987)	(143,387)
Profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	1,974,398	1,974,398	376,836	2,351,234
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	–	–	–	–	(94,400)	1,974,398	1,879,998	327,849	2,207,847
Recognition of share-based payment expenses in respect of share options (note 52)	–	–	–	–	–	–	–	–	–	–	13,536	–	–	13,536	33,706	47,242
Exercise of share options	377	3,165	–	–	–	–	–	–	–	–	(866)	–	–	2,676	–	2,676
Forfeitures of share options	–	–	–	–	–	–	–	–	–	–	(47,841)	–	61,450	13,609	(13,609)	–
Purchase of shares under share award scheme (note 52)	–	–	(170,097)	–	–	–	–	–	–	–	–	–	–	(170,097)	–	(170,097)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	487,991	487,991
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(183,631)	(183,631)
Non-controlling interests arising on acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,753	1,753
Deemed disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	(5,826)	329,131	–	–	(111,620)	211,685	1,288,315	1,500,000
Disposal of PCB business (as defined in note 1)	–	–	–	–	–	–	–	–	(19,126)	–	–	–	19,126	–	–	–
Transaction costs on deemed disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	(17,627)	–	–	–	(17,627)	(10,675)	(28,302)
Acquisition of additional interests in existing subsidiaries	–	–	–	–	–	–	–	–	–	(5,574)	–	–	–	(5,574)	(34,057)	(39,631)
Change of interests in existing subsidiaries arising from restructuring (Note vii)	–	–	–	–	–	–	–	–	11,097	15,098	–	–	–	26,195	61,594	87,789
Transfer to reserves	–	–	–	–	–	–	–	–	639,725	–	–	–	(639,725)	–	–	–
At 31 December 2017	1,632,181	9,942,418	(170,097)	–	–	–	(619,157)	67,251	2,935,624	(2,074,777)	177,085	(74,152)	10,958,841	22,775,217	4,532,362	27,307,579
Fair value adjustment attributable to changes in the credit risk of convertible bonds (note 3.2)	–	–	–	–	–	(28,283)	–	–	–	–	–	–	28,283	–	–	–

Consolidated Statement of Changes in Equity (CONTINUED)

For the year ended 31 December 2018

	Attributable to owners of the Company														
	Share capital RMB'000	Share premium RMB'000	Shares held for share award scheme RMB'000 (Note i)	Capital redemption reserve RMB'000	Investments revaluation reserve RMB'000	Financial liabilities designated as at fair value through profit or loss ("FVTPL") credit risk reserve RMB'000 (Note ii)	Other reserve RMB'000 (Note iii)	Capital reserve RMB'000 (Note iv)	Statutory reserve funds RMB'000 (Note v)	Special reserves RMB'000 (Note vi)	Share options reserve RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2018 (Restated)	1,632,181	9,942,418	(170,097)	–	–	(28,283)	(619,157)	67,251	2,935,624	(2,074,777)	177,085	(74,152)	10,987,124	22,775,217	4,532,362	27,307,579
Exchange differences arising from translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	–	–	–	50,145	–	50,145	17,460	67,605
Fair value loss on investments in debt instruments measured at fair value through other comprehensive income ("**FVTOCI**")	–	–	–	–	(3,540)	–	–	–	–	–	–	–	–	(3,540)	–	(3,540)
Fair value loss on investments in equity instruments at FVTOCI	–	–	–	–	(34,672)	–	–	–	–	–	–	–	–	(34,672)	–	(34,672)
Fair value loss on financial liabilities designated as FVTPL attributable to changes in credit risk	–	–	–	–	–	(67)	–	–	–	–	–	–	–	(67)	(41)	(108)
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	–	–	–	(693,399)	(693,399)	234,965	(458,434)
Total comprehensive (expense) income for the year	–	–	–	–	(38,212)	(67)	–	–	–	–	–	50,145	(693,399)	(681,533)	252,384	(429,149)
Redemption of convertible bonds	–	–	–	–	–	28,350	–	–	–	–	–	–	(28,350)	–	–	–
Recognition of share-based payment expenses in respect of share options (note 52)	–	–	–	–	–	–	–	–	–	–	5,000	–	–	5,000	12,679	17,679
Exercise of share options	30	292	–	–	–	–	–	–	–	–	(73)	–	–	249	–	249
Forfeitures of share options	–	–	–	–	–	–	–	–	–	–	(10,370)	–	15,117	4,747	(4,747)	–
Purchase of shares under share award scheme (note 52)	–	–	(66,532)	–	–	–	–	–	–	–	–	–	–	(66,532)	–	(66,532)
Share repurchased and cancelled (note 42)	(22,202)	(140,542)	–	22,202	–	–	–	–	–	–	–	–	(22,202)	(162,744)	–	(162,744)
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	68,000	68,000
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	–	–	(44,650)	(44,650)
Non-controlling interests arising on acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–	–	25,681	25,681
Deemed disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	(1,778)	–	–	–	(3,613)	(5,391)	100,241	94,850
Disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	(103)	–	–	–	(3,354)	(3,457)	25,001	21,544
Transfer to reserves	–	–	–	–	–	–	–	–	394,631	–	–	–	(394,631)	–	–	–
At 31 December 2018	1,610,009	9,802,168	(236,629)	22,202	(38,212)	–	(619,157)	67,251	3,328,374	(2,074,777)	171,642	(24,007)	9,856,692	21,865,556	4,966,951	26,832,507

Consolidated Statement of Changes in Equity (CONTINUED)

For the year ended 31 December 2018

Notes:

(i) For the year ended 31 December 2018, the Company paid in total of RMB66,532,000 (2017: RMB170,097,000) to a trustee ("Trustee") to purchase 100,000,000 (2017: 222,998,888) shares of the Company in the market pursuant to the Share Award Scheme (the "Scheme") established on 16 January 2017 ("Adoption Date") by the board of directors of the Company (the "Directors"). As at 31 December 2018, all the shares were held by the Trustee. More details are set out in note 52a (II).

(ii) Financial liabilities designated as at FVTPL credit risk reserve represents the amount of change in fair value of the convertible bonds issued by the Company and GCL New Energy Holdings Limited ("GNE"), which are classified as financial liabilities designated as at FVTPL under International Financial Reporting Standard ("IFRS") 9, that is attributable to changes in credit risk of the convertible bonds.

(iii) Other reserve represents the equity (other than share capital) attributable to owners of the Company prior to the reverse acquisition, including share premium, capital reserve, contribution from a shareholder, other reserve, share options reserve, revaluation reserve and deficit. As the Company was accounted for as reverse acquisition by GCL Solar Energy Technology Holdings Inc. ("GCL Solar Energy") in 2009, such reserves attributable to owners of the Company were reclassified to other reserve upon the completion of the reverse acquisition.

Upon disposal of the non-solar power business in 2015, portion of the amount was realised and transferred to the share premium, share options reserve and accumulated profits of the Group.

(iv) Capital reserve represents the amount of contribution from former immediate holding company of GCL Solar Energy of United States dollars ("US$") 15,009,000 (equivalent to RMB126,029,000) net of the 500,000 ordinary shares of GCL Solar Energy repurchased for a consideration of US$7,000,000 (equivalent to RMB58,778,000) and cancelled prior to 2009.

(v) Pursuant to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to transfer 5% – 10% (2017: 5% –10%) of its profit after tax as per statutory financial statements (as determined by the management of the subsidiary) to the reserve funds (including the general reserve fund and enterprise development fund where appropriate). The general reserve fund is discretionary when the fund balance reaches 50% of the registered capital of the respective company and can be used to make up for previous years' losses or, expand the existing operations or can be converted into additional capital of the subsidiary. The enterprise development fund can only be used for development and is not available for distribution to shareholder.

(vi) Special reserves represent (i) the difference between the consideration to acquire additional interests in subsidiaries and the respective share of the carrying amounts of the net assets acquired; (ii) the difference by which the non-controlling interests were adjusted and the fair value of consideration received in relation to the disposal of partial interest of a subsidiary; (iii) deemed disposal of partial interest in a subsidiary in relation to the share subscription by a third-party investor and related transaction costs; and (iv) change of interests in existing subsidiaries arising from restructuring.

(vii) As part of the group restructuring during the year ended 31 December 2017, the Company transferred 0.45% equity interest in Jiangsu Zhongneng (as defined in note 2) to a non-controlling shareholder of Konca Solar (as defined in note 18) in exchange for the transfer of 5% effective equity interest of Konca Solar from the non-controlling shareholder to the Group and a waiver of the net dividend payable of RMB87,785,000 to the non-controlling shareholder.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit for the year		**(458,434)**	2,351,234
Adjustments for:			
Income tax		**(52,361)**	643,203
Finance costs		**3,419,011**	2,548,377
Interest income		**(264,918)**	(229,148)
Unrealised exchange losses (gains), net		**458,661**	(7,974)
Depreciation of property, plant and equipment		**4,157,475**	3,701,443
Depreciation of investment properties		**4,656**	4,656
Amortisation of prepaid lease payments		**28,509**	27,275
Amortisation of other intangible assets		**98,068**	78,571
Amortisation of deferred income		**(97,035)**	(58,497)
(Gain) loss on disposal of property, plant and equipment		**(583)**	147,848
Loss on disposal of other intangible assets		**—**	132
Share of profits of joint ventures		**(20,829)**	(18,517)
Share of profits of associates		**(139,246)**	(8,444)
Loss on deemed disposal of an associate		**77,894**	—
Loss on deemed disposal of a partial interest in an associate		**—**	3,227
Gain on disposal of subsidiaries		**(444,868)**	—
Share-based payment expenses		**32,752**	78,129
Forfeitures of deposits from customers		**(28,782)**	(195)
Loss on fair value change of held for trading investments		**15,383**	27,954
Gain on fair value change of financial assets at FVTPL		**(84,420)**	—
Loss on disposal of debt instruments at FVTOCI		**215**	—
Unrealised gain on fair value change of other financial assets at FVTPL		**—**	(16,689)
Gain on disposal of available-for-sale investments		**—**	(152)
Gain on available-for-sale investments		**—**	(2,883)
Loss (gain) on fair value change of derivative financial instruments, net		**10,112**	(112)
Loss (gain) on fair value change of convertible bonds receivable		**1,910**	(13,506)
Loss on fair value change of convertible bonds payables		**46,292**	156,515
Impairment loss on financial assets, net of reversal		**(247,235)**	(43,246)
Write-down of inventories		**10,236**	13,677
Impairment loss on property, plant and equipment		**526,105**	262,634
Impairment loss on goodwill		**176,528**	—
Loss on measurement to fair value less costs to sell	12	**—**	4,734
Gain on disposal of discontinued operations including a cumulative exchange gain reclassified from translation reserve to profit or loss	12	**—**	(86,512)
Gain on disposal of solar farm projects		**(35,146)**	(18,745)

Consolidated Statement of Cash Flows (CONTINUED)

For the year ended 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Operating cash flows before movements in working capital		**7,189,950**	9,544,989
Decrease (increase) in inventories		**9,770**	(26,479)
Decrease (increase) in trade and other receivables including proceeds from bills discounted		**2,873,632**	(1,532,308)
Increase in amounts due from related companies		**(96,840)**	(196,180)
(Decrease) increase in trade and other payables		**(366,396)**	1,745,674
Increase in amounts due to related companies		**332,783**	17,241
Increase in advances from customers		**—**	30,746
Increase in contract assets		**(2,400,313)**	—
Decrease in contract liabilities		**(337,542)**	—
Increase in deferred income		**—**	158,518
Increase in deposits, prepayments and other non-current assets		**(269,785)**	(144,091)
Increase in held for trading investments		**(18,197)**	(24,338)
Cash generated from operations		**6,917,062**	9,573,772
Income taxes paid		**(492,901)**	(618,561)
NET CASH FROM OPERATING ACTIVITIES		**6,424,161**	8,955,211
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**136,858**	154,685
Proceeds from disposal of property, plant and equipment		**156,944**	52,853
Payments for construction and purchase of property, plant and equipment and land use rights		**(10,892,900)**	(16,551,676)
Addition of convertible bonds receivable		**(80,334)**	—
Proceeds from early redemption of convertible bonds receivable		**—**	141,717
Investments in associates		**(424,570)**	(1,067,883)
Investments in joint ventures		**(8,703)**	(129,839)
Dividends received from joint ventures		**19,218**	20,268
Capital refunded from a joint venture		**—**	7,289
Addition of available-for-sale investments		**—**	(641,461)
Proceeds from disposal of available-for-sale investments		**—**	7,343
Repayment of available-for-sale investments		**—**	268,893
Addition of other financial assets at FVTPL		**(212,875)**	(115,000)
Proceeds from redemption of other financial assets at FVTPL		**256,830**	—
Proceeds from disposal of debt instruments at FVTOCI		**45,979**	—
Addition of equity instruments at FVTOCI		**(31,853)**	—
Addition of debt instruments at FVTOCI		**(12,880)**	—
Addition of prepaid lease payments		**—**	(17,015)
Addition of other intangible assets		**(45,823)**	(703,210)
Withdrawal of pledged and restricted bank deposits		**5,626,191**	3,969,188
Placement of pledged and restricted bank deposits		**(7,384,152)**	(4,696,420)
Advances to related companies		**(225,645)**	(29,319)
Repayment from related companies		**17,025**	6,655
Repayment from third parties		**3,000**	20,919
Loan to a joint venture		**—**	(71,000)
Settlement of payables to vendors of solar farms		**(12,165)**	(23,738)
Advance to non-controlling interests		**(59,740)**	—
Deemed acquisition of a subsidiary	43	**3,422**	—
Net cash inflow from acquisition of subsidiaries	43	**21,810**	32,877
Proceeds from disposal of subsidiaries	44	**435,684**	175,442
Proceeds from disposal of PCB business	44	**—**	190,250
Proceeds from transfer of ITC Benefit (as defined in note 36)	36	**—**	222,751
NET CASH USED IN INVESTING ACTIVITIES		**(12,668,679)**	(18,775,431)

Consolidated Statement of Cash Flows (CONTINUED)

For the year ended 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(3,178,210)**	(2,880,232)
Interest paid for convertible bonds payables		**(44,135)**	(59,290)
New bank and other borrowings raised		**27,416,961**	34,408,584
Repayment of bank and other borrowings		**(24,585,382)**	(19,650,773)
Proceeds from sale and finance leaseback arrangements		**96,390**	—
Proceeds from loans from related companies		**2,835,017**	—
Repayment of loans from related companies		**(558,454)**	—
Repayment of obligations under finance leases		**(574,948)**	(901,911)
Repayment of notes and bonds payables	39	**(3,122,482)**	(1,190,000)
Proceeds from issuance of notes and bonds payables	39	**3,166,950**	885,000
Transaction costs paid for the issuance of notes payables		**(47,681)**	(3,540)
Redemption of convertible bonds payables		**(1,767,522)**	(344,965)
Contribution from non-controlling interests		**68,000**	487,991
Proceeds from deemed disposal of partial interests in subsidiaries		**94,850**	1,500,000
Transaction costs paid for the deemed disposal of partial interest in a subsidiary		**—**	(28,302)
Proceeds from disposal of partial interest in a subsidiary		**21,544**	—
Acquisition of additional interest in existing subsidiaries		**—**	(2,559)
Dividends paid to non-controlling interests		**(56,463)**	(105,841)
Advances from related companies		**60,634**	2,967
Repayment to related companies		**(4,646)**	(100)
Repayment to loan from a joint venture		**—**	(251,752)
Proceeds from exercise of share options		**249**	2,676
Purchase of shares under the Scheme		**(66,532)**	(170,097)
Payment for repurchase of shares		**(162,744)**	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(408,604)**	11,697,856
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(6,653,122)**	1,877,636
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**10,673,203**	8,984,993
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF BANK BALANCES AND CASH HELD IN FOREIGN CURRENCIES		**100,583**	(189,426)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by			
— Bank balances and cash		**4,075,791**	10,673,203
— Bank balances and cash classified as held for sale		**44,873**	—
		4,120,664	10,673,203

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. GENERAL INFORMATION

GCL-Poly Energy Holdings Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands on 12 July 2006 under the Companies Law, Cap 22 of the Cayman Islands. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 13 November 2007. The address of the registered office of the Company is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business is at Units 1703B-1706, Level 17, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries (together with the Company collectively referred to as the "Group"), associates and joint ventures are principally engaged in (1) the manufacturing of polysilicon and wafers for the solar industry; and (2) the sales of electricity, development, investment, management and operation of solar projects. The Group was also engaged in the manufacturing and selling of printed circuit boards ("PCB business") before its disposal for the year ended 31 December 2017 (note 12) which had been presented as discontinued operations.

The functional and presentation currency of the Company is Renminbi ("RMB").

2. BASIS OF PREPARATION

The Directors have given careful consideration to the going concern status of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately RMB23,058 million as at 31 December 2018 and it has incurred a net loss of approximately RMB458 million for the year then ended. The Group had cash and cash equivalents of approximately RMB4,121 million (including bank balances and cash classified as assets held for sale of approximately RMB45 million) against the Group's total borrowings (comprising loans from related companies, bank and other borrowings, obligations under finance leases and notes and bonds payables) amounted to approximately RMB62,588 million. The amounts included bank and other borrowings classified as liabilities associated with assets held for sale of approximately RMB873 million. For the remaining balance of the Group's total borrowings, approximately RMB27,058 million will be due in the coming twelve months.

2. BASIS OF PREPARATION (Continued)

Included in the Group's bank borrowings totalling approximately RMB2,181 million have breached certain financial covenant requirements as stipulated in the relevant loan agreements. Among this, approximately RMB1,266 million of the bank borrowings are due after one year in accordance with the original repayment terms. In addition, the breach of these covenant requirements has triggered the cross default clauses in several other bank borrowings of approximately RMB6,022 million. Among this, approximately RMB4,746 million of the bank borrowings are repayable after one year in accordance with the original repayment terms. Subsequent to the end of the reporting period, the Group has obtained consents from the relevant lenders to waive the financial covenants concerned and not to demand for immediate repayment of these bank borrowings; and accordingly, the cross default clauses on the relevant bank borrowings are then remedied. Notwithstanding this, accounting reclassification of long-term borrowings of approximately RMB6,012 million as current liabilities is still required at 31 December 2018 under applicable accounting standards because the bank waivers were obtained subsequent to the end of the reporting period. As a result, in the Group's consolidated statement of financial position as at 31 December 2018, net current liabilities of approximately RMB23,058 million, rather than net current liabilities of approximately RMB17,046 million, were recorded.

GNE, whose shares are listed on the Stock Exchange, is a subsidiary of the Company. As at 31 December 2018, the Company and certain subsidiaries of the Company guaranteed bank and other borrowings of GNE and its subsidiaries (collectively referred to as "GNE Group") amounted to approximately RMB2,971 million. The Directors have evaluated the going concern status of GNE Group in preparing these consolidated financial statements, in light of the fact that, GNE Group's current liabilities exceeded its current assets by approximately RMB11,241 million. In addition, as at 31 December 2018, GNE Group has entered into agreements to construct solar farms and inject capital to joint ventures which will involve capital commitments of approximately RMB1,151 million. In the event that GNE Group is successful in expanding the investments in the existing solar farms in the coming twelve months from 31 December 2018, additional cash outflows will be required to settle further committed capital expenditure.

2. BASIS OF PREPARATION (Continued)

As at 31 December 2018, GNE Group's total borrowings comprising bank and other borrowings, bonds and notes payables and loans from the Company and related companies amounted to approximately RMB40,688 million. The amounts included bank and other borrowings classified as liabilities associated with assets classified as held for sale of approximately RMB873 million. For the remaining balance of approximately RMB39,815 million, approximately RMB9,354 million will be due in the coming twelve months, including bank borrowings of approximately RMB1,936 million, which will be due after twelve months from the end of the reporting period in accordance with the scheduled repayment dates as set out in the respective loan agreements are repayable on demand due to breach of loan covenants by a guarantor, which is a subsidiary of the Company, of certain bank borrowings. GNE Group's pledged and restricted bank deposits and bank balances and cash amounted to approximately RMB2,049 million (including pledged deposit of RMB18 million placed at an associate of the Company for its short-term loans advanced to the GNE Group) and RMB1,407 million (including bank balances and cash classified as assets held for sale of approximately RMB45 million) as at 31 December 2018, respectively. The financial resources available to GNE Group as at 31 December 2018 and up to the date of approval of these consolidated financial statements for issuance may not be sufficient to satisfy the above capital expenditure requirements. GNE Group is actively pursuing additional financing including, but not limited to, equity and debt financing and bank borrowings.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from 31 December 2018. They are of the opinion that the Group will have sufficient working capital to meet its financial obligations that will be due in the coming twelve months from 31 December 2018.

In July 2017, 江蘇中能硅業科技發展有限公司 (Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.*,"Jiangsu Zhongneng"), a subsidiary of the Company received the "Notice of Acceptance of Registration" (the "Notice") from the National Association of Financial Market Institutional Investors (the "Association") in relation to the issue of short-term commercial paper ("SCP"). The maximum registered amount of the SCP is RMB1 billion, and such registered amount will be effective for two years from the date of issue of the Notice and Jiangsu Zhongneng may issue the SCP in tranches within the effective period. In addition, the China Securities Regulatory Commission issued a notice dated 19 July 2018 to 保利協鑫 (蘇州) 新能源有限公司 (GCL-Poly (Suzhou) New Energy Limited*,"GCL-Poly Suzhou") to accept the registration of a total amount of RMB1.5 billion corporate bonds to be issued by GCL-Poly Suzhou, and such registered amount will be effective for two years from the date of issue of the notice and may issue in tranches within the effective period. As assessed by China Chengxin International Credit Rating Company Limited in June 2018, GCL-Poly Suzhou and Jiangsu Zhongneng have been given AA+ rating and AA rating, respectively.

* English name for identification only

2. BASIS OF PREPARATION (Continued)

The Group intends to issue the SCP and corporate bonds as and when required to meet its funding needs. In view of the nature and swift process of the underwriting and issuance of the SCP in the robust interbank debt market of the PRC, and the past successful issuances of corporate bonds, the Directors are satisfied that funding could be obtained through the issuance of the registered instrument as and when required by the Group within the next twelve months from the date of approval of these consolidated financial statements for issuance.

The Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings. In order to improve liquidity, the Group continues to pay close attention in managing the Group's cash position and conducts on-going negotiations with banks to ensure that the existing facilities will be successfully renewed and additional banking facilities are obtained when necessary. The Directors believe that the Group will be able to renew the banking facilities upon maturity dates and raise additional banking facilities as and when required by the Group's operating cash needs.

The Directors have also evaluated the measures being undertaken by GNE Group to improve their liquidity position, which include:

(i) Subsequent to 31 December 2018, GNE Group successfully obtained new borrowings of approximately RMB2,293 million from banks and other financial institutions in the PRC;

(ii) GNE Group proposed to issue medium-term notes with an aggregate principal amount of not exceeding RMB3,000 million to institutional investors of the national interbank bond market in the PRC. In addition, GNE Group proposed to issue public offering bonds with an aggregate principal amount of not exceeding RMB3,000 million in Shenzhen Stock Exchange in the PRC. It is expected that the notes and bonds will be issued in one or more tranches and that each tranche of the notes shall have a maturity of three years;

(iii) GNE Group is implementing business strategies, among others, to transform its heavy-asset business model to a light-asset model by (i) divesting certain of its existing wholly-owned solar farm projects in exchange for cash proceeds and to improve GNE Group's indebtedness position; and (ii) striving for providing solar farm operation and maintenance services to those divested solar farms for additional operating cashflow to GNE Group; and

(iv) As at 31 December 2018, GNE Group has completed the construction of 215 solar farms with approval for on-grid connection and it also has one solar farm under construction targeting to achieve on-grid connection within the coming twelve months from the date of approval of these consolidated financial statements for issuance. The abovementioned solar farms have an aggregate installed capacity of approximately 7.0 GW and are expected to generate operating cash inflows to GNE Group.

2. BASIS OF PREPARATION (Continued)

Taking into account the registered SCP and corporate bonds that are available for issuance, undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projection for the coming year, and the successful implementation of measures of GNE Group as described above, the Directors are of the opinion that the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months. The Directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group and GNE Group can achieve the plans and measures described above to generate adequate cash inflow as scheduled. The sufficiency of the Group's working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements for issuance is dependent on the Group's ability to generate adequate financing and operating cash flows through successful renewal of its bank borrowings upon expiries, compliance with the covenants under the borrowing agreements or obtaining waiver from the relevant banks if the Group is not able to satisfy any of the covenant requirements, successful securing of the financing from banks with repayment terms beyond twelve months from the date of approval of these consolidated financial statements for issuance, and other short-term or long-term financing, as well as the successful implementation of measures of GNE Group as described above. Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS

New and amendments to IFRS Standards that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRS Standards issued by the International Accounting Standards Board (the "IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to International Accounting Standard ("IAS") 28	As part of the Annual Improvements to IFRS Standards 2014 — 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRS Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 IFRS 15 *Revenue from Contracts with customers*

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively to all contracts with customers, including completed contracts, with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated profits (or other components of equity, as appropriate) and comparative information has not been restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of polysilicon and wafer
- Processing income
- Sales of electricity

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 6 and 4 respectively.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.1 IFRS 15 *Revenue from Contracts with customers* (Continued)

Summary of effects arising from initial application of IFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2017 RMB'000	Reclassification RMB'000	**Carrying amounts under IFRS 15 at 1 January 2018* RMB'000**
Non-current assets				
Deposits, prepayments and other non-current assets	(a)	6,083,415	(1,836,092)	**4,247,323**
Contract assets	(a)	—	1,836,092	**1,836,092**
Current assets				
Trade and other receivables	(a)	14,537,031	(1,998,978)	**12,538,053**
Contract assets	(a)	—	1,998,978	**1,998,978**
Current liabilities				
Advances from customers	(b)	612,263	(612,263)	**—**
Contract liabilities	(b)	—	612,263	**612,263**
Non-current liabilities				
Advances from customers	(b)	118,675	(118,675)	**—**
Contract liabilities	(b)	—	118,675	**118,675**

* The amounts in this column are before the adjustments from the application of IFRS 9.

Notes:

(a) As at 1 January 2018, tariff adjustments related to solar farms yet to obtain approval for registration in the Renewable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金輔助目錄, the "Catalogue"), were reclassified and presented as contract assets.

(b) As at 1 January 2018, advances from customers of approximately RMB612,263,000 and RMB118,675,000 previously included in current liabilities and non-current liabilities, respectively, were reclassified and presented as contract liabilities.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.1 IFRS 15 *Revenue from Contracts with customers* (Continued)

Summary of effects arising from initial application of IFRS 15 (Continued)

The following tables summarise the impacts of applying IFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of IFRS 15 RMB'000
Non-current assets				
Deposits, prepayments and other non-current assets	(a)	3,727,632	4,236,405	7,964,037
Contract assets	(a)	4,236,405	(4,236,405)	—
Current liabilities				
Advances from customers	(b)	—	195,985	195,985
Contract liabilities	(b)	195,985	(195,985)	—
Non-current liabilities				
Advances from customers	(b)	—	197,411	197,411
Contract liabilities	(b)	197,411	(197,411)	—

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.1 IFRS 15 *Revenue from Contracts with customers* (Continued)

Summary of effects arising from initial application of IFRS 15 (Continued)

Impact on the consolidated statement of cash flows

	Notes	As reported	Adjustments	Amounts without application of IFRS 15
		RMB'000	RMB'000	RMB'000
Operating activities				
Increase in deposits, prepayments and other non-current assets	(a)	(269,785)	(2,400,313)	(2,670,098)
Increase in contract assets	(a)	(2,400,313)	2,400,313	—
Decrease in advances from customers	(b)	—	(337,542)	(337,542)
Decrease in contract liabilities	(b)	(337,542)	337,542	—

Notes:

(a) Tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue previously presented as trade receivables are presented as contract assets upon application of IFRS 15.

(b) Advances/payments relating to contracts with customers of approximately RMB195,985,000 and RMB197,411,000 included in current liabilities and non-current liabilities, respectively, are presented as contract liabilities upon application of IFRS 15.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.2 IFRS 9 *Financial Instruments* and the related amendments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRS Standards. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and other items and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 4.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.2 IFRS 9 *Financial Instruments and the related amendments* (Continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments RMB'000	Financial assets designated at FVTPL RMB'000	Financial assets at FVTPL required by IAS 39/IFRS 9 RMB'000	Debt instruments at FVTOCI RMB'000	Amortised cost (previously classified as loans and receivables) RMB'000	Contract assets RMB'000	Financial liabilities designated as at FVTPL credit risk reserve RMB'000	Accumulated profits RMB'000
Closing balance at 31 December 2017 — IAS 39		782,170	131,689	100,733	—	30,997,964	—	—	10,958,841
Effect arising from initial application of IFRS 15		—	—	—	—	(3,835,070)	3,835,070	—	—
Effect arising from initial application of IFRS 9:									
Reclassification									
From AFS	(a)	(782,170)	—	682,362	99,808	—	—	—	—
From designated at FVTPL	(b)	—	(131,689)	131,689	—	—	—	—	—
Remeasurement									
Fair value adjustment attributable to changes in the credit risk of these liabilities	(c)	—	—	—	—	—	—	(28,283)	28,283
Impairment under ECL model	(d)	—	—	—	—	—	—	—	—
Opening balance at 1 January 2018		—	—	914,784	99,808	27,162,894	3,835,070	(28,283)	10,987,124

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.2 IFRS 9 *Financial Instruments and the related amendments* (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

Notes:

(a) Available-for-sale ("AFS") investments

From AFS investments to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of RMB342,322,000 were reclassified from available-for-sale investments to financial assets at FVTPL as at 1 January 2018.

At the date of initial application of IFRS 9, the Group's investments in asset management plans of approximately RMB340,040,000 were reclassified to financial assets at FVTPL. These investments do not contain contractual terms giving rise to cash flows that are solely payments of principal and interest on the principal outstanding.

From AFS debt investments to FVTOCI

Listed bonds with a fair value of approximately RMB99,808,000 were reclassified from AFS investments to debt instruments at FVTOCI, as these investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding.

(b) Financial assets at FVTPL and/or designated at FVTPL

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of approximately RMB131,689,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

The Group has reassessed its investments in equity securities classified as held for trading under IAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, approximately RMB100,733,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

(c) Financial liabilities designated as at FVTPL

Convertible bonds issued by the Company and GNE designated as at FVTPL qualified for designation as measured at FVTPL under IFRS 9. However, the amount of change in the fair value of these financial liabilities that is attributable to changes in the credit risk of those liabilities (excluding the change in fair value of the derivative components) will be recognised in other comprehensive income ("OCI") with the remaining fair value change recognised in profit or loss. Related fair value losses attributable to changes in the credit risk of those liabilities of approximately RMB32,223,000, of which RMB28,283,000 were attributable to owners of the Company and transferred from the accumulated profits to financial liabilities designated as at FVTPL credit risk reserve on 1 January 2018.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.2 IFRS 9 *Financial Instruments and the related amendments* (Continued)

Summary of effects arising from initial application of IFRS 9 (Continued)

Notes: (Continued)

(d) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and amounts due from related companies (trade related), including those with significant financing component. To measure the ECL, contract assets, trade receivables and amounts due from related companies (trade related) have been assessed individually for debtors with significant balances or credit-impaired, or collectively using a provision matrix for debtors which shared credit risk characteristics. The contract assets relate to tariff adjustments to be billed to customers based on the prevailing national government policies on renewable energy and have substantially the same risk characteristics as the trade receivables and amounts due from related companies (trade related) for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables and amounts due from related companies (trade related) are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise debt instruments at FVTOCI, pledged and restricted bank deposits, bank balances, other receivables and amounts due from related companies (non-trade related), are measured on 12-month ECL ("12m ECL") basis and there has been no significant increase in credit risk since initial recognition.

As at 1 January 2018, there was no additional credit loss allowance being recognised against accumulated profits as the amount involved is insignificant.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 RMB'000 (Restated)**
Non-current assets				
AFS investments	442,322	—	(442,322)	**—**
Other financial assets at FVTPL	131,689	—	442,322	**574,011**
Deposits, prepayments and other non-current assets	6,083,415	(1,836,092)	—	**4,247,323**
Contract assets	—	1,836,092	—	**1,836,092**
Others with no adjustments	69,511,970	—	—	**69,511,970**
	76,169,396	—	—	**76,169,396**
Current assets				
AFS investments	339,848	—	(339,848)	**—**
Other financial assets at FVTPL	—	—	240,040	**240,040**
Debt instruments at FVTOCI	—	—	99,808	**99,808**
Trade and other receivables	14,537,031	(1,998,978)	—	**12,538,053**
Contract assets	—	1,998,978	—	**1,998,978**
Others with no adjustments	16,233,623	—	—	**16,233,623**
	31,110,502	—	—	**31,110,502**
Current liabilities				
Advances from customers	612,263	(612,263)	—	**—**
Contract liabilities	—	612,263	—	**612,263**
Others with no adjustments	42,811,538	—	—	**42,811,538**
	43,423,801	—	—	**43,423,801**
Net current liabilities	(12,313,299)	—	—	**(12,313,299)**
Total assets less current liabilities	63,856,097	—	—	**63,856,097**

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards that are mandatorily effective for the current year (Continued)

3.3 Impacts on opening consolidated statement of financial position arising from the application of all new standards (Continued)

	31 December 2017 RMB'000 (Audited)	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 RMB'000 (Restated)**
Non-current liabilities				
Advances from customers	118,675	(118,675)	—	**—**
Contract liabilities	—	118,675	—	**118,675**
Others with no adjustments	36,429,843	—	—	**36,429,843**
	36,548,518	—	—	**36,548,518**
Net assets	27,307,579	—	—	**27,307,579**
Capital and reserves				
Share capital	1,632,181	—	—	**1,632,181**
Reserves	10,184,195	—	(28,283)	**10,155,912**
Accumulated profits	10,958,841	—	28,283	**10,987,124**
Equity attributable to owners of the Company	22,775,217	—	—	**22,775,217**
Non-controlling interests	4,532,362	—	—	**4,532,362**
Total equity	27,307,579	—	—	**27,307,579**

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards and an interpretation that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2015 — 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRS Standards mentioned below, the Directors anticipate that the application of all other new and amendments to IFRS Standards and the interpretation will have no material impact on the Group's consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability has to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards in issue but not yet effective (Continued)

IFRS 16 Leases *(Continued)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will both be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately RMB2,409,877,000 as disclosed in note 49. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases, unless the Group opts to elect certain practical expedients. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of approximately RMB196,896,000 and refundable rental deposits received of approximately RMB535,600 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards in issue but not yet effective (Continued)

IFRS 16 Leases *(Continued)*

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. However, power purchase agreements entered into by the Group and/or contract modifications on or after the date of initial application will be assessed under IFRS 16. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening accumulated profits without restating comparative information.

Amendments to IFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all IFRS Standards and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS STANDARDS (Continued)

New and amendments to IFRS Standards in issue but not yet effective (Continued)

Amendments to IFRS Standards Annual improvements to IFRS Standards 2015 – 2017 Cycle

IAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRS Standards issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interest (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or OCI, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in OCI and measured under IFRS 9/IAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit ("CGU") (or group of CGUs) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs).

On disposal of the relevant CGU, or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and OCI of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and OCI are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and joint ventures (Continued)

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in OCI in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in OCI by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in OCI relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Non-current assets held for sale

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

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale (Continued)

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 3) (Continued)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration in relation to sales of electricity to the state grid companies which contain tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue by the PRC government, the Group estimates the amount of consideration to which it will be entitled using the most likely amount.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group reassesses and updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of goods and scrap materials are recognised when the goods or scrap materials are delivered and titles have passed.

Revenue from the sales of electricity, including portion relating to tariff adjustments, is recognised when electricity is generated and transmitted.

Sales agreements typically do not contain product warranties except for return and replacement of defective products within 30 days from delivery. Sales agreements do not contain any post-shipment obligations or any other return or credit provisions.

Processing fees income are recognised when the services are provided.

Leases

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Leasehold land and building

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

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

Sale and leaseback resulting in a finance lease

If a sale and leaseback transaction results in a finance lease, any excess of sale proceeds over the carrying amount is not immediately recognised as income by the Group. Instead, it is deferred and amortised over the lease term. If the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, no adjustment is necessary unless there has been an impairment in value, in which case the carrying amount is reduced to recoverable amount.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Borrowing costs

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

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

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

Government grants

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimates of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit and loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

At the end of each reporting period until the liability is settled, and at the date of settlement, the liability is remeasured to fair value. For cash-settled share-based payments that are already vested, any changes in fair value are recognised in profit or loss for the year. For cash-settled share based payments which are still subject to non-market vesting conditions, the effects of vesting and non-vesting conditions are accounted on the same basis as equity-settled share-based payments.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case, the current and deferred tax are also recognised in OCI or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administration purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Prepaid lease payments

Payments for obtaining land use rights are accounted for as prepaid lease payments and are charged to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificates granted for usage by the Group in the PRC. Prepaid lease payments which are to be charged to profit or loss in the next twelve months are classified as current assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets — research and development expenditure

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

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill

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

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (Continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 3) (Continued)

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investments revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investments revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to accumulated profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other expenses, gains and losses, net" line item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3)

The Group recognises a loss allowance for ECL on financial assets (including debt instruments at FVTOCI, trade and other receivables, amounts due from related companies, pledged and restricted bank deposits and bank balances and cash) and contract assets which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, amounts due from related companies (trade related) and contract assets, including those with significant financing component. The ECL on these assets are assessed individually for debtors with significant balances or credit-impaired and/or collectively using a provision matrix for debtors which shared credit risk characteristics by reference to past default experience of the debtor, adjusted for factors in relation to general economic conditions of the solar industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

For all other instruments, the Group measures the loss allowance equals to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instruments that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (Continued)

(v) Measurement and recognition of ECL (Continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments (i.e. the Group's trade receivables, amounts due from related companies (trade related) and contract assets are each assessed as a separate group. Other receivables and amounts due from related companies (non-trade related) are assessed for ECL on individual basis);
- past-due status;
- past default experience of the debtors;
- geographical location of the debtors;
- aging of the debtors;
- general economic conditions of the solar industry; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 3) (Continued)

(v) Measurement and recognition of ECL (Continued)

Except for investments in debt instruments that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, amounts due from related companies (trade related) and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investments revaluation reserve without reducing the carrying amounts of these debt instruments.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investments, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is (i) held for trading or (ii) designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

(i) Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the "other expenses, gains and losses, net" line item. Fair value is determined in the manner described in note 47.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS investments are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable, are recognised in profit or loss. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS investments are recognised in OCI and accumulated under the heading of investments revaluation reserve.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

(iii) Convertible bonds receivable

At the date of issue, the Directors have designated convertible bonds receivable as at FVTPL and initially recognised at fair value. In subsequent periods, the convertible bonds receivable is measured at fair value with changes in fair value recognised in profit or loss. Transaction costs relating to the issuance of the convertible bonds receivable are charged to profit or loss immediately.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related companies, pledged and restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

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

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

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

When an AFS investments is considered to be impaired, cumulative gains or losses previously recognised in OCI are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in OCI and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9/IAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in OCI. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

Prior to application of IFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability and is included in the "other expenses, gains and losses, net" line item.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related companies, loans from related companies, bank and other borrowings, notes and bonds payables are subsequently measured at amortised cost, using the effective interest method.

The financing arrangements entered into with financial institutions, where the Group transferred the legal title of certain equipment of the Group to the relevant financial institutions, and the Group is obligated to repay by instalments over the lease period, are accounted for as collateralised borrowing at amortised cost using effective interest method. The relevant equipment is not derecognised and continue to depreciate over their useful life by the Group during the lease period.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 (since 1 January 2018)/IAS 37 *Provision, Contingent Liabilities and Contingent Assets* (before application of IFRS 9 on 1 January 2018); and

- The amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible bonds

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, both of them are designated as at FVTPL as a whole and the corresponding effect of exchange difference together with changes in fair value are recognised to profit or loss. Transaction costs relating to the issuance of the convertible bonds payables are charged to profit or loss immediately.

Upon application of IFRS 9 from 1 January 2018, changes in fair value that is attributable to changes in the credit risk (excluding changes in fair value of the embedded derivatives) is recognised in OCI, unless the recognition of the effects of changes in credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds (Continued)

Prior to application of IFRS 9 on 1 January 2018, the entire changes in fair value, including the amount that is attributable to changes in credit risk is recognised in profit or loss.

The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other expenses, gains and losses, net" line item.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition/modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Non-substantial modifications of financial liabilities (under IFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of IFRS 9 on 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Revenue recognition on tariff adjustments on electricity sales

Tariff adjustments represent subsidy received and receivable from the government authorities in respect of the Group's solar power generation business.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Revenue recognition on tariff adjustments on electricity sales (Continued)

Pursuant to the New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy have come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

Tariff adjustments of RMB3,738,439,000 (2017: RMB2,814,078,000) are included in the sales of electricity for the year ended 31 December 2018 as disclosed in note 6 of which certain on-grid solar farm of the Group are still pending for registration to the Catalogue, which is an on-going process as the Catalogue is opened for registration on a batch by batch basis. Accordingly, for certain solar farms which are pending for registration to the Catalogue, the relevant tariff adjustments are recognised only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future on the basis that all of the Group's operating solar farms had been qualified for, and had met, all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar farms, and taking into account the legal opinion as advised by the Group's legal advisor, who considered that all of the Group's solar farms currently in operation had met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustments when the electricity was delivered on grid. Hence, the Group's operating solar farms were able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy are fully recoverable.

Cumulative amount of tariff receivables relating to farms yet to register in the Catalogue amounting to RMB4,236,405,000 (2017: RMB3,835,070,000) remains outstanding as at the end of the reporting period.

Accounting and classification of the Group's various financing arrangements

As at 31 December 2018, the Group obtained other borrowings of approximately RMB14,744,728,000 (2017: RMB14,792,499,000) via various financing arrangements with details disclosed in note 37.

The Directors have reviewed the Group's financing arrangements and in the light of its complex terms and conditions of the contracts and the deployment of different types and nature of financing vehicles, the accounting for these arrangements requires detailed consideration of all facts and circumstances and the application of relevant accounting standards.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise.

As at 31 December 2018, the carrying amount of goodwill was nil (2017: RMB176,528,000) (net of accumulated impairment loss of approximately RMB407,842,000 (2017: RMB231,314,000)). During the year ended 31 December 2018, the Group recognised impairment loss on goodwill of approximately RMB176,528,000 (2017: nil) (note 18).

Useful lives and estimated impairment of property, plant and equipment

The Group has made substantial investments in property, plant and equipment. The machineries and equipment are vulnerable to the change in market condition due to government policies.

The Group evaluates whether there is any event or change in circumstances which indicates that the carrying amounts of property, plant and equipment may not be recoverable. Whenever such events or changes in circumstances occur, these assets are reviewed for impairment. During the year ended 31 December 2018, due to the change of government policies of the solar industry, the average selling price of polysilicon and wafer decreased significantly and the solar material business segment recognised a segment loss of RMB1,011 million during the year. With the impairment indictors identified, the carrying amounts of the machineries and equipment and intangible assets may be higher than the recoverable amount which involves estimation uncertainty on assumptions of such recoverable amount.

Additionally, the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are expected to be shorter than previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation expense in future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Useful lives and estimated impairment of property, plant and equipment (Continued)

As at 31 December 2018, the carrying amount of property, plant and equipment was approximately RMB70,999,823,000 (2017: RMB63,780,283,000), net of accumulated depreciation and impairment of approximately RMB23,418,190,000 (2017: RMB18,948,391,000).

During the year ended 31 December 2018, the Group recognised impairment on plant and machinery amounting to approximately RMB526,105,000 (2017: RMB262,634,000) (note 16).

Provision of ECL on amounts due from related companies (non-trade related)

The Group measures loss allowance equal to 12m ECL for amounts due from related companies (non-trade related). Management regularly reviews the historical payment patterns, credit rating or financial position of counterparties and overdue status of the receivables. The amount of ECL reflect changes in credit risk since initial recognition and is sensitive to changes in estimates.

As at 31 December 2018, the carrying amounts due from related companies (non-trade related) were approximately RMB631,045,000 (2017: RMB387,791,000).

The information about the ECL and the Group's amounts due from related companies (non-trade related) are disclosed in notes 28 and 46, respectively.

Provision of ECL for trade receivables, amounts due from related companies (trade related) and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables, amounts due from related companies (trade related) and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable, supportable and available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables, amounts due from related companies (trade related) and contract assets with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, amounts due from related companies (trade related) and contract assets are disclosed in notes 26, 27, 28 and 46, respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Inventories

A significant portion of the Group's working capital is devoted to inventories and the nature of inventories is subject to frequent technological changes. As at 31 December 2018, the carrying amount of inventories was approximately RMB992,027,000 (2017: RMB990,885,000). The management reviews the inventory age listing on a periodic basis to identify slow-moving, obsolete and defective inventories. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The amount of allowance would be changed as a result of changes in current market conditions and technology subsequently. During the year, inventories of approximately RMB10,236,000 (2017: RMB13,677,000) were written-down and included in cost of sales.

Fair value measurement of financial instruments

Certain of the Group's financial assets and financial liabilities as described in note 47 are measured at fair values with fair values being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. See note 47 for further disclosures.

6. REVENUE AND SEGMENT INFORMATION

Information reported to the Executive Directors of the Company, being collectively the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided, except for the business operations of GNE, which is assessed by the CODM as a separate operating segment.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's reportable and operating segments under IFRS 8 are as follows:

(a) Solar material business — mainly manufactures and sales of polysilicon and wafer to companies operating in the solar industry.

(b) Solar farm business — manages and operates 371MW solar farms, of which 18MW is located in the United States of America (the "USA") and 353MW is located in the PRC. These solar farms were constructed or acquired by the Group prior to obtaining a controlling stake in GNE.

(c) New energy business — represents the business operations of GNE, which is principally engaged in the development, construction, operation and management of solar farms. In December 2016, one of the operating segments of GNE Group regarding the PCB business was contracted to be sold and accordingly has been presented as discontinued operations in the consolidated statement of profit or loss and other comprehensive income. The sale was completed on 2 August 2017.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Year ended 31 December 2018

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000 (Note a)	Total RMB'000
Segment revenue				
Revenue from external customers	**14,435,552**	**497,486**	**5,632,397**	**20,565,435**
Segment (loss) profit	**(1,011,419)**	**115,976**	**707,924**	**(187,519)**
Elimination of inter-segment profit				**(135,029)**
Unallocated income				**80,600**
Unallocated expenses				**(154,128)**
Loss on fair value change of convertible bonds receivable (note 23)				**(1,910)**
Loss on fair value change of convertible bonds issued by the Company (note 41)				**(40,768)**
Loss on fair value change of held for trading investments (note 9B)				**(15,201)**
Loss on deemed disposal of an associate (note 20)				**(77,894)**
Share of profits of associates				**12,286**
Share of profits of joint ventures				**5,363**
Gain on fair value change of financial assets at FVTPL				**55,766**
Loss for the year from continuing operations				**(458,434)**

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2017

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000 (Notes a and b)	Total RMB'000
Segment revenue				
Revenue from external customers	19,354,988	497,187	4,785,113	24,637,288
Segment profit	1,263,593	67,828	929,509	2,260,930
Less: profit for the year from discontinued operations of PCB business				(77,112)
Elimination of inter-segment profit				(29,064)
Unallocated income				84,699
Unallocated expenses				(91,916)
Gain on fair value change of convertible bonds receivable (note 23)				13,506
Loss on fair value change of convertible bonds issued by the Company (note 41)				(37,771)
Loss on fair value change of held for trading investments (note 9B)				(27,954)
Compensation income arising from shutdown of a power plant (note 9B)				155,606
Share of profit of an associate				8,444
Shares of losses of joint ventures				(1,935)
Gain on fair value change of financial assets designated as at FVTPL (note 9B)				16,689
Profit for the year from continuing operations				2,274,122

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2017 (Continued)

Additional analysis presented to CODM which exclude the operating results of PCB business of new energy business, is set out below:

	New energy business RMB'000 (Notes a and b)
Segment revenue — continuing operations	3,942,280
Segment profit — continuing operations	852,397

Notes:

a. The operating results of new energy business included allocated corporate expenses.

b. During the year ended 31 December 2017, the revenue of the new energy business comprised sales of electricity (including tariff adjustments) amounting to approximately RMB3,942,280,000 and sales of printed circuit boards amounting to approximately RMB842,833,000; and the segment profit of the new energy business comprised profit contributed by the sales of electricity of approximately RMB852,397,000 and profit contributed by the sales of printed circuit boards of approximately RMB77,112,000.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment (loss) profit represents the (loss) profit of each respective segment excluding unallocated income, unallocated expenses (including certain exchange losses (gains) and unallocated tax expense), change in fair value of convertible bonds receivable, change in fair value of convertible bonds issued by the Company, change in fair value of held for trading investments, loss on deemed disposal of an associate, shares of profits (losses) of certain interests in associates and joint ventures, change in fair value of certain financial assets at FVTPL and compensation income arising from shutdown of a power plant in 2017. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2018 RMB'000	2017 RMB'000
Segment assets		
Solar material business	**45,991,159**	44,772,551
Solar farm business	**3,653,291**	3,818,921
New energy business	**61,109,942**	55,391,914
Total segment assets	**110,754,392**	103,983,386
AFS investments	**—**	99,808
Other financial assets as at FVTPL	**391,925**	131,689
Equity instruments at FVTOCI	**90,716**	—
Debt instruments at FVTOCI	**65,606**	—
Held for trading investments	**108,408**	100,733
Convertible bonds receivable	**76,001**	—
Interest in associates	**362,286**	172,100
Interest in joint ventures	**98,728**	95,299
Unallocated bank balances and cash	**532,387**	2,576,349
Unallocated corporate assets	**13,315**	120,534
Consolidated assets	**112,493,764**	107,279,898
Segment liabilities		
Solar material business	**32,286,905**	31,628,470
Solar farm business	**1,994,059**	2,193,475
New energy business	**51,339,150**	45,238,764
Total segment liabilities	**85,620,114**	79,060,709
Convertible bonds issued by the Company	**—**	839,615
Unallocated corporate liabilities	**41,143**	71,995
Consolidated liabilities	**85,661,257**	79,972,319

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- All assets are allocated to operating segments, other than unallocated corporate assets, corporate bank balances and cash and other assets (including certain AFS investments, certain other financial assets at FVTPL, equity instruments at FVTOCI, debt instruments at FVTOCI, held for trading investments, convertible bonds receivable and certain interests in associates and joint ventures) of the management companies and investment holdings companies; and

- All liabilities are allocated to operating segments, other than unallocated corporate liabilities and other liabilities (including convertible bonds issued by the Company) of the management companies and investment holdings companies.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (included in the segment profit or loss or segment assets or regularly provided to the CODM)

Year ended 31 December 2018

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000	Unallocated RMB'000	Elimination of inter-segment profit RMB'000	Total RMB'000
Amount included in the measure of segment profit or loss or segment assets:						
Interests in joint ventures	515,584	97,205	66,079	98,728	—	777,596
Interests in associates	1,415,453	—	36,805	362,286	—	1,814,544
Share of (losses) profits of joint ventures	(997)	11,901	4,562	5,363	—	20,829
Share of profits (losses) of associates	128,001	—	(1,041)	12,286	—	139,246
Addition to property, plant and equipment, prepaid lease payments and other intangible assets						
— arising from acquisition of subsidiaries	—	—	1,747,433	—	—	1,747,433
— other additions	5,916,426	18,327	6,433,191	866	—	12,368,810
Depreciation of property, plant and equipment	(2,484,441)	(164,078)	(1,510,182)	(180)	1,406	(4,157,475)
Depreciation of investment properties	(4,656)	—	—	—	—	(4,656)
Finance costs	(1,064,979)	(124,267)	(2,276,958)	(39,404)	86,597	(3,419,011)
Bank and other interest income	130,780	4,462	36,372	68,614	(86,597)	153,631
Interest arising from contracts containing significant financing components	—	—	111,287	—	—	111,287
Gain (loss) on fair value change of financial instruments	1,752	—	11,266	(2,113)	—	10,905
Amortisation of prepaid lease payments	(25,137)	(299)	(3,073)	—	—	(28,509)
Amortisation of other intangible assets	(98,068)	—	—	—	—	(98,068)
Gain on disposal of property, plant and equipment	583	—	—	—	—	583
Write-down of inventories	(10,236)	—	—	—	—	(10,236)
Reversal of impairment loss on financial assets, net	247,235	—	—	—	—	247,235
Impairment loss on property, plant and equipment	(526,105)	—	—	—	—	(526,105)
Impairment loss on goodwill	(176,528)	—	—	—	—	(176,528)
Loss on deemed disposal of an associate	—	—	—	(77,894)	—	(77,894)
Gain on disposal of a subsidiary	444,868	—	—	—	—	444,868
Gain on disposal of solar farm projects	—	—	35,146	—	—	35,146
Research and development expenses	(521,442)	—	—	—	—	(521,442)
Income tax credit (expense)	80,337	(19,464)	(6,516)	(1,996)	—	52,361

6. REVENUE AND SEGMENT INFORMATION (Continued)

Other segment information (included in the segment profit or loss or segment assets or regularly provided to the CODM) (Continued)

Year ended 31 December 2017

	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000	Unallocated RMB'000	Elimination of inter-segment profit RMB'000	Total RMB'000
Amount included in the measure of segment profit or loss or segment assets:						
Interests in joint ventures	516,579	101,860	63,261	95,299	—	776,999
Interests in associates	900,000	—	1,000	172,100	—	1,073,100
Share of profits (loss) of joint ventures	930	13,361	6,161	(1,935)	—	18,517
Share of profits of associates	—	—	—	8,444	—	8,444
Addition to property, plant and equipment, prepaid lease payments and other intangible assets						
— arising from acquisition of subsidiaries	—	—	2,563,648	—	—	2,563,648
— other additions	3,963,937	5,944	10,904,672	—	—	14,874,553
Depreciation of property, plant and equipment	(2,450,238)	(164,222)	(1,089,361)	(260)	2,638	(3,701,443)
Depreciation of investment properties	(4,656)	—	—	—	—	(4,656)
Finance costs	(1,063,864)	(161,489)	(1,439,439)	—	116,415	(2,548,377)
Bank and other interest income	167,328	8,193	68,398	29,382	(116,415)	156,886
Amortisation of prepaid lease payments	(24,637)	(315)	(2,323)	—	—	(27,275)
Amortisation of other intangible assets	(78,571)	—	—	—	—	(78,571)
(Loss) gain on disposal of property, plant and equipment	(147,408)	13	(453)	—	—	(147,848)
Write-down of inventories	(13,677)	—	—	—	—	(13,677)
Reversal of impairment loss on trade and other receivables, net	8,020	35,226	—	—	—	43,246
Impairment loss on property, plant and equipment	(262,634)	—	—	—	—	(262,634)
Loss on measurement to fair value less costs to sell	—	—	(4,734)	—	—	(4,734)
Research and development expenses	(956,136)	—	—	—	—	(956,136)
Income tax (expense) credit	(608,855)	(24,463)	34,830	(44,715)	—	(643,203)

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

Segments	Solar material business RMB'000	Solar farm business RMB'000	New energy business RMB'000	Total RMB'000
Types of goods or services				
Sales of wafer	**11,679,412**	**—**	**—**	**11,679,412**
Sales of electricity (Note)	**—**	**484,852**	**5,632,397**	**6,117,249**
Sales of polysilicon	**1,579,383**	**—**	**—**	**1,579,383**
Processing fees	**629,228**	**—**	**—**	**629,228**
Others (comprising the sales of ingots and modules)	**547,529**	**12,634**	**—**	**560,163**
Total	**14,435,552**	**497,486**	**5,632,397**	**20,565,435**
Geographic markets				
The PRC	**11,773,412**	**448,459**	**5,572,704**	**17,794,575**
Others	**2,662,140**	**49,027**	**59,693**	**2,770,860**
Total	**14,435,552**	**497,486**	**5,632,397**	**20,565,435**
Timing of revenue recognition				
A point in time	**13,806,324**	**497,486**	**5,632,397**	**19,936,207**
Over time	**629,228**	**—**	**—**	**629,228**
Total	**14,435,552**	**497,486**	**5,632,397**	**20,565,435**

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligations from contracts with customers

Revenue from the manufactures and sales of polysilicon and wafer are recognised at a point in time upon goods are delivered and titles have passed. The Group generally grants credit period of approximately one month to customers from the invoice date. For those customers with continuous business relationships, the Group generally would enter into supply framework contracts and receive certain percentage of deposits as advance payments from these customers. Advances from customers are recognised as revenue upon orders are fulfilled. Sales agreements typically do not contain product warranties except for return and replacement of defective products within 30 days from delivery.

Processing income are recognised over time and measured based on output method upon sawing and cutting services are rendered to customers. The Group generally grants credit period of approximately one month to customers from the invoice date.

For sales of electricity, the Group generally entered into power purchase agreements with a term of one to five years which stipulate the price of electricity per watt hour.

Revenue is recognised when control of the electricity has transferred, being at the point when electricity has generated and transmitted to the customer. The Group generally grants credit period of approximately one month to customers from date of invoice in accordance with the relevant power purchase agreements between the Group and the respective local grid companies.

The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The PRC government is responsible to collect and allocate the fund to the respective state-owned grid companies for settlement to the solar farm companies. Effective from March 2012, the application, approval and settlement of the tariff adjustment are subject to certain procedures as promulgated by Caijian 2012 No. 102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加輔助資金管理暫行辦法). Caijian 2013 No. 390 Notice issued in July 2013 further simplified the procedures of settlement of the tariff adjustment. Tariff adjustments are recognised as revenue and due from local grid companies in the PRC in accordance with the relevant power purchase agreements.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligations from contracts with customers (Continued)

For those tariff adjustments that are subject to approval for registration in the Catalogue by the PRC government, the relevant revenue from these tariff adjustments are considered variable consideration, and are recognised only to the extent that it is highly probable that a significant reversal will not occur and are included in contract assets upon the application of IFRS 15. Management assessed that all of the Group's operating solar farms have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar farms. The contract asset is transferred to trade receivables upon the relevant solar farm obtained the approval for registration in the Catalogue.

Since certain of the tariff adjustments are yet to obtain approval for registration in the Catalogue by the PRC government, the management considers that it contains a significant financing component over the relevant portion of tariff adjustment until approval was obtained. For the year ended 31 December 2018, the respective tariff adjustment was adjusted for this financing component based on an effective interest rate ranged from 2.90% to 2.98% per annum and the Group's revenue was adjusted by approximately RMB152 million and interest income amounting to approximately RMB111 million was recognised.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

For contracts on sales of polysilicon and wafer, the Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the supply framework contracts. The quantity of goods to be delivered and the selling price are to be determined.

For contracts on sales of electricity, the Group will complete the remaining performance obligations in accordance with the relevant terms as stipulated in the power purchase agreements and the remaining aggregated transaction price will be equal to the quantity of electricity that can be generated and transmitted to the customers times the stipulated price per watt hour.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue (Continued)

B. For the year ended 31 December 2017

The following is an analysis of the Group's revenue from continuing operations and discontinued operations from its major products and services:

	2017 RMB'000
Continuing operations	
Sales of wafer	17,432,680
Sales of electricity (Note)	4,429,387
Sales of polysilicon	766,448
Processing fees	938,383
Others (comprising the sales of ingots and modules)	227,557
	23,794,455
Discontinued operations	
Sales of printed circuit boards	842,833
	24,637,288

Note: Sales of electricity included approximately RMB3,738,439,000 (2017: RMB2,814,078,000) tariff adjustments received and receivable from the state grid companies in the PRC based on the prevailing nationwide government policies on renewable energy for solar farms. Details of settlement arrangement of tariff is disclosed in note 26.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's revenue from continuing operations and discontinued operations from external customers by customer's location and information about its non-current assets by location of the assets are detailed below:

Continuing operations

	Revenue from external customers		Non-current assets*	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC	**17,794,575**	19,217,418	**81,225,482**	70,322,331
Taiwan	**670,557**	1,194,112	**—**	—
Thailand	**518,890**	966,257	**—**	—
Korea	**402,114**	620,243	**—**	—
Singapore	**283,296**	140,119	**—**	—
Malaysia	**292,098**	779,670	**—**	—
India	**215,578**	148,341	**—**	—
Vietnam	**177,539**	296,819	**—**	—
The USA	**100,455**	80,071	**1,815,471**	1,458,844
Canada	**77,767**	47,046	**—**	—
Hong Kong	**23,900**	284,813	**1,029**	175,337
Japan	**8,319**	7,555	**87,432**	102,051
South Africa	**—**	—	**97,032**	101,860
Others	**347**	11,991	**—**	122
	20,565,435	23,794,455	**83,226,446**	72,160,545

Discontinued operations

During the year ended 31 December 2017, sales of printed circuit boards amounting to approximately RMB842,833,000 (2018: nil) were mainly from external customers located in the PRC, Hong Kong, Netherlands and Germany.

* Non-current assets excluded those relating to discontinued operations and non-current assets classified as held for sale, deferred tax assets and financial instruments.

Information about major customers

There were no customer contributing over 10% of total sales of the Group for both years.

7. OTHER INCOME

	2018 RMB'000	2017 RMB'000
Continuing operations		
Government grants (note 36)	**254,634**	141,310
Bank and other interest income	**153,631**	156,886
Interest arising from contracts containing significant financing components	**111,287**	—
Imputed interest on discounting effect on tariff adjustment receivables	**—**	72,024
Sales of scrap materials	**184,342**	389,526
Management and consultancy fee income	**65,489**	18,494
Rental income	**33,809**	17,700
Forfeitures of deposits from customers	**28,782**	195
Others	**58,870**	46,928
	890,844	843,063

8. FINANCE COSTS

	2018 RMB'000	2017 RMB'000
Continuing operations		
Interest on:		
Bank and other borrowings	**2,957,016**	2,406,253
Notes and bonds payables and senior notes	**490,738**	326,884
Obligations under finance leases	**90,671**	146,392
Loans from related companies	**83,530**	—
Total borrowing costs	**3,621,955**	2,879,529
Less: Interest capitalised	**(202,944)**	(338,509)
	3,419,011	2,541,020

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.32% (2017: 7.69%) per annum to expenditure on qualifying assets.

9A. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	2018 RMB'000	2017 RMB'000
Continuing operations		
Impairment losses (reversal) recognised on:		
Trade receivables — goods and services	**(247,641)**	(42,754)
Other receivables	**(5,992)**	(492)
Amounts due from related companies	**6,398**	—
	(247,235)	(43,246)

Details of impairment assessment for the year ended 31 December 2018 are set out in note 46.

9B. OTHER EXPENSES, GAINS AND LOSSES, NET

	2018 RMB'000	2017 RMB'000
Continuing operations		
Research and development costs	**521,442**	956,136
Restructuring expenses	**—**	13,022
Exchange losses (gains), net	**479,501**	(7,974)
Loss (gain) on fair value change of convertible bonds receivable (note 23)	**1,910**	(13,506)
Loss on fair value change of convertible bonds payables (note 41)	**46,292**	156,515
Gain on redemption of AFS investments	**—**	(2,883)
Loss on fair value change of held for trading investments	**15,201**	27,954
Gain on fair value change of other financial assets at FVTPL	**(84,420)**	(16,689)
Loss (gain) on fair value change of derivative financial instruments, net (note 40)	**10,112**	(112)
Impairment loss on goodwill (note 18)	**176,528**	—
Impairment loss on property, plant and equipment (note 16) (Note a)	**526,105**	262,634
(Gain) loss on disposal of property, plant and equipment	**(583)**	147,395
Loss on deemed disposal of a partial interest in an associate	**—**	3,227
Loss on deemed disposal of an associate (note 20)	**77,894**	—
Gain on disposal of a subsidiary (note 44)	**(444,868)**	—
Gain on disposal of solar farm projects (note 44)	**(35,146)**	(18,745)
Compensation income arising from shutdown of a power plant (Note b)	**—**	(155,606)
	1,289,968	1,351,368

9B. OTHER EXPENSES, GAINS AND LOSSES, NET (Continued)

Notes:

(a) During the year ended 31 December 2018, due to the adverse change of market conditions resulting from new government policies on the solar industry, the polysilicon and wafer faced a price pressure and several subsidiaries within the solar material business segment incurred losses in late 2018. Accordingly, the Directors conducted a review of the recoverable amounts of the property, plant and equipment of the relevant subsidiaries as at 31 December 2018 and determined that certain assets in respect of the Group's production of solar products were impaired with impairment losses of approximately RMB526,105,000 recognised. The recoverable amounts of the relevant assets have been determined on the basis of value in use. Details of the above said impairments are set out in note 16.

(b) Amount represents compensation received during the year ended 31 December 2017 upon finalisation of negotiation with the local government of Taicang city, the PRC, for the shutdown and cessation of operation of a power plant under the previously discontinued non-solar power business, pursuant to an integration policy of cogeneration plants in Taicang city undertaken by the local government of Taicang city.

10. INCOME TAX (CREDIT) EXPENSE

	2018	2017
	RMB'000	RMB'000
Continuing operations		
PRC Enterprise Income Tax ("EIT")		
Current tax	**126,118**	725,148
(Over) underprovision in prior years	**(21,890)**	32,630
	104,228	757,778
USA Federal and State Income Tax		
Current tax	**237**	340
Underprovision in prior years	**3**	—
	240	340
Hong Kong Profits Tax		
Current tax	**312**	—
Overprovision in prior years	**—**	(5,891)
	312	(5,891)
Other jurisdictions	**—**	46
PRC dividend withholding tax	**—**	183,611
Deferred tax (note 24)	**(157,141)**	(298,004)
	(52,361)	637,880

10. INCOME TAX (CREDIT) EXPENSE (Continued)

The PRC EIT for the year represents income tax in the PRC which is calculated at the prevailing tax rate on the taxable income of subsidiaries in the PRC.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%, except for those subsidiaries described below. The (over) underprovision of EIT in prior years arose mainly as a result of completion of tax clearance procedures by certain PRC subsidiaries with the respective tax authorities.

Certain subsidiaries operating in the PRC have been accredited as a "High and New Technology Enterprise" for a term of three years, and have been registered with the local tax authorities for enjoying the reduced 15% EIT rate. Accordingly, the profits derived by these subsidiaries are subject to 15% EIT rate for both years. The qualification as a High and New Technology Enterprise will be subject to annual review by the relevant tax authorities in the PRC.

Certain subsidiaries of GNE Group, being enterprises engaged in solar photovoltaic projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived. For the year ended 31 December 2018, certain subsidiaries of GNE engaged in solar photovoltaic projects had their first year of the 3-year 50% exemption period.

Federal and State tax rate in the USA are calculated at 21% and 8.84% (2017: 35% and 8.84%), respectively. The U.S. Tax Cuts and Jobs Act (the "Act") was enacted into law on 22 December 2017. The Act includes significant changes to the U.S. corporate income tax system that are effective on 1 January 2018, including a reduction of the U.S. corporate income tax rate from 35% to 21%.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million (equivalent to RMB1.7 million) of profits of the qualifying group entity is taxed at 8.25%, and profits above HK$2 million (equivalent to RMB1.7 million) is taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax was made as there were no assessable profit for both years.

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. INCOME TAX (CREDIT) EXPENSE (Continued)

The Group's subsidiaries, associates and joint ventures that are tax residents in the PRC are subject to the PRC dividend withholding tax of 5% or 10% for those non-PRC tax resident immediate holding companies registered in Hong Kong and the British Virgin Islands ("BVI"), respectively, when and if undistributed earnings are declared to be paid as dividends out of profits that arose on or after 1 January 2008. Reversal of deferred taxation of approximately RMB51,721,000 in respect of withholding tax on undistributed profits has been credited to profit or loss (2017: a provision for deferred taxation of approximately RMB32,307,000 in respect of withholding tax on undistributed profits has been charged to profit or loss) during the current year and approximately RMB183,611,000 (2018: nil) has been credited to profit or loss during the current year ended 31 December 2017 upon payment. See note 24 for details.

The tax charge for the year from continuing operations can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018 **RMB'000**	2017 RMB'000
(Loss) profit before tax from continuing operations	**(510,795)**	2,912,002
Tax at PRC EIT rate of 25% (Note a)	**(127,699)**	728,001
Tax effect of expenses not deductible for tax purpose	**449,708**	203,679
Tax effect of income not taxable for tax purpose	**(236,742)**	(31,658)
Tax effect of share of profits of associates	**(34,812)**	(2,111)
Tax effect of share of profits of joint ventures	**(5,207)**	(4,629)
Tax effect of deductible temporary difference not recognised	**11,538**	58,266
Tax effect of tax losses not recognised	**356,578**	101,364
Utilisation of tax losses previously not recognised	**(32,441)**	(7,680)
Effect of tax exemption and tax concessions granted to certain subsidiaries in the PRC	**(359,440)**	(665,222)
Effect of different tax rates of group companies operating in jurisdictions other than the PRC	**(236)**	(571)
Withholding tax	**(51,721)**	32,307
(Over) underprovision in prior years, net	**(21,887)**	26,739
Tax arising from group restructuring (Note b)	**—**	199,395
Income tax (credit) expense for the year from continuing operations	**(52,361)**	637,880

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2018

10. INCOME TAX (CREDIT) EXPENSE (Continued)

Notes:

(a) The PRC EIT rate is used as it is the domestic tax in the jurisdiction where the operation of the Group is substantially based.

(b) EIT arising from group restructuring is calculated at 10% of the difference between the consideration for the transfer of the subsidiaries and the registered capital of the respective subsidiaries incorporated in the PRC.

11. (LOSS) PROFIT FOR THE YEAR

	2018 **RMB'000**	2017 RMB'000
Continuing operations		
(Loss) profit for the year has been arrived at after charging (crediting) the following items:		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	**2,041,303**	2,417,702
Retirement benefits scheme contributions	**92,048**	77,485
Share-based payment expenses	**32,752**	78,129
Total staff costs	**2,166,103**	2,573,316
Less: amounts included in inventories	**(1,172,474)**	(1,326,116)
	993,629	1,247,200
Depreciation of property, plant and equipment	**4,178,623**	3,654,072
Depreciation of investment properties	**4,656**	4,656
Amortisation of prepaid lease payments	**28,509**	27,174
Amortisation of other intangible assets	**98,068**	78,571
Total depreciation and amortisation	**4,309,856**	3,764,473
Less: amounts absorbed in opening and closing inventories, net	**(21,148)**	(17,391)
	4,288,708	3,747,082
Less: amounts absorbed in inventories sold, including opening inventories	**(3,718,928)**	(3,299,047)
	569,780	448,035
Auditor's remuneration	**13,088**	12,586

12. DISCONTINUED OPERATIONS

On 30 December 2016, GNE Group entered into a sale and purchase agreement ("S&P Agreement") to dispose of the entire interest in PCB business (the "Disposal") to Mr. Yip Sum Yin ("Mr. Yip"), a former director of GNE, at a consideration of HK$250,000,000 (equivalent to RMB218,042,000) plus, as the case may be, adjustment amounts pursuant to the S&P Agreement. The disposal of PCB business is consistent with GNE Group's long-term policy to focus on its core solar farm business, which will allow GNE Group and its management team to focus its resources on the business area where it has the most competitive strengths. Details of the Disposal are set out in the announcement of GNE dated 30 December 2016 and the circular of GNE issued to the shareholders dated 20 January 2017 and the Disposal was completed on 2 August 2017.

The profits for the period from the discontinued PCB business is set out below.

Analysis of profits for the period from discontinued operations

The results of the discontinued operations were as follows:

	1 January 2017 to 2 August 2017 RMB'000
Revenue	842,833
Cost of sales	(795,834)
Other income	18,939
Distribution and selling expenses	(10,540)
Administrative expenses	(36,437)
Other expenses, gains and losses, net	(10,947)
Finance costs	(7,357)
Profit before tax	657
Income tax expense	(5,323)
	(4,666)
Loss on measurement to fair value less costs to sell	(4,734)
Gain on disposal of discontinued operations including a cumulative exchange gain reclassified from translation reserve to profit or loss	86,512
Profit for the period from discontinued operations (attributable to owners of GNE)	77,112

12. DISCONTINUED OPERATIONS (Continued)

Profit for the period from discontinued operations includes the following:

	1 January 2017 to 2 August 2017 RMB'000
Staff costs, including directors' remuneration	
Salaries, wages and other benefits	132,167
Retirement benefits scheme contributions	10,764
Total staff costs	142,931
Depreciation of property, plant and equipment	64,762
Amortisation of prepaid lease payments	101
Total of depreciation and amortisation	64,863
Cost of inventories recognised as an expense	795,834

Note: During the year ended 31 December 2017, staff costs and depreciation and amortisation of approximately RMB123,479,000 and RMB62,142,000 were capitalised as cost of inventories, respectively.

Cash flows from discontinued operations:

	1 January 2017 to 2 August 2017 RMB'000
Net cash inflows from operating activities	74,321
Net cash outflows used in investing activities	(48,331)
Net cash outflows used in financing activities	(30,881)
Net cash outflows	(4,891)

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Particulars of the emoluments of the Directors, the chief executive and the five highest paid employees are as follows:

(a) Directors' and Chief Executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Companies Ordinance, is as follows:

Year ended 31 December 2018

Name of Director	Directors' fee RMB'000	Salaries and other benefits RMB'000	Performance-related bonuses RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Executive Directors (Note 2)						
Mr. ZHU Gongshan	—	6,417	2,026	—	—	8,443
Mr. ZHU Zhanjun	—	4,508	1,442	252	140	6,342
Mr. JI Jun (Note 1)	—	1,267	39	58	36	1,400
Mr. ZHU Yufeng	—	5,074	1,319	78	174	6,645
Ms. SUN Wei	—	4,645	1,696	195	777	7,313
Mr. YEUNG Man Chung, Charles	—	4,645	1,796	117	510	7,068
Mr. JIANG Wenwu	—	3,209	1,132	208	93	4,642
Mr. ZHENG Xiongjiu	—	2,615	1,132	201	138	4,086
Independent Non-executive Directors (Note 3)						
Ir. Dr. HO Raymond Chung Tai	651	—	—	—	51	702
Mr. YIP Tai Him	477	—	—	—	51	528
Dr. SHEN Wenzhong	260	—	—	—	—	260
Mr. WONG Mai Chung, Francis	260	—	—	—	—	260
	1,648	32,380	10,582	1,109	1,970	47,689

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

Year ended 31 December 2017

Name of Director	Directors' fee	Salaries and other benefits	Performance-related bonuses	Retirement benefits scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors (Note 2)						
Mr. ZHU Gongshan	—	6,585	5,198	—	—	11,783
Mr. ZHU Zhanjun	—	4,622	3,700	261	418	9,001
Mr. JI Jun	—	1,300	100	60	108	1,568
Mr. ZHU Yufeng	—	5,198	5,782	80	421	11,481
Ms. SUN Wei	—	4,765	4,352	200	1,960	11,277
Mr. YEUNG Man Chung, Charles	—	4,765	4,608	120	1,151	10,644
Mr. JIANG Wenwu	—	3,265	2,904	184	272	6,625
Mr. ZHENG Xiongjiu	—	2,673	2,904	200	400	6,177
Independent Non-executive Directors (Note 3)						
Ir. Dr. HO Raymond Chung Tai	668	—	—	—	155	823
Mr. YIP Tai Him	490	—	—	—	155	645
Dr. SHEN Wenzhong	267	—	—	—	—	267
Mr. WONG Mai Chung, Francis	267	—	—	—	—	267
	1,692	33,173	29,548	1,105	5,040	70,558

Note 1: Mr. Ji Jun resigned as an executive director on 1 February 2019.

Note 2: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

Note 3: The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

13. DIRECTORS', CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

(a) Directors' and Chief Executive's emoluments (Continued)

Bonuses are discretionary and are based on the Group's performance for the year.

Mr. Zhu Zhanjun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during both years.

No other directors waived any emoluments and no incentive paid on joining and no compensation for the loss of office during both years.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included five directors (2017: five directors), details of whose remuneration are set out in (a) above.

(c) Compensation of key management personnel

The remuneration of senior management personnel, comprising Directors' and Chief Executive's remuneration during the year was as follows:

	2018 **RMB'000**	2017 RMB'000
Short-term benefits	**44,610**	64,413
Post-employment benefits	**1,109**	1,105
Share-based payments	**1,970**	5,040
	47,689	70,558

The remuneration of the Directors and other key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

15. (LOSS) EARNINGS PER SHARE

For continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	2018 RMB'000	2017 RMB'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company	**(693,399)**	1,974,398
Less: profit for the year from discontinued operations attributable to owners of the Company	—	(48,025)
(Loss) earnings for the purpose of basic (loss) earnings per share from continuing operations	**(693,399)**	1,926,373
Effect of dilutive potential ordinary shares:		
— Adjustment to the share of profit of GNE Group attributable to the Company based on dilution arising on convertible bonds issued by GNE	**(4,981)**	—
— Fair value change on convertible bonds issued by the Company	—	37,771
— Adjustment to the share of profit of an associate based on dilution arising on convertible bonds issued by the associate	—	(2,986)
(Loss) earnings for the purpose of diluted (loss) earnings per share from continuing operations	**(698,380)**	1,961,158

15. (LOSS) EARNINGS PER SHARE (Continued)

For continuing operations (Continued)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**18,179,089**	18,453,617
Effect of dilutive potential ordinary shares:		
— Convertible bonds issued by the Company	**—**	457,698
— Share options issued by the Company	**—**	6,372
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**18,179,089**	18,917,687

For the year ended 31 December 2018, the weighted average number of ordinary shares for the purpose of calculation of basic loss per share has been adjusted for the effect of the 322,998,888 ordinary shares purchased by the Trustee from the market pursuant to the Scheme and the 262,424,000 shares repurchased by the Company during the current year.

For the year ended 31 December 2017, the weighted average number of ordinary shares for the purpose of calculation of basic earnings per share has been adjusted for the effect of the 222,998,888 ordinary shares purchased by the Trustee from the open market pursuant to the Scheme.

Diluted loss per share for the year ended 31 December 2018 did not assume the conversion of the convertible bonds issued by the Company and the exercise of share options granted by the Company and share options granted by GNE, since the conversion and the exercise would decrease the loss per share for the year ended 31 December 2018.

Diluted earnings per share for the year ended 31 December 2017 did not assume (1) the conversion of the convertible bonds issued by GNE in May and July 2015 because the assumed conversion would result in an increase in earnings per share; and (2) the exercise of certain share options granted by the Company and share options granted by GNE, since the exercise prices were higher than the average market prices of shares of the Company and GNE, respectively, for the year ended 31 December 2017.

15. (LOSS) EARNINGS PER SHARE (Continued)

For continuing and discontinued operations

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

	2018 RMB'000	2017 RMB'000
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share:		
— (Loss) profit for the year attributable to owners of the Company	**(693,399)**	1,974,398
Effect of dilutive potential ordinary shares:		
— Adjustment to the share of profit of GNE Group attributable to the Company based on dilution arising on convertible bonds issued by GNE	**(4,981)**	—
— Fair value change on convertible bonds issued by the Company	—	37,771
— Adjustment to the share of profit of an associate based on dilution arising on convertible bonds issued by the associate	—	(2,986)
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(698,380)**	2,009,183

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

For discontinued operations

For the year ended 31 December 2017, basic earning per share for the discontinued operations is RMB0.26 cent per share and diluted earning per share for the discontinued operations is RMB0.25 cent per share, based on the profit for the year from the discontinued operations attributable to owners of the Company of RMB48,025,000 and the denominators detailed above for both basic and diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Aircraft RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2017	7,099,530	54,017,092	368,655	459,524	153,069	6,153,754	68,251,624
Additions	536,261	580,392	—	123,051	28,458	12,708,899	13,977,061
Acquired on acquisitions of subsidiaries	—	2,563,648	—	—	—	—	2,563,648
Transfer	603,295	12,619,917	—	18,708	1,456	(13,243,376)	—
Disposals	(58,093)	(768,133)	—	(37,686)	(8,377)	(258)	(872,547)
Disposed on disposal of subsidiaries	(10,447)	(1,100,764)	—	(425)	(1,201)	—	(1,112,837)
Effect of foreign currency exchange differences	(62)	(63,452)	—	(140)	—	(14,621)	(78,275)
At 31 December 2017	8,170,484	67,848,700	368,655	563,032	173,405	5,604,398	82,728,674
Additions	111,568	428,685	—	322,283	46,088	11,391,584	12,300,208
Acquired on acquisitions of subsidiaries	50,324	1,497,121	—	369	—	199,619	1,747,433
Transfer	472,802	8,775,961	—	89,501	12,717	(9,350,981)	—
Transfer to assets held for sale	(22,962)	(1,100,651)	—	(371)	(354)	(927)	(1,125,265)
Disposals	(106,580)	(108,783)	—	(15,483)	(17,150)	(777)	(248,773)
Disposed on disposal of subsidiaries	(305,048)	(700,182)	—	(5,677)	(174)	(3,446)	(1,014,527)
Effect of foreign currency exchange differences	50	30,005	—	(23)	—	231	30,263
At 31 December 2018	8,370,638	76,670,856	368,655	953,631	214,532	7,839,701	94,418,013
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	1,457,659	13,534,675	108,549	185,938	80,658	422,587	15,790,066
Depreciation expense	381,304	3,184,338	24,577	46,244	17,609	—	3,654,072
Eliminated on disposal of assets	(20,807)	(624,102)	—	(21,505)	(6,570)	—	(672,984)
Eliminated on disposal of subsidiaries	(557)	(77,420)	—	(140)	(437)	—	(78,554)
Impairment losses recognised in profit or loss	—	262,634	—	—	—	—	262,634
Effect of foreign currency exchange differences	(58)	(6,661)	—	(124)	—	—	(6,843)
At 31 December 2017	1,817,541	16,273,464	133,126	210,413	91,260	422,587	18,948,391
Depreciation expense	381,805	3,625,135	24,577	118,890	28,216	—	4,178,623
Transfer to assets held for sale	(620)	(56,458)	—	(74)	(33)	—	(57,185)
Eliminated on disposal of assets	(39,791)	(25,765)	—	(10,658)	(16,198)	—	(92,412)
Eliminated on disposal of subsidiaries	(73,205)	(24,768)	—	—	(12)	—	(97,985)
Impairment losses recognised in profit or loss	—	526,105	—	—	—	—	526,105
Effect of foreign currency exchange differences	50	12,522	—	81	—	—	12,653
At 31 December 2018	2,085,780	20,330,235	157,703	318,652	103,233	422,587	23,418,190
CARRYING AMOUNTS							
At 31 December 2018	6,284,858	56,340,621	210,952	634,979	111,299	7,417,114	70,999,823
At 31 December 2017	6,352,943	51,575,236	235,529	352,619	82,145	5,181,811	63,780,283

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of lease terms or 2%–5%
Plant and machinery	4%–25% or % calculated based on license period
Aircraft	$6\frac{2}{3}$%
Office equipment	20%–33%
Motor vehicles	20%–30%

The carrying amount of property, plant and equipment as at 31 December 2018 includes (i) an aircraft; (ii) certain plant and machinery located in the PRC; and (iii) certain solar farms in the USA, are held under sale and finance leaseback arrangements of approximately RMB210,952,000 (2017: RMB235,529,000), RMB1,624,395,000 (2017: RMB2,739,289,000) and RMB277,233,000 (2017: RMB284,944,000), respectively.

During the year ended 31 December 2017, the Group acquired plant and machinery of US$13,000,000 (equivalent to RMB89,691,000) as a result of the completion of SunEdison Agreement (as defined in note 19).

Impairment loss on solar material business segment

During the year ended 31 December 2018, due to the adverse change of market conditions resulting from new government policies on the solar industry, the average selling price of polysilicon and wafer faced a price pressure and several subsidiaries within the solar material business segment incurred loss in late 2018. With the impairment indicators identified, the Directors conducted a review of the recoverable amounts of the property, plant and equipment of the relevant subsidiaries as at 31 December 2018.

The recoverable amounts of the property, plant and machinery belonging to the production plants of polysilicon and wafer in the solar material business segment are determined based on a value in use calculation by the Directors with reference to the valuation report of an independent valuer, on the production plants in relation to the production of polysilicon and wafer of the solar material business segment as at 31 December 2018. The calculation uses cash flow projections covering the useful lives of those property, plant and equipment in relation to the production of polysilicon and wafer based on financial budgets approved by management. Key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows include discount rate, budgeted sales and gross margin. Such estimation is based on past performance and management's expectations for the market. In the opinion of the Directors, the fair value less costs to sell of the property, plant and machinery in relation to the production of solar products is lower than the value in use. As a result, an impairment loss of approximately RMB526,105,000 is recognised on property, plant and equipment in relation to the production of polysilicon and wafer accordingly.

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

In addition, the Group has performed impairment assessment of the goodwill and the property, plant and equipment for Konca Solar Cell Co., Ltd. ("Konca Solar"), a subsidiary within the solar material business segment with the same business nature. Details of goodwill impairment testing of Konca Solar are set out in note 18.

During the year ended 31 December 2017, due to technological advancement, the management conducted a review of the Group's machinery and equipment and determined that a number of those assets were impaired. For those assets that were not in a good condition to be used in the future, the Group determined recoverable amount based on fair value less disposal cost and recognised an impairment loss of approximately RMB262,634,000.

17. INVESTMENT PROPERTIES

	RMB'000
COST	
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	103,279
ACCUMULATED DEPRECIATION AND IMPAIRMENT	
As at 1 January 2017	23,507
Provided for the year	4,656
As at 31 December 2017	28,163
Provided for the year	4,656
As at 31 December 2018	32,819
CARRYING AMOUNTS	
As at 31 December 2018	70,460
As at 31 December 2017	75,116

The investment properties are depreciated on a straight-line basis over the shorter of lease terms of the leasehold land or 5% per annum.

The fair value of the Group's investment properties at 31 December 2018 and 2017 was approximately RMB79,619,000 and RMB72,381,000, respectively. The fair value was determined by the Directors with reference to recent market evidence of transaction prices for similar properties in similar locations and conditions and was classified as level 2 fair value measurement under the fair value hierarchy.

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

18. GOODWILL

	RMB'000
COST	
As at 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**407,842**
ACCUMULATED IMPAIRMENT LOSSES	
As at 1 January 2017 and 31 December 2017	**231,314**
Impairment loss recognised in the year	**176,528**
As at 31 December 2018	**407,842**
CARRYING AMOUNTS	
As at 31 December 2018	**—**
As at 31 December 2017	**176,528**

For the purpose of impairment testing, the carrying amount of goodwill has been allocated to Konca Solar, which constitutes a CGU. The carrying amount of goodwill (net of accumulated impairment losses) allocated to this CGU is as follows:

	2018 **RMB'000**	2017 RMB'000
Konca Solar	**—**	176,528

As at 31 December 2018, the Group carried out an annual goodwill impairment testing in relation to goodwill for Konca Solar. Due to the adverse change of market conditions resulting from new government policies on the solar industry, the average selling price of solar products faced a price pressure and the actual operating profits and cash flows of Konca Solar were then lower than expected. The management of the Group recognised an impairment loss of approximately RMB176,528,000 (2017: nil) in relation to goodwill for Konca Solar.

18. GOODWILL (Continued)

The basis of the recoverable amount of the CGU in Konca Solar and its major underlying assumptions are summarised below:

The recoverable amount of the CGU in Konca Solar is determined based on a value in use calculation by the Directors. That calculation uses cash flow projections based on a five-year financial budgets approved by the Directors at a discount rate of 15% (2017: 14.80%) for the CGU in Konca Solar. Cash flows beyond the five-year period are extrapolated using 3% (2017: 2.70%) growth rate for Konca Solar. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows included budgeted sales and gross margin. Such estimation is based on past performance of the CGU in Konca Solar and management's expectations for the market development.

19. OTHER INTANGIBLE ASSETS

	Technical know-how RMB'000
COST	
At 1 January 2017	190,433
Addition	807,265
Disposal	(325)
At 31 December 2017	997,373
Addition	45,823
At 31 December 2018	1,043,196
ACCUMULATED AMORTISATION	
At 1 January 2017	65,443
Amortisation expense	78,571
Disposal	(193)
At 31 December 2017	143,821
Amortisation expense	98,068
At 31 December 2018	241,889
CARRYING AMOUNTS	
At 31 December 2018	801,307
At 31 December 2017	853,552

19. OTHER INTANGIBLE ASSETS (Continued)

Technical know-how are mainly acquired by solar material business from third parties in relation to technical know-how of hydrochlorination production techniques and hydrochlorination recycling system, trichlorosilane fluidised bed reactor ("FBR") technics, CCZ constant czochralski monosilicon ("CCZ") technics, perovskite solar cells technics and technical know-how on production for polysilicon and wafer products.

Technical know-how have definite useful lives and are amortised on a straight-line basis over 10 years.

Addition of technical know-how upon completion of SunEdison Agreement

On 31 March 2017 (U.S. time), the Group completed an acquisition of the FBR and CCZ technics and related plant and machinery from SunEdison, Inc., SunEdison Products Singapore Pte. Ltd., MEMC Pasadena Inc. and Solaicx, Inc. for a cash consideration of US$130,000,000 (equivalent to RMB896,909,000) (the "SunEdison Agreement"), resulting in the recognition of other intangible assets of US$117,000,000 (equivalent to RMB807,218,000) and plant and machinery of US$13,000,000 (equivalent to RMB89,691,000).

20. INTERESTS IN ASSOCIATES

	2018 **RMB'000**	2017 RMB'000
Cost of investments in associates	**1,654,991**	1,064,656
Share of post-acquisition profit, net of dividends received	**159,553**	8,444
	1,814,544	1,073,100
Fair value of listed investments	**—**	105,147

20. INTERESTS IN ASSOCIATES (Continued)

Details of the Group's associates at the end of the reporting period are as follows:

Name of company	Country of incorporation/ operation	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activities
		2018	2017	**2018**	2017	
Lamtex Holdings Limited ("Lamtex") (Note a)	Bermuda/ Hong Kong	**N/A**	25.49%	**N/A**	25.49%	Provision of management services and security trading and investment
內蒙古中環協鑫光伏材料有限公司 Inner Mongolia Zhonghuan-GCL Solar Material Co., Ltd.* ("Mongolia Zhonghuan-GCL") (Note b)	PRC	**30%**	30%	**30%**	30%	Production of silicon rods
芯鑫融資租賃有限責任公司 Xinxin Finance Leasing Company Limited* ("Xinxin") (Note c)	PRC	**5.97%**	—	**5.97%**	—	Finance leasing
浙江瑞翌新材料科技股份有限公司 Zhejiang Ruiyi New Material Technology Co., Ltd.* ("Zhejiang Ruiyi") (Note d)	PRC	**22.17%**	—	**22.17%**	—	Production and sale of diamond-wire
喀什博思光伏科技有限公司 Kashgar Solbright Technology Co., Ltd.* ("Kashgar Solbright") (Note e)	PRC	**12.46%**	12.46%	**12.46%**	12.46%	Sale of solar products
華容縣協鑫光伏電力有限公司 Huarong Xian GCL Solar Power Co. Ltd.* ("Huarong") (Note f)	PRC	**12.46%**	N/A	**12.46%**	N/A	Operation of solar farms in the PRC
北京華橋新能源諮詢有限公司 Beijing Hua Qiao New Energy Limited* ("Huaqiao") (Note g)	PRC	**18.68%**	—	**18.68%**	—	Provide consultancy services on solar farm

* English name for identification only

20. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) In October 2017, the Group acquired 29.55% equity interest in Lamtex, whose shares are listed on the Stock Exchange, at a consideration of HK$200,000,000 (equivalent to RMB166,883,000). In December 2017, the Group's equity interest was diluted to 25.49% due to the conversion into ordinary shares of the convertible bond issued by Lamtex by the independent bondholders.

During the year ended 31 December 2018, the Group's equity interest in Lamtex was first diluted to 22.27% upon completion of the placing of 170,000,000 new shares of Lamtex on 7 March 2018 and then diluted further to 17.23% due to the conversion into ordinary shares of the convertible bond issued by Lamtex by the independent bondholders on 3 May 2018. The Group previously owned 25.49% equity interest in Lamtex and the investment was accounted for as an investment in an associate using the equity method. Upon these underlying diluting events, the Group's remaining 17.23% interest is no longer accounted for as an associate and is classified as an equity instrument at FVTOCI. This deemed disposal has resulted in the Group recognising a loss of approximately RMB77,894,000 in profit or loss, which is calculated as follows:

	RMB'000
Fair value of the 17.23% investment retained and classified as equity investment at FVTOCI	**93,157**
Less: carrying amount of the 25.49% investment on the date of the loss of significant influence on Lamtex	**(171,051)**
Loss upon deemed disposal recognised in profit or loss	**(77,894)**

(b) In November 2017, Mongolia Zhonghuan-GCL was established with independent third parties where the Group injected RMB900,000,000 as capital and holds 30% equity interest in Mongolia Zhonghuan-GCL.

(c) As at 31 December 2017, the Group held 3.47% equity interest in Xinxin which was accounted for as an AFS investment that was classified and measured at FVTPL as at 1 January 2018 upon adoption of IFRS 9. During the year ended 31 December 2018, the Group has further injected RMB350,000,000 whereas the other investors injected RMB1,750,000,000 into Xinxin for the increase of its registered capital, resulting the Group holding an aggregate of 5.97% equity interest in Xinxin and is given the right to appoint a director on its board. Given the Group's entitlement to represent on the board of Xinxin, which governs its financial and operating policy decisions, the Directors consider that the Group can exercise significant influence over Xinxin and it is therefore classified as an associate of the Group. Previously held equity interest measured at FVTPL was reclassified to interests in associates.

(d) In May 2018, the Group acquired 22.17% equity interest in Zhejiang Ruiyi at a consideration of RMB74,540,000. The Group is given the right to appoint two out of seven directors on the board of Zhejiang Ruiyi.

(e) GNE, a 62.28% owned subsidiary of the Group, holds 20% equity interest in Kashgar Solbright. Accordingly, the Group indirectly holds 12.46% equity interest in Kashgar Solbright.

(f) On 10 December 2018, as disclosed in note 44, GNE Group disposed of 80% equity interest in Huarong to an independent third party and retains significant influence on Huarong upon completion of this disposal. Accordingly, the remaining 20% equity interest in Huarong is accounted for as an investment in an associate which Group indirectly holds 12.46% equity interest.

(g) During the year ended 31 December 2018, GNE Group invested in Huaqiao for 30% equity interest with cash consideration of RMB30,000. GNE Group has significant influence on Huaqiao and the investment is accounted for as an associate. Accordingly, the Group indirectly holds 18.68% equity interest in Huaqiao.

20. INTERESTS IN ASSOCIATES (Continued)

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

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associates, Mongolia Zhonghuan-GCL and Xinxin, is set out below.

Mongolia Zhonghuan-GCL

	2018 RMB'000	2017 RMB'000
Current assets	3,051,317	3,000,000
Non-current assets	4,043,532	—
Current liabilities	(2,093,349)	—
Non-current liabilities	(1,595,600)	—

The above amounts of assets and liabilities include the following:

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	8,510	—

	2018 RMB'000	2017 RMB'000
Revenue	6,168,401	—
Profit for the year	406,467	—

The above profit for the year includes the following:

	2018 RMB'000	2017 RMB'000
Interest income	5,364	—
Interest expense	(87,062)	—

20. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Mongolia Zhonghuan-GCL (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Mongolia Zhonghuan-GCL recognised in the consolidated financial statements is set out below:

	2018 RMB'000	2017 RMB'000
Net assets of Mongolia Zhonghuan-GCL	**3,405,900**	3,000,000
Proportion of the Group's ownership interest in Mongolia Zhonghuan-GCL	**30%**	30%
Carrying amount of the Group's interest in Mongolia Zhonghuan-GCL	**1,021,770**	900,000

Xinxin

	2018 RMB'000
Current assets	**10,331,179**
Non-current assets	**35,566,675**
Current liabilities	**(5,351,214)**
Non-current liabilities	**(28,072,380)**

20. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of material associates (Continued)

Xinxin (Continued)

The above amounts of assets and liabilities include the following:

	2018 RMB'000
Cash and cash equivalents	**6,821,047**

	2018 RMB'000
Revenue	**2,086,282**
Profit for the year	**447,134**

The above profit for the year includes the following:

	2018 RMB'000
Interest expense	**184,869**

Reconciliation of the above financial information to the carrying amount of the interest in Xinxin recognised in the consolidated financial statements is set out below:

	2018 RMB'000
Net assets of Xinxin	**12,474,260**
Proportion of the Group's ownership interest in Xinxin	**5.97%**
Carrying amount of the Group's interest in Xinxin	**744,713**

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of (losses) profits	**(9,388)**	8,444

21. INTERESTS IN JOINT VENTURES

Details of the Group's investments in joint ventures are as follows:

	2018 RMB'000	2017 RMB'000
Cost of unlisted investment in joint ventures	**900,560**	903,361
Share of post-acquisition loss and OCI, net of dividends received	**(122,964)**	(126,362)
	777,596	776,999

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of company	Country of incorporation/ operation	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activities
		2018	2017	**2018**	2017	
SA Equity Holdco S.a.r.l ("SA Equity") (Note a)	Luxembourg/ South Africa	**51%**	51%	**51%**	51%	Investment holding of photovoltaic power generation projects in South Africa
GCL-SR Solar Energy, LLC	USA	**50%**	50%	**50%**	50%	Development of photovoltaic power generation projects in the USA
江蘇鑫華半導體材料科技有限公司 Jiangsu Xinhua Semiconductor Material Technology Co., Ltd.* ("Jiangsu Xinhua") (Note b)	PRC	**50.98%**	50.98%	**50.98%**	50.98%	Production and trading of semiconductor polysilicon
蘇州協鑫景世豐股權投資管理有限公司 Suzhou GCL Jingshifeng Investment Management Co., Ltd.* ("Jingshifeng") (Note c)	PRC	**53%**	53%	**53%**	53%	Investment and asset management
江蘇疌泉景世豐投資基金(有限合夥) Jiangsu Jiequan Jingshifeng Investment Fund (Limited Partnership)* ("Jiequan Jingshifeng") (Note d)	PRC	**50%**	50%	**50%**	50%	Investment and asset management

21. INTERESTS IN JOINT VENTURES (Continued)

Name of company	Country of incorporation/ operation	Proportion of ownership interest held by the Group		Proportion of voting right held by the Group		Principal activities
		2018	2017	2018	2017	
MIT GCL Investment Limited ("MIT GCL") (Note e)	Cayman Islands	**50%**	—	**50%**	—	Investment holding
GHC Investment Management Limited ("GHC") (Note f)	Cayman Islands	**50%**	—	**50%**	—	Investment holding
伊犁協鑫能源有限公司 Yili GCL New Energy Limited* ("Yili") (Note g)	PRC	**N/A**	31.14%	**N/A**	31.14%	Operation of solar farm in the PRC
啟創環球有限公司 Qichuang Global Limited* ("Qichuang") (Note h)	BVI/Japan	**31.14%**	31.14%	**31.14%**	31.14%	Operation of solar farm in Japan
西安中民協鑫新能源有限公司 Xi'an Zhongmin GCL New Energy Company Limited* ("Zhongmin GCL") (Note i)	PRC	**19.93%**	19.93%	**19.93%**	19.93%	Operation of solar farm in the PRC
銅陵徽銀北控新能源投資合夥企業(有限合夥) Tonglin Huiyin BE New Energy Investment Partnership Corporation (Limited Partnership)* ("Tongling Huiyin") (Note j)	PRC	**9.34%**	9.34%	**9.34%**	9.34%	Operation of solar farm in the PRC
北京京糧協鑫科技有限公司 Beijing Jing Liang Xie Xin GCL Technology Limited* ("Jingliang") (Note k)	PRC	**30.52%**	—	**30.52%**	—	Provide consultancy services on solar farm
AD Solar No. 3 Godo Kaisha ("AD3") (Note l)	Japan	**31.14%**	N/A	**31.14%**	N/A	Operation of solar farm in Japan
Himeji Tohori Taiyo-No-Sato No.1 Godo Kaisha ("Himeji") (Note l)	Japan	**31.14%**	N/A	**31.14%**	N/A	Operation of solar farm in Japan

* English name for identification only

21. INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) At 31 December 2018 and 2017, the Group holds a 51% equity interests in SA Equity which is an investment holding company for a 76% equity interest in each of Solar Reserve GCL Soutdrift PV1 Proprietary Limited and Solar Reserve GCL Humansrus PV1 Proprietary Limited that indirectly holds a 150MW photovoltaic power plant in South Africa.

Pursuant to the subscription agreement entered into by the Group and the other shareholder, the relevant activities of SA Equity require unanimous consent of the parties sharing control. As a result, SA Equity is accounted for as a joint venture of the Group.

(b) In April 2016, the Group entered into a joint venture investment agreement ("Investment Agreement") with an independent investor ("JV Partner"), pursuant to which the Group invested 50.98% equity interest in Jiangsu Xinhua at a consideration of RMB520,000,000 in the form of property, plant and equipment which approximates the fair values of the relevant assets at date of transfer. According to the Investment Agreement, the relevant activities require unanimous consent of the parties sharing control. The Directors consider that the Group can only exercise joint control over Jiangsu Xinhua and it is therefore classified as a joint venture of the Group.

Pursuant to the Investment Agreement, the JV Partner has the right to request the Group to repurchase its 49.02% equity interest at a premium if Jiangsu Xinhua failed to fulfill certain conditions. As this put option is a derivative financial instrument within the scope of IFRS 9/IAS 39, the Group measured it at fair value and recognised a loss on fair value change of derivative financial instruments of approximately RMB10,112,000 (2017: gain on fair value change of RMB112,000) to profit or loss for the year ended 31 December 2018. Further details are set out in note 40.

(c) In 2017, the Group entered into an agreement with independent third parties, pursuant to which the Group invested 53% equity interest and the independent third parties invested 42% and 5% in Jingshifeng at a consideration of RMB5,300,000, RMB420,000 and RMB50,000, respectively. According to the agreement, two-third of the votes is required to direct the relevant activities of Jingshifeng. The Directors consider that the Group can only exercise joint control over Jingshifeng and it is therefore classified as a joint venture of the Group. During the year ended 31 December 2017, RMB5,300,000 was contributed as capital of Jingshifeng.

(d) In August 2017, the Group entered into a partnership agreement with independent investors, pursuant to which the Group is committed to contribute RMB300,000,000 to the partnership for 50% equity interest and injected fund amounting to RMB90,000,000 as at 31 December 2017. Pursuant to the partnership agreement of Jiequan Jingshifeng, two-third of the votes is required to direct the relevant activities. The Directors consider that the Group can only exercise joint control over Jiequan Jingshifeng and the investment is therefore classified as a joint venture of the Group.

(e) In August 2018, the Group entered into a partnership agreement with an independent third party, pursuant to which the Group is committed to contribute US$13,000,000 (equivalent to RMB89,222,000) to the partnership for 50% equity interest and both parties injected US$25,000 (equivalent to RMB173,000) into MIT GCL as capital. According to the agreement, the relevant activities require unanimous consent from both parties. The Directors consider the Group can only exercise joint control over MIT GCL and it is therefore classified as a joint venture of the Group.

(f) During the year ended 31 December 2018, the Group entered into an agreement with an independent third party, pursuant to which the Group held 50% equity interest in GHC. The Group is given the right to appoint a director and the board comprises of two directors. The Directors consider the Group can only exercise joint control over GHC and it is therefore classified as a joint venture of the Group.

21. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(g) At 31 December 2017, GNE, a 62.28% owned subsidiary of the Group, held 50% equity interest in Yili. Therefore, the Group indirectly held 31.14% equity interest in Yili.

In August 2018, GNE Group injected capital of RMB7,369,000 into Yili whilst the joint venture partner had given up its right for an equivalent contribution. Accordingly, GNE Group's equity interest in Yili increased from 50% to 56.51%, which has become a subsidiary of GNE Group. GNE Group derecognised Yili as investment in joint venture, and accounted for the business combination under acquisition method. Despite the Group indirectly holds 35.19% of the effective equity interest in Yili, the Group considers to exercise control over Yili through GNE.

(h) At 31 December 2018 and 2017, GNE, a 62.28% owned subsidiary of the Group, holds 50% equity interest in Qichuang. Therefore, the Group indirectly holds 31.14% equity interest in Qichuang. During the year ended 31 December 2017, Qichuang, which GNE Group has a 50% equity interest, returned part of its capital amounting to JPY575,994,000 (equivalent to RMB34,276,000) to its shareholders. Cash of JPY125,200,000 (equivalent to RMB7,289,000) was received by GNE Group and the remaining of JPY162,797,000 (equivalent to RMB9,849,000) was set off with the amount due from Qichuang in 2017.

(i) Zhongmin GCL was established by GNE, a 62.28% owned subsidiary of the Group, with an independent third party in which GNE Group holds 32% equity interest and the attributed registered capital is RMB128,000,000. Accordingly, the Group indirectly holds 19.93% equity interest in Zhongmin GCL. During the year ended 31 December 2017, RMB33,040,000 was paid as capital injection to Zhongmin GCL. GNE Group has joint control over the arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreement for directing the relevant activities.

(j) Tongling Huiyin was established by GNE, a 62.28% owned subsidiary of the Group, with an independent third party in which GNE Group holds 15% equity interest and the attributed registered capital to be attributed by GNE Group amounted to RMB150,000,000. Accordingly, the Group indirectly holds 9.34% equity interest in Tongling Huiyin. During the year ended 31 December 2017, RMB1,500,000 was paid as capital injection to Tongling Huiyin. GNE Group has joint control over the arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreements for directing the relevant activities.

(k) During the year ended 31 December 2018, GNE Group contributed capital of RMB4,900,000 in Jingliang. GNE Group has joint control over the arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreement for directing the relevant activities. Accordingly, the Group indirectly holds 30.52% equity interest in Jingliang.

(l) As disclosed in note 44, GNE Group had two new joint ventures as a result of the disposal of GNE Group's 50% beneficial interest in AD3 and Himeji, solar farm projects in Japan and were then wholly-owned by GNE Group, to an independent third party in February 2018. GNE Group has joint control over the arrangement as under the contractual agreement, unanimous consent is required from all parties to the agreement for directing the relevant activities. Accordingly, the Group indirectly holds 31.14% equity interest in AD3 and Himeji.

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

21. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture

Summarised financial information in respect of the Group's material joint venture, Jiangsu Xinhua, is set out below.

Jiangsu Xinhua

	2018 **RMB'000**	2017 RMB'000
Current assets	**581,332**	492,750
Non-current assets	**1,765,495**	1,381,998
Current liabilities	**(437,340)**	(306,146)
Non-current liabilities	**(898,143)**	(555,304)

The above amounts of assets and liabilities include the following:

	2018 **RMB'000**	2017 RMB'000
Cash and cash equivalents	**94,425**	244,073
Non-current financial liabilities (excluding trade and other payables and provisions)	**(803,886)**	(470,239)

	2018 **RMB'000**	2017 RMB'000
Revenue	**43,521**	—
(Loss) profit for the year	**(1,954)**	1,824

21. INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint venture (Continued)

Jiangsu Xinhua (Continued)

The above (loss) profit for the year includes the following:

	2018 **RMB'000**	2017 RMB'000
Depreciation and amortisation	**(615)**	—
Interest income	**1,580**	6,898
Interest expense	**—**	(2,701)
Income tax credit	**7,098**	—

Reconciliation of the above summarised financial information to the carrying amount of the interest in Jiangsu Xinhua recognised in the consolidated financial statements is set out below:

	2018 **RMB'000**	2017 RMB'000
Net assets of Jiangsu Xinhua	**1,011,344**	1,013,298
Proportion of the Group's ownership interest in Jiangsu Xinhua	**50.98%**	50.98%
Carrying amount of the Group's interest in Jiangsu Xinhua	**515,583**	516,579

Aggregate information of joint ventures that are not individually material

	2018 **RMB'000**	2017 RMB'000
The Group's share of profits	**21,825**	17,587
The Group's share of OCI	**1,787**	6,753
The Group's share of total comprehensive income	**23,612**	24,340

22. AVAILABLE-FOR-SALE INVESTMENTS/OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2018 RMB'000	2017 RMB'000
Current assets		
AFS investments (note 3.3)	—	339,848
Debt instruments at FVTOCI:		
Debt securities listed on the Stock Exchange (Note a)	65,606	—
Other financial assets at FVTPL:		
Unlisted investments (Note b)	220,328	—
Non-current assets		
AFS investments (note 3.3)	—	442,322
Other financial assets at FVTPL:		
Unlisted investments (Note c)	171,597	131,689
Asset management plans (Note d)	100,000	—
Unlisted equity investments (Note e)	44,321	—
	315,918	131,689
Equity instruments at FVTOCI:		
Listed equity investments (Note f)	90,716	—

22. AVAILABLE-FOR-SALE INVESTMENTS/OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes:

(a) As at 31 December 2017, the investments on listed debt securities were classified as AFS at initial recognition, and reclassified to debt instruments at FVTOCI upon the application of IFRS 9 on 1 January 2018.

During the year ended 31 December 2018, the Group disposed of certain listed investments for total proceeds of US$7,066,000 (equivalent to RMB45,979,000) (2017: US$1,804,000 (equivalent to RMB7,343,000)), resulting in a loss on disposal of approximately RMB215,000 (2017: gain of approximately RMB152,000) recognised in profit or loss.

Details of impairment assessment are set out in note 46.

(b) As at 31 December 2018, the unlisted investments represent the financial products amounting to approximately RMB220,328,000 issued by a financial institution in Hong Kong. The return is guaranteed by the financial institution with specified rate of return of 7% per annum. The Directors consider the fair values of the unlisted investments, which are based on the prices provided by the financial institution, i.e. the prices they would pay to redeem the financial products at the end of the reporting period, approximate to their carrying value at 31 December 2018.

(c) The Group invested in the form of interests as limited partners, which hold a portfolio of unlisted investments. The primary objective of the investments is to earn income and capital gain. Pursuant to investment agreements, the beneficial interests held by the Group in these unlisted investments are in the form of participating shares or interests which primarily provide the Group with the share of returns from the unlisted investments but not any decision making power nor any voting right to involve in and control the daily operation. As at 31 December 2018, the unlisted investments mainly made up of private entities incorporated in the PRC and liquid financial assets (including cash and cash equivalents).

As at 31 December 2017, all the above investments were classified as financial assets designated as at FVTPL at initial recognition, and reclassified to financial assets at FVTPL upon the application of IFRS 9 on 1 January 2018.

(d) GNE Group invested in asset management plans managed by financial institutions in the PRC. The principal is not guaranteed by the relevant financial institution while the expected return rate as stated in the contract is 7.50% (2017: 7% to 7.50%) per annum. During the year ended 31 December 2018, the relevant investment amounting to RMB240,040,000 (2017: RMB60,010,000) was recouped with a return of RMB16,790,000 (2017: RMB2,883,000).

As at 31 December 2017, all the above investments were classified as AFS investments at initial recognition, and reclassified to financial assets mandatorily measured at FVTPL upon the application of IFRS 9 on 1 January 2018.

(e) The amount mainly represents the investments in unlisted equity instruments issued by private entities established in the PRC, Hong Kong and the USA.

As at 31 December 2017, all the above investments were classified as AFS investments at initial recognition, and reclassified to financial assets at FVTPL upon the application of IFRS 9 on 1 January 2018.

22. AVAILABLE-FOR-SALE INVESTMENTS/OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/ EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Notes: (Continued)

(f) The amount mainly represents the investments in Lamtex with details set out in note 20 and Millennial Lithium Corp. ("Millennial"), whose shares are listed on TSX Venture Exchange.

During the year ended 31 December 2018, the Group subscribed for 1,822,514 units in the capital of Millennial for Canadian dollars 6,379,000 (equivalent to RMB31,860,000), with each unit being comprised of one common share in Millennial and one half of one warrant and each warrant entitling the holder to purchase one common share in Millennial at a specific price for a specific period which will be expired in February 2020. With reference to the market value of the listed warrants, the Directors consider the fair value of the warrants as at initial recognition and 31 December 2018 is insignificant.

These investments are not held for trading; instead, they are held for long-term strategic purpose. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

23. CONVERTIBLE BONDS RECEIVABLE

The Directors have classified the convertible bonds receivable subscribed in 2018 as financial assets at FVTPL on initial recognition, and the fair value of the convertible bonds receivable at initial recognition and as at 31 December 2018 was determined with reference to a valuation prepared by an independent professionally qualified valuer, DTZ Cushman & Wakefield Limited, based on the Binomial Lattice Model.

The reconciliation of the change in fair value of the convertible bonds receivable is as follows:

	RMB'000
As at 1 January 2017	128,211
Redemption of convertible bonds	(141,717)
Gains credited to profit or loss (note 9B)	13,506
As at 31 December 2017	—
Subscription of convertible bonds at initial recognition	80,334
Receipt of interests	(2,423)
Change in fair value charged to profit or loss (note 9B)	(1,910)
As at 31 December 2018	76,001

Note: Exchange gain of the convertible bonds receivable of approximately RMB7,102,000 (2017: nil) has been recognised together with change in fair value to profit or loss for the year ended 31 December 2018.

23. CONVERTIBLE BONDS RECEIVABLE (Continued)

Year ended 31 December 2018

During the year ended 31 December 2018, the Group subscribed for the convertible bonds issued by Asia Energy Logistics Group Limited ("Asia Energy"), whose shares are listed on the Stock Exchange, with principal amount of HK$100,000,000 (equivalent to RMB80,334,000). The convertible bonds carry interest at 5.5% per annum payable semi-annually and mature on 2 March 2021.

The following key assumptions were applied:

	31 December 2018
Discount rate	**27.52%**
Share price (per share)	**HK$0.058**
Conversion price (per share)	**HK$0.1701**
Risk free interest rate	**1.7%**
Time to maturity	**2.17 years**
Expected volatily	**44.51%**
Expected dividend yield	**0%**

Year ended 31 December 2017

During the year ended 31 December 2013, the Group disposed of its 17.39% equity interests in China Merchant New Energy Holdings Limited ("CMNE") to Panda Green Energy Group Limited ("Panda Green", formerly known as United Photovoltaics Group Limited) ("CMNE Disposal") in exchange for the convertible bonds receivable from Panda Green with principal amount of HK$159,988,000 (equivalent to RMB125,783,000). The convertible bonds receivable was non-interest bearing and would mature on 10 June 2018.

There was a lock-up period of the convertible bonds receivable which expired on 31 December 2015. Each HK$1 of the convertible bonds receivable could be converted into one ordinary share of Panda Green, at any time after the lock-up period until the maturity date.

According to certain profit guarantee requirements set out in the sale and purchase agreement of the CMNE Disposal, if the profits earned by CMNE during 1 January 2013 to 31 December 2015 (the "Profit Guarantee Period") was less than approximately HK$495,000,000 (equivalent to RMB414,711,000, the "Guaranteed Profit"), the principal amount of the convertible bonds receivable would be downward adjusted in the proportion of the actual profits earned by CMNE during the Profit Guarantee Period to the Guaranteed Profit (the "Profit Guarantee Requirement"). No adjustment would be made if the Profit Guarantee Requirement achieved.

During the year ended 31 December 2017, the Group received an irrevocably redemption notice from Panda Green to early redeem the principal amount of the convertible bonds receivable at HK$159,988,000 (equivalent to approximately RMB141,717,000) and no adjustment is made on the principal amount as the Profit Guarantee Requirement achieved.

24. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**364,041**	260,200
Deferred tax liabilities	**(183,457)**	(221,842)
	180,584	38,358

The following are the deferred tax assets (liabilities) recognised and movements thereon during the year:

	Property, plant and equipment RMB'000	Withholding tax on undistributed profits RMB'000	Unrealised profits on inventories RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	80,513	(337,666)	26,150	(21,371)	(252,374)
Credit (charge) to profit or loss	65,243	(32,307)	87,777	(6,320)	114,393
Credit to profit or loss upon payment	—	183,611	—	—	183,611
Disposal of solar farm projects	(7,272)	—	—	—	(7,272)
At 31 December 2017	138,484	(186,362)	113,927	(27,691)	38,358
Credit (charge) to profit or loss	141,938	51,721	(22,888)	(13,630)	157,141
Disposal of solar farm projects	(14,915)	—	—	—	(14,915)
At 31 December 2018	265,507	(134,641)	91,039	(41,321)	180,584

At the end of the reporting period, the Group has unused tax losses of approximately RMB2,611,682,000 (2017: RMB1,347,807,000) contributed by continuing operations available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately RMB1,848,797,000 (2017: RMB775,209,000) will expire from 2019 to 2023 (2017: 2018 to 2022) and approximately RMB762,885,000 (2017: RMB572,598,000), subject to agreement by Hong Kong Inland Revenue Department, may be carried forward indefinitely.

24. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has deductible temporary differences mainly in respect of impairment of certain assets in aggregate of approximately RMB850,565,000 (2017: RMB278,309,000) for continuing operations. A deferred tax asset has been recognised in respect of approximately RMB526,105,000 (2017: nil) of such deductible temporary differences. No deferred tax asset has been recognised in relation to the remaining deductible temporary differences of approximately RMB324,460,000 (2017: RMB278,309,000) as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

25. INVENTORIES

	2018	2017
	RMB'000	RMB'000
Raw materials	**281,278**	328,818
Work in progress	**258,117**	275,669
Semi-finished goods (Note)	**271,787**	212,595
Finished goods	**180,055**	167,040
Solar modules	**790**	6,763
	992,027	990,885

Note: Semi-finished goods mainly represented polysilicon.

During the year ended 31 December 2018, cost of inventories recognised as cost of sales from continuing operations of approximately RMB13,446,890,000 (2017: RMB14,107,936,000) included write-down of inventories of approximately RMB10,236,000 (2017: RMB13,677,000) because the cost of certain inventories were higher than their net realisable values.

26. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/ TRADE AND OTHER RECEIVABLES

Deposits, prepayments and other non-current assets

	2018 RMB'000	2017 RMB'000
Deposits for acquisitions of property, plant and equipment	**85,688**	564,741
Consideration receivable (note 44)	**307,943**	—
Prepayments for engineering, procurement and constructions ("EPC") contracts and constructions (Note a)	**671,189**	543,301
Refundable value-added tax	**2,160,282**	2,715,802
Prepaid rent for parcels of land	**474,393**	378,849
Trade receivables	**—**	1,836,092
Others	**28,137**	44,630
	3,727,632	6,083,415

Trade and other receivables

	2018 RMB'000	2017 RMB'000
Trade receivables (Note b)	**10,025,417**	14,236,980
Less: allowance for credit losses	**(60,636)**	(333,425)
	9,964,781	13,903,555
Other receivables	**632,062**	469,631
Less: allowance for credit losses	**(76,063)**	(82,357)
	555,999	387,274
Refundable value-added tax	**1,680,839**	962,063
Consideration receivable (note 44)	**170,686**	—
Receivables for modules procurement (Note c)	**147,577**	164,004
Other loan receivables (Note d)	**20,250**	118,989
Advance to Borrowers (as defined in Note d)	**16,932**	115,981
Prepayments	**751,944**	721,257
	13,309,008	16,373,123

26. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/ TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables (Continued)

	2018	2017
	RMB'000	RMB'000
Analysed for reporting purposes as:		
— Current assets	**13,309,008**	14,537,031
— Non-current assets	**—**	1,836,092
	13,309,008	16,373,123

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB9,964,781,000 and RMB13,903,555,000, respectively.

Notes:

(a) Prepayments for EPC contracts and constructions represent payment in advance to contractors which will be transferred to property, plant and equipment in accordance with the percentage of completion of the constructions.

(b) The Group allows a credit period of approximately one month from the invoice date for trade receivables (excluding sales of electricity) and may further extend 3 to 6 months for settlement through bills issued by banks and financial institutions obtained from trade customers.

The following is an aged analysis of trade receivables (excluding sales of electricity and bills held by the Group for future settlement), net of allowances for credit losses, presented based on the invoice date at the end of the reporting period:

	2018	2017
	RMB'000	RMB'000
Within 3 months	**573,358**	834,270
3 to 6 months	**20,365**	6,411
Over 6 months	**127,683**	4,450
	721,406	845,131

For sales of electricity, the Group generally grants credit period of approximately one month to local power grid companies in the PRC from the date of invoice in accordance with the relevant electricity sales contracts between the Group and the respective local grid companies.

The balance as at 31 December 2017 included tariff adjustment receivables to be received from the state grid companies. The Directors expected certain part of the tariff adjustments receivables will be recovered after twelve months from the reporting date. Tariff adjustments are discounted at an effective interest rate ranged from 3.44% to 3.55% per annum as at 31 December 2017.

26. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/ TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables (Continued)

Notes: (Continued)

(b) (Continued)

The following is an aged analysis of trade receivables for sales of electricity (excluding bills held by the Group for future settlement), presented based on the invoice date at the end of the reporting period:

	2018 **RMB'000**	2017 RMB'000
Unbilled (Note)	**2,454,010**	4,365,887
Within 3 months	**337,718**	234,386
3 to 6 months	**252,612**	136,573
Over 6 months	**370,786**	162,151
	3,415,126	4,898,997

Note: As at 31 December 2018, amount represents unbilled basic tariff receivables for solar farms operated by the Group, and tariff adjustment receivables of those solar farms already registered in the Catalogue. The Directors expect the unbilled tariff adjustments would be billed and settled within one year from the end of the reporting period.

As at 31 December 2017, amount represented unbilled basic tariff and tariff adjustment receivables of all solar farms of which RMB1,836,092,000 are expected to be settled more than one year. Tariff adjustments related to solar farms yet to obtain approval for registration in the Catalogue were reclassified to contract assets as at 1 January 2018.

The aged analysis of the unbilled trade receivables, which is based on revenue recognition date, are as follows:

	2018 **RMB'000**	2017 RMB'000
0–90 days	**765,200**	1,450,588
91–180 days	**635,985**	1,033,524
181–365 days	**873,117**	1,088,723
Over 365 days	**179,708**	793,052
	2,454,010	4,365,887

As at 31 December 2018, trade receivables include bills received amounting to approximately RMB5,828,249,000 (2017: RMB8,159,427,000) are held by the Group for future settlement of trade receivables, of which certain bills issued by third parties of approximately RMB2,270,573,000 and RMB1,935,537,000 (2017: RMB2,363,392,000 and RMB1,561,129,000) are further endorsed by the Group with recourse for settlement of payables for purchase of plant and machinery, construction costs and trade payables and discounted to banks for financing with recourse, respectively. The Group continues to recognise their full carrying amount at the end of the reporting periods and details are disclosed in note 48. All bills received by the Group are with a maturity period of less than one year.

The Directors closely monitor the credit quality of trade and other receivables and consider the trade and other receivables, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment record.

26. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/ TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables (Continued)

Notes: (Continued)

(b) (Continued)

As at 31 December 2018, included in the Group's trade receivables balance (excluding sales of electricity) are debtors with aggregate carrying amount of approximately RMB278,706,000 which are past due as at the reporting date. Out of the past due balances, approximately RMB138,482,000 has been past due 90 days or more and is not considered as in default as part of such receivables are either covered by bills or with letters of credit issued by banks and advances from customers or substantially settled subsequent to the end of the reporting period.

As at 31 December 2018, included in these trade receivables for sales of electricity are debtors with aggregate carrying amount of RMB793,090,000 which are past due as at the end of the reporting date. These trade receivables relate to a number of customers represented the local grid companies in the PRC, for whom there is no recent history of default. The Group does not hold any collaterals over these balances.

As at 31 December 2017, included in the Group's trade receivables balance (excluding sales of electricity) are debtors with aggregate carrying amount of RMB112,164,000 which are past due as at the end of the reporting date. The Group has not provided for impairment loss for such receivables as part of such receivables are either covered by bills or letters of credit issued by banks and advances from customers or settled subsequent to the end of the reporting period.

Ageing of trade receivables (excluding sales of electricity) which are past due but not impaired:

	2017 RMB'000
Overdue	
1 — 90 days	102,984
91 — 150 days	3,939
More than 150 days	5,241
	112,164

Ageing of trade receivables for sales of electricity which are past due but not impaired:

	2017 RMB'000
Overdue	
1 — 90 days	155,079
91 — 150 days	85,880
More than 150 days	161,359
	402,318

Full allowance has been made for certain trade and other receivables which have been past due and considered as doubtful debts or irrecoverable by the management.

26. DEPOSITS, PREPAYMENTS AND OTHER NON-CURRENT ASSETS/ TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables (Continued)

Notes: (Continued)

(b) (Continued)

Movement of the allowance for doubtful debts for trade receivables is set out as follows:

	2017 RMB'000
1 January	376,179
Impairment loss recognised	1,706
Impairment loss reversed	(44,460)
31 December	333,425

Movement of the allowance for doubtful debts for other receivables is set out as follows:

	2017 RMB'000
1 January	82,849
Impairment loss recognised	292
Impairment loss reversed	(784)
31 December	82,357

As at 31 December 2017, included in the allowance for trade and other receivables are individually impaired trade and other receivables with an aggregate balance of RMB415,782,000 in which the counterparties have either in default of payments without any collateral held by the Group, have been placed under liquidation or in severe financial difficulties and it is not likely that such amounts will be recovered in the future.

(c) Receivables for modules procurement comprise modules procurement cost and commission earned by GNE Group which GNE Group allows credit period of 180 days to one year.

(d) GNE Group, as lender, entered into loan agreements with independent third parties (the "Borrowers") to provide credit facilities to finance their development and operation of certain solar farm projects in the PRC (the "Projects"). As at 31 December 2018, the outstanding balance is approximately RMB20,250,000 (2017: RMB118,989,000). The loans are repayable within twelve months from 31 December 2018 and carry interest ranging from 6% to 12% (2017: 10% to 12%) per annum.

As at 31 December 2017, certain loan receivables were secured by a pledge of equity interest of the Borrowers, pledge of the rights over electricity fee receivables by the Borrowers in the Projects and a grant of security over any future equipment and engineering works acquired or constructed by the Borrowers in the Projects.

Advance to Borrowers are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Details of impairment assessment of the trade and other receivables for the year ended 31 December 2018 are set out in note 46.

27. CONTRACT ASSETS

	31 December 2018 RMB'000	1 January 2018* RMB'000
Tariff adjustments		
Current	**—**	1,998,978
Non-current	**4,236,405**	1,836,092
	4,236,405	3,835,070

* The amounts in the column are after the adjustments from the application of IFRS 15.

The contract assets primarily relate to the portion of tariff adjustments for the electricity sold to the local state grid companies in the PRC in which the relevant on-grid solar farms are still pending for registration to the Catalogue. The contract assets are transferred to trade receivable when the Group's respective operating solar farms are registered in the Catalogue pursuant to prevailing national government policies on renewable energy for solar farms. The Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties.

Any amount previously recognised as contract assets is reclassified to trade receivables at the point at which it is registered in the Catalogue. The balance as at 31 December 2018 is classified as non-current as they are expected to be received after twelve months from the reporting date.

Details of the impairment assessment are set out in note 46.

28. AMOUNTS DUE FROM RELATED COMPANIES

The related companies included associates and joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate approximately 34% (2017: 34%) of the Company's share capital as at 31 December 2018 and exercise significant influence over the Company.

	2018	2017
	RMB'000	RMB'000
Amounts due from related companies		
— Trade related (Note a)	**611,818**	448,689
— Non-trade related (Note b)	**145,579**	40,450
	757,397	489,139
Amounts due from associates		
— Non-trade related (Note c)	**324,691**	—
Amounts due from joint ventures		
— Trade related (Note d)	**379**	35,658
— Non-trade related (Note e)	**160,775**	347,341
	161,154	382,999
	1,243,242	872,138
Less: allowance for credit losses	**(6,398)**	—
	1,236,844	872,138
Analysed for reporting purposes as:		
— Current assets	**934,216**	720,438
— Non-current assets	**302,628**	151,700
	1,236,844	872,138

28. AMOUNTS DUE FROM RELATED COMPANIES (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and the credit period is normally within 30 days (2017: 30 days).

(b) The amounts are unsecured, non-interest bearing and recoverable on demand, except for a loan granted by the Group to a wholly-owned subsidiary of GCL System Integration Technology Co, Ltd. ("GCL System Integration") to finance its operation amounting to approximately US$2,667,000 (equivalent to RMB20,105,000 (2017: RMB17,425,000)) in 2017. The loan is unsecured and interest-bearing at a fixed rate of 7% per annum.

(c) The amounts are unsecured, non-interest bearing and recoverable on demand, except for a deposit of approximately RMB142,194,000 pledged for the loans from Xinxin with repayment terms of 3 to 8 years. Details are set out in note 34.

(d) The amounts are unsecured, non-interest bearing and the credit period is normally within 30 days (2017: 30 days).

(e) The amounts are unsecured, non-interest bearing and repayable on demand, except for (i) GNE Group, as lender, entered into a loan agreement with Yili to finance their operation for a facility up to RMB160,000,000 with RMB151,700,000 drawn down as at 31 December 2017. The loan is unsecured and interest-bearing at a fixed rate of 6% per annum with no fixed repayment term. During the year ended 31 December 2018, Yili became a subsidiary of GNE (note 43) and the outstanding loan balance of RMB151,700,000 was eliminated; (ii) GNE Group, as lender, entered into two loan agreements with Jinhu of RMB64,000,000 and RMB38,815,000 (defined in note 44) to finance its operation during the year ended 31 December 2017. The loans were unsecured and interest-bearing at a fixed rate of 6% per annum with repayment terms of six to twelve months as at 31 December 2017. As at 31 December 2018, the RMB64,000,000 loan was re-negotiated to be recoverable on demand, and the remaining loan of RMB38,815,000 had its maturity extended to 31 December 2022 and interest-bearing at a fixed rate of 6% annum; and (iii) GNE Group entered into a loan agreement with Himeji to finance its operation for JPY102,270,000 (equivalent to approximately RMB6,331,000) during the year ended 31 December 2018. The loan is unsecured, interest-bearing at a fixed rate of 1% per annum and repayable on 31 December 2038.

The maximum amount outstanding during 2018 is approximately RMB40,450,000 (2017: RMB40,450,000) for non-trade related amounts due from companies in which Mr. Zhu Gongshan and his family have control.

The following is an aged analysis of amounts due from related companies (trade related) and joint ventures, net of allowance for credit losses, at the end of the reporting period, presented based on the invoice date which approximated the respective revenue recognition dates:

	2018 **RMB'000**	2017 RMB'000
Within 3 months	**163,249**	484,347
3 to 6 months	**399,286**	—
More than 6 months	**43,264**	—
	605,799	484,347

28. AMOUNTS DUE FROM RELATED COMPANIES (Continued)

The Directors closely monitors the credit quality of amounts due from related companies and consider those accounts, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment records of such parties.

Details of impairment assessment of amounts due from related companies for the year ended 31 December 2018 are set out in note 46.

29. HELD FOR TRADING INVESTMENTS

	2018	2017
	RMB'000	RMB'000
Listed securities:		
— Equity securities listed in Hong Kong	**108,408**	100,733

30. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES

Bank balances

Bank balances carry interest at floating rates which range from 0.01% to 0.385% (2017: from 0.001% to 0.385%) per annum or fixed rates which range from 0.03% to 2.75% (2017: 0.001% to 4%) per annum.

Pledged bank deposits

These bank deposits carry fixed interest rates ranging from 0.15% to 2.75% (2017: 0.30% to 2.75%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to approximately RMB1,809,600,000 (2017: RMB2,259,754,000) have been pledged to secure short-term borrowings granted to the Group and obligations under finance leases which are due within one year in the PRC and the USA and are therefore classified as current assets. The remaining deposits amounting to approximately RMB830,578,000 (2017: RMB1,087,800,000) have been pledged to secure long-term borrowings granted to the Group and obligations under finance leases which are due after one year, and are therefore classified as non-current assets.

30. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES (Continued)

Restricted bank deposits

The deposits carry interest at floating rates of 0.35% (2017: 0.30%) per annum or fixed rates which range from 0.80% to 2.80% (2017: 0.80% to 2.10%) per annum and will be released upon the settlement or discharge of the relevant letters of credit and guarantee.

Restricted bank deposits amounting to approximately RMB3,828,763,000 (2017: RMB1,460,286,000) have been restricted to secure bills and short-term letters of credit for trade and other payables and are therefore classified as current assets. The remaining deposits amounting to approximately RMB104,891,000 (2017: RMB99,048,000) have been restricted to secure obligations under finance leases and other payables which are due after one year, and are therefore classified as non-current assets.

31. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Disposal of solar farms

(a) 林州市新創太陽能有限公司 (Linzhou City Xinchuang Solar Company Limited*, "Linzhou Xinchuang")

On 24 October 2018, GNE Group entered into a share transfer agreement with 中廣核太陽能開發有限公司 (CGN Solar Energy Development Co., Ltd*, "CGN Solar"), an independent third party, pursuant to which GNE Group agreed to sell and CGN Solar agreed to purchase 80% equity interest of Linzhou Xinchuang at consideration of RMB93,488,000 and repayment of the corresponding shareholder's loan as at the date of completion of disposal. The final consideration will be adjusted based on the shareholder's loan amount as at the completion date. Linzhou Xinchuang operates solar farm projects in Linzhou, the PRC ("Linzhou Project").

GNE Group guaranteed that for the three-year period following the completion under the equity transfer agreement, Linzhou Project shall generate an average on-grid electricity per year of not less than the guaranteed amount, being 73.1 million kWh ("Guaranteed Amount") and is adjusted in accordance with the degradation rate of the solar panels from 30 June 2018 to the completion date. In the event that the Linzhou Project fails to reach the aforesaid target, GNE Group shall make up the loss suffered by CGN Solar and such guarantee shall extend for a period of three years. As the average annual on grid electricity generated by the project in the past two years well exceeded 73.1 million kWh, in the opinion of the directors of GNE, the fair value of the guarantee is insignificant as at initial date and 31 December 2018.

* English name for identification only

31. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Disposal of solar farms (Continued)

(a) 林州市新創太陽能有限公司 (Linzhou City Xinchuang Solar Company Limited*, "Linzhou Xinchuang") (Continued)

In addition, GNE Group has granted a put option to CGN Solar, pursuant to which GNE Group has agreed that if the Linzhou Project fails to generate an average annual on-grid electricity reaching 70% of the Guaranteed Amount during the three-year period, GNE Group shall repurchase the 80% equity interest in Linzhou Xinchuang from CGN Solar at a repurchase price to be agreed between both parties and replace all advancement from CGN Solar to Linzhou Xinchuang with its loan. As the average annual on-grid electricity generated by the project in the past two years well exceeded the aforesaid 70% requirement, in the opinion of the directors of GNE, the fair value of the option is considered insignificant as at 31 December 2018.

Besides, CGN Solar has granted GNE Group a put option, pursuant to which CGN Solar has agreed to grant GNE Group the right, but not an obligation, to request CGN Solar to purchase the remaining 20% equity interest in Linzhou Xinchuang upon the aforesaid guarantees being fulfilled. As the purchase price will be referenced to the fair value of Linzhou Project at the date of purchase of the remaining 20% equity interest in Linzhou Xinchuang by CGN Solar, in the opinion of the directors of GNE, the fair value of the option is considered insignificant as at 31 December 2018.

Details of this transaction are set out in the announcement of GNE dated 24 October 2018 and the disposal is completed on 15 February 2019.

(b) Wholly-owned subsidiaries of GNE Group, in Inner Mongolia, the PRC

On 30 December 2018, GNE Group entered into share transfer agreements with 中國三峽新能源有限公司 (China Three Gorges New Energy Company Limited*, "China Three Gorges New Energy"), an independent third party, pursuant to which GNE Group agreed to sell and China Three Gorges New Energy agreed to purchase 100% equity interest of several wholly-owned subsidiaries of GNE Group for consideration in aggregate of RMB184,643,000. The wholly-owned subsidiaries of GNE Group operate a number of solar farm projects in Inner Mongolia, the PRC.

As at 31 December 2018, the assets and liabilities attributable to these solar farm projects have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position.

* English name for identification only

31. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Disposal of solar farms (Continued)

As at 31 December 2018, the major classes of assets and liabilities of the disposal group are as follows:

	RMB'000
Property, plant and equipment	**1,068,080**
Prepaid lease payments	**1,828**
Other non-current assets	**97,335**
Trade and other receivables	**175,893**
Bank balances and cash	**44,873**
Total assets classified as held for sale	**1,388,009**
Other payables	**(60,781)**
Bank and other borrowings — due within one year	**(36,344)**
Other current liabilities	**(1,582)**
Bank and other borrowings — due after one year	**(836,611)**
Other non-current liabilities	**(145)**
Total liabilities associated with assets classified as held for sale	**(935,463)**
Net assets of solar farm projects classified as held for sale	**452,546**
Intragroup balances	**(162,864)**
Net assets of solar farm projects	**289,682**
Remaining net assets of Liuzhou Project held by GNE Group	**(24,259)**
Net assets to be disposed of	**265,423**

31. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

Disposal of solar farms (Continued)

The following is an aged analysis of trade receivables presented based on the invoice date at 31 December 2018, which approximated the respective revenue recognition date:

	RMB'000
0 — 90 days	**82,190**
91 — 180 days	**74,631**
	156,821

For the electricity sale business, GNE Group generally granted credit period of approximately one month to local power grid companies in the PRC from the date of invoice in accordance with the relevant electricity sales contract between GNE Group and the respective local grid companies.

The carrying amounts of the above borrowings are repayable*:

	RMB'000
Within on year	**36,344**
More than one year, but not exceeding two years	**54,375**
More than two years, but not exceeding five years	**238,125**
More than five years	**544,111**
	872,955
Less: bank and other borrowings – due within one year	**(36,344)**
Bank and other borrowings – due after one year	**836,611**

* The repayable amounts of bank and other borrowings are based on scheduled repayment dates set out in the respective loan agreements.

32. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables (Note a)	**5,793,158**	5,792,568
Construction payables (Note a)	**12,764,026**	11,131,959
Payables to vendor of solar farms	**98,758**	105,533
Payables for module procurement	**—**	32,324
Other payables	**742,089**	679,875
Salaries and bonus payable	**475,625**	815,427
Dividend payables to non-controlling shareholders of subsidiaries	**16,965**	28,778
Other tax payables	**175,229**	257,095
Interest payables	**217,514**	174,022
Advances from EPC contractors (Note b)	**196,001**	47,510
Accruals	**479,860**	526,656
	20,959,225	19,591,747

Notes:

(a) Included in the trade payables and construction payables are RMB2,557,898,000 (2017: RMB2,075,526,000) and RMB2,872,807,000 (2017: RMB1,899,905,000), respectively, in which the Group presented bills to relevant creditors for settlement and remained outstanding at the end of the reporting period, and endorsed bills with recourse with an aggregate amount of approximately RMB2,270,573,000 (2017: RMB2,363,392,000). All these bills are with a maturity period of less than one year.

(b) The advance represents the amounts received from EPC contractors for modules procurement, in which the modules will be used in construction of GNE Group's solar farms.

The credit period for trade payables is within 3 to 6 months (2017: 3 to 6 months).

The following is an aged analysis of trade payables (excluding bills presented by the Group for settlement and endorsed to banks with recourse) presented based on the invoice date at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Within 3 months	**1,862,007**	2,046,460
3 to 6 months	**1,246,563**	1,670,582
More than 6 months	**126,690**	—
	3,235,260	3,717,042

33. AMOUNTS DUE TO RELATED COMPANIES

The related companies included associates and joint ventures of the Group and companies controlled by Mr. Zhu Gongshan and his family members which hold in aggregate approximately 34% (2017: 34%) of the Company's share capital as at 31 December 2018 and exercise significant influence over the Company.

	2018 **RMB'000**	2017 RMB'000
Amounts due to related companies		
— Trade related (Note a)	**120,071**	95,984
— Non-trade related (Note b)	**68,640**	38,256
	188,711	134,240
Amounts due to associates		
— Trade related (Note c)	**180,607**	—
— Non-trade related (Note b)	**7,815**	—
	188,422	—
Amount due to a joint venture		
— Trade related (Note a)	**166,216**	38,125
— Non-trade related (Note b)	**34,743**	4,696
	200,959	42,821
	578,092	177,061

Notes:

(a) The amounts are unsecured, non-interest bearing and the credit period is normally within 30 days (2017: 30 days).

(b) The amounts are unsecured, non-interest bearing and repayable on demand.

(c) The amounts are unsecured, non-interest bearing and the credit period is normally within 30 days.

33. AMOUNTS DUE TO RELATED COMPANIES (Continued)

The following is an aged analysis of amounts due to related companies (trade related) at the end of the reporting period, presented based on the invoice date:

	2018 **RMB'000**	2017 RMB'000
Within 3 months	**341,761**	133,788
3 to 6 months	**69,350**	3
More than 6 months	**55,783**	318
	466,894	134,109

34. LOANS FROM RELATED COMPANIES

	2018 **RMB'000**	2017 RMB'000
Loans from:		
— an associate (Note a)	**1,621,949**	—
— companies controlled by Mr. Zhu Gong Shan and his family (Note b)	**1,977,840**	—
	3,599,789	—
Analysis as:		
Current	**508,000**	—
Non-current	**3,091,789**	—
	3,599,789	—

Notes:

(a) As at 31 December 2018, the amounts represent the advances from Xinxin arising from several financing arrangements. Advances of approximately RMB508,000,000 are secured, interest-bearing and repayable within one year, and are therefore classified as current liabilities. The remaining advances of approximately RMB1,113,949,000 are secured and interest-bearing with repayment terms of 3 to 8 years, and are therefore classified as non-current liabilities. These advances are secured by cash deposits of approximately RMB142,194,000 and carry interest ranging from 6% to 7.80% per annum.

(b) During the year ended 31 December 2018, GNE Group obtained three new loans from 協鑫集團有限公司 (GCL Group Limited*) and 南京鑫能陽光產業投資基金企業(有限合夥) (Nanjing Xinneng Solar Property Investment Fund Enterprise (Limited Partnership)*), totalling RMB1,977,840,000. These loans are unsecured, interest bearing at 8% per annum and have repayment terms of 2 years.

* English name for identification only

35. CONTRACT LIABILITIES/ADVANCES FROM CUSTOMERS

	31 December 2018 RMB'000	1 January 2018* RMB'000
Sales of polysilicon and wafer		
Current	**195,985**	612,263
Non-current	**197,411**	118,675
	393,396	730,938

* The amounts in this column are after the adjustments form the application of IFRS 15.

The Group entered into supply framework contracts with customers with continuous business relationships and received advance payments from these customers. When the Group receives certain percentage of deposts as an advance payment upon signing the supply framework contract, this will give rise to contract liabilities at the start of a contract, until the revenue recognised upon the order is fulfilled.

Contract liabilities are classified as current liabilities and non-current liabilities based on the agreed portion of advance payments to be utilised for the estimated amounts of purchase of goods as stated on the respective supply framework contracts within one year and after one year, respectively.

36. GOVERNMENT GRANTS

	2018 RMB'000	2017 RMB'000
Amounts credited to profit or loss during the year:		
Continuing operations		
Incentive subsidies (Note a)	**160,376**	85,736
Subsidies related to property, plant and equipment (Note b)	**78,054**	45,223
Value-added tax refunds related to depreciable assets (Note c)	**6,515**	6,515
Income tax credit ("ITC") (Note d)	**9,689**	3,836
	254,634	141,310

	2018 RMB'000	2017 RMB'000
Deferred income related to government grants:		
Subsidies related to property, plant and equipment (Note b)	**265,717**	343,770
Value-added tax refunds related to depreciable assets (Note c)	**37,619**	44,134
ITC (Note d)	**409,365**	219,038
Total	**712,701**	606,942
Less: current portion (included in deferred income)	**(54,615)**	(47,240)
Non-current portion (included in deferred income)	**658,086**	559,702

Notes:

(a) Incentive subsidies were received from the relevant PRC government for improvement of working capital and financial assistance to the operating activities to enhance the competitiveness in the industry. The amount also includes grants for relevant expenses incurred such as those for research and development activities and interest subsidies. The subsidies were granted on a discretionary basis to the Group during the year.

(b) The Group received government subsidies for capital expenditure incurred for the plant and machinery. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(c) The Group received value-added tax refunds on purchases of domestic manufactured plant and machinery. The amounts are deferred and amortised over the estimated useful lives of the respective plant and machinery.

36. GOVERNMENT GRANTS (Continued)

Notes: (Continued)

(d) Pursuant to the relevant prevailing federal policies in the USA, taxpayers that construct or acquire on or before 31 December 2019 qualified energy property are allowed to claim an energy ITC at 30% for the taxable year in which such property is placed in service by the taxpayer. The directors of GNE analysed the facts and circumstances of the ITC and determined that it is of nature of a government grant that is provided to GNE Group in the form of tax benefits relating to construction or acquisition of qualified energy property.

Against this, GNE Group entered into an inverted lease arrangement in February 2017 for its qualified solar farm projects in the USA ("Qualified Assets") with a third party financial institution, which acts as a tax equity investor, and the arrangement allows GNE Group to pass its entitled ITC ("ITC Benefit") that constitutes the right to offset against future tax payables to the tax equity investor for cash receipts in exchange. During the year ended 31 December 2017, ITC Benefit of GNE Group related to the Qualified Assets amounted to US$34,090,000 (equivalent to approximately RMB222,751,000) and was recognised as a government grant ("Grant") as there is a reasonable assurance that the relevant requirements for the tax benefit have been met. The Grant would be amortised over the useful lives of the Qualified Assets. Pursuant to the arrangement, the ITC Benefit was passed on by GNE Group to the tax equity investor and accordingly, the ITC Benefit was derecognised during the year that the inverted lease agreement was entered into with the tax equity investor. Approximately US$1,136,000 (equivalent to approximately RMB7,917,000 (2017: US$568,000 (equivalent to approximately RMB3,836,000)) of the Grant was recognised in profit or loss for the year as a government grant income and included in other income.

During the year ended 31 December 2018, GNE Group entered into another financing arrangement for its four qualified solar farm projects in the USA with a third party financial institution, in which GNE Group passed its ITC Benefit to the financial institution that constitutes the right to offset against future tax payables to the financial institution for cash receipts in exchange. During the year ended 31 December 2018, ITC Benefit of GNE Group related to the four projects amounted to US$27,304,000 (equivalent to approximately RMB187,392,000) (2017: nil) and was recognised as a Grant as there is a reasonable assurance that the relevant requirements for the tax benefit have been met. The Grant would be amortised over the useful lives of the Qualified Assets. Pursuant to the arrangement, the ITC Benefit was passed on by GNE Group to the financial institution and accordingly, the relevant ITC Benefit was derecognised during the year ended 31 December 2018. Approximately US$215,000 (equivalent to approximately RMB1,772,000) (2017: nil) of the Grant was recognised in profit or loss for the year as a government grant income and included in other income.

37. BANK AND OTHER BORROWINGS

Details of the bank and other borrowings are as follows:

	2018 **RMB'000**	2017 RMB'000
Bank loans	**37,021,174**	35,172,423
Other loans	**14,744,728**	14,792,499
	51,765,902	49,964,922
Representing:		
Secured	**40,330,546**	39,398,995
Unsecured	**11,435,356**	10,565,927
	51,765,902	49,964,922

37. BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the above borrowings are repayable*:

	2018 RMB'000	2017 RMB'000
Short-term borrowings	**10,699,437**	9,358,032
Long-term borrowings		
Within one year	**6,386,305**	7,749,747
More than one year, but not exceeding two years	**4,617,510**	7,993,787
More than two years, but not exceeding five years	**10,723,815**	11,382,084
More than five years	**11,135,737**	13,481,272
	32,863,367	40,606,890
	43,562,804	49,964,922
The carrying amount of bank loans that are repayable on demand due to breach of loan covenants (shown under current liabilities)	**8,203,098**	—
Less: amounts due within one year shown under current liabilities	**(25,288,840)**	(17,107,779)
Amounts due after one year	**26,477,062**	32,857,143
Analysed as:		
Fixed-rate borrowings	**11,669,538**	11,888,655
Variable-rate borrowings	**40,096,364**	38,076,267
	51,765,902	49,964,922

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

37. BANK AND OTHER BORROWINGS (Continued)

Included in the other loans are approximately RMB13,604 million (2017: RMB12,025 million) in which the Group entered into financing arrangements with financial institutions, pursuant to which the Group transferred the legal title of certain equipment of the Group to the relevant financial institutions and the Group is obligated to repay by instalments with a lease term of ranging from 2 year to 14.5 years (2017: 1 year to 12 years). However, the Group continued to operate and manage the relevant equipment during the lease term without any involvement from the financial institutions. Upon the maturity of the lease, the Group is entitled to purchase back the equipment at a minimal consideration, except for one of the financing arrangements with a financial institution that the Group can either exercise the early buyout option granted to the Group, in order to purchase back the relevant equipment at a pre-determined price in accordance with the financing agreement at the end of the seventh year of the lease term, or to purchase back the equipment from this financial institution at fair value upon the end of the lease period. Despite the arrangement involves a legal form of a lease, the Group accounted for the arrangement as a collateralised borrowing at amortised cost using effective interest method, in accordance with the substance of the arrangement.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are analysed as follows:

	2018 **RMB'000**	2017 RMB'000
Fixed-rate borrowings RMB borrowings	**1.20% to 13%**	1.20% to 11.40%
Euro ("EUR") borrowings	**2%**	2%
Variable-rate borrowings US$ borrowings	**London Interbank Offered Rate ("LIBOR") + 1.75% to 4.30%**	LIBOR + 1.75% to 3%
JPY borrowings	**LIBOR + 1.60%**	LIBOR + 1.60%
RMB borrowings	**100% to 161% of Benchmark Borrowing Rate of the People's Bank of China ("Benchmark Rate")**	90% to 140% of Benchmark Rate

37. BANK AND OTHER BORROWINGS (Continued)

The Group's borrowings are denominated in the currencies other than the functional currency of the relevant group entities are set out below:

	2018	2017
	RMB'000	RMB'000
EUR	**111,432**	125,617
US$	**5,247,224**	4,813,417

Certain borrowings are secured by property, plant and equipment, prepaid lease payments and bank deposits as set out in note 51.

At the end of the reporting period, the Group discounted bills with recourse in aggregated amount of RMB4,297,828,000 (2017: RMB3,101,447,000) to banks for short-term financing. At 31 December 2018, the associated borrowings amounted to approximately RMB1,935,537,000 (2017: RMB1,561,129,000). The related cash flows of these borrowings are presented as operating cash flows in the consolidated statement of cash flows as the management considers the cash flows are in substance, the receipts from trade customers.

The Group is required to comply with certain restrictive financial and other covenants and undertaking requirements.

In respect of bank borrowings with carrying amounts of approximately RMB2,181 million as at 31 December 2018, the Group is not able to meet certain of the covenant requirements primarily related to financial ratios of the Group, and thereby triggered the cross default clauses in several other bank borrowings of approximately RMB6,022 million. On discovery of the breach, the Directors informed the lenders and commenced renegotiations of the terms of the bank borrowings with the relevant bankers which waivers on strict compliance on the financial ratios have been obtained on 22 March 2019 and 27 March 2019. As at 31 December 2018, negotiations had not been concluded. Since the lenders have not agreed to waive their right to demand immediate payment as at the end of the reporting period, the bank borrowings have been classified as current liabilities as at 31 December 2018 as required by applicable accounting standards, despite the fact that waivers have been granted by the relevant banks and in which approximately RMB6,012 million of the bank borrowings will be due and repayable after 2019 in accordance with the original repayment terms.

During the year ended 31 December 2017, the Directors had reviewed all required covenant requirements of the Group and no breach of covenants was noted.

38. OBLIGATIONS UNDER FINANCE LEASES

The Group entered into sale and leaseback and finance lease agreements with lessors in respect of its property, manufacturing equipment and prepaid lease payments in the PRC, solar farms in the USA and an aircraft in Hong Kong.

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases				
Within one year	**347,637**	818,776	**277,138**	740,911
More than one year, but not exceeding two years	**412,719**	238,171	**365,589**	187,585
More than two years, but not exceeding five years	**514,640**	586,538	**455,513**	511,624
More than five years	**158,518**	235,523	**130,159**	196,482
	1,433,514	1,879,008	**1,228,399**	1,636,602
Less: future finance charges	**(205,115)**	(242,406)	**N/A**	N/A
Present value of lease obligations	**1,228,399**	1,636,602	**1,228,399**	1,636,602
Less: amount due for settlement within one year (shown under current liabilities)			**(277,138)**	(740,911)
Amount due for settlement after one year			**951,261**	895,691

Finance lease arrangements in the PRC

The Group entered into several finance lease agreements with third party financial institutions with lease terms of 3 to 5 years, pursuant to which the Group agreed to sell certain plants and equipment to the financial institutions, and concurrently lease the assets back for terms ranging from 3 to 5 years with quarterly rent payments. At the end of the lease term, the Group has the option to purchase the assets at nominal value. As the lease terms have covered major part of the useful lives of the relevant assets, the sale and leaseback arrangements resulted in finance leases.

At 31 December 2018, such finance leases have outstanding obligations of approximately RMB912,261,000 (2017: RMB1,309,512,000). The average effective interest rate of these leases is 4.90% (2017: 7.84%) per annum after adjusting the effect of initial direct costs. The Group's obligations under finance lease arrangements in the PRC are secured by pledged and restricted bank deposits of approximately RMB77,120,000 (2017: RMB220,120,000) made to lessors at the inception of the lease.

38. OBLIGATIONS UNDER FINANCE LEASES (Continued)

Finance lease arrangements in the USA

GCL Solar Energy Inc. ("GCL Solar"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries (collectively the "Project Companies"), entered into master lease agreements and various related agreements with Wells Fargo & Company ("Wells Fargo") and Bank of America Merrill Lynch ("Bank of America") (collectively the "Lease Agreements") to fund solar photovoltaic power projects ("Solar Projects"). Pursuant to the Lease Agreements, the Project Companies will design, construct and build the Solar Projects, and upon completion of which, will sell the Solar Projects to Wells Fargo and Bank of America which will in turn, lease back the Solar Projects to the Project Companies. Separately, the Project Companies have entered into power purchase agreements with end customers, who will buy electricity directly from the Project Companies.

In 2012 and 2011, the Project Companies sold 1MW Solar Projects to Bank of America, and 4.9MW to Bank of America and 11MW to Wells Fargo, respectively. Concurrent with the sale, the Project Companies entered into agreements to lease the Solar Projects back from Wells Fargo and Bank of America at a predetermined basis rent for terms of 17 to 25 years. At the end of the lease term, the Project Companies have the option to purchase the Solar Projects at market price, renew the lease, or dispose the Solar Projects. The sale and leaseback of all these Solar Projects resulted in finance leases and accordingly the excess of proceeds over the carrying amounts of these Solar Projects are deferred and amortised over the lease terms.

At 31 December 2018, such finance leases have outstanding obligations of US$26,947,000 (equivalent to RMB185,157,000) (2017: US$27,926,000 (equivalent to RMB182,477,000)). The average effective interest rate of these leases was 4.56% (2017: 5.90%) per annum after adjusting the effect of initial direct cost. The Group's obligations under these finance lease arrangements are secured by pledged and restricted bank deposits of approximately RMB110,724,000 (2017: RMB95,162,000) made to lessors at the inception of the lease.

Finance lease arrangements in Hong Kong

In 2013, the Group entered into a sale and leaseback agreement with a financial institution to sell an aircraft for an amount of US$35,000,000 (equivalent to RMB219,412,000), and concurrently lease the aircraft back for a term of 7 years. At the end of the lease term, the Group has the option to purchase the aircraft at nominal value. The sale and leaseback arrangement resulted in a finance lease at a floating rate of 3 months LIBOR with a margin per annum.

The Group also entered into several finance lease agreements with third party financial institutions with lease terms of 3 years, pursuant to which the Group agreed to sell certain plant and equipment to financial institutions, and concurrently lease the assets back for terms ranging from 3 to 5 years with monthly rental payments. At the end of the lease term, the Group has the option to purchase the assets at nominal value. As the lease terms have covered major part of the useful lives of the relevant assets, the sale and leaseback arrangement resulted in finance leases.

38. OBLIGATIONS UNDER FINANCE LEASES (Continued)

Finance lease arrangements in Hong Kong (Continued)

At 31 December 2018, such finance leases have outstanding obligations of approximately RMB130,981,000 (2017: RMB144,613,000). The average effective interest rate of these leases is 6.80% (2017: 5.30%) per annum after adjusting the effect of initial direct costs. The Group's obligations under finance lease arrangement in Hong Kong are secured by a pledged and restricted bank deposit of approximately RMB34,316,000 (2017: RMB32,671,000) made to lessors at the inception of the lease.

39. NOTES AND BONDS PAYABLES

The carrying amounts of the Group's notes and bonds payables are as follows:

	2018	2017
	RMB'000	RMB'000
7.05% fixed rate notes due 2018 (Note a)	**—**	1,320,000
7.50% fixed rate notes due 2018 (Note b)	**—**	160,000
7.00% fixed rate notes due 2018 (Note c)	**—**	500,000
5.60% fixed rate notes due 2018/2020 (Note d)	**207,517**	1,000,000
4.15% fixed rate notes due 2019/2021 (Note d)	**1,000,000**	1,000,000
Less: unamortised issuance costs	**(20,796)**	(33,346)
Net carrying amount	**1,186,721**	3,946,654
7.50% fixed interest non-public green bonds due 2020 (Note e)	**536,334**	882,760
7.10% fixed interest senior notes due 2021 (Note f)	**3,398,063**	—
	5,121,118	4,829,414
Less: amount due within one year shown under current liabilities	**(984,453)**	(2,968,031)
Amount due for settlement after one year shown under non-current liabilities	**4,136,665**	1,861,383

39. NOTES AND BONDS PAYABLES (Continued)

Notes:

(a) On 15 November 2011, Jiangsu Zhongneng issued RMB1,500,000,000 notes due on 15 November 2018 (the "Notes") in the PRC unless there is an earlier resale pursuant to the terms of the Notes. The Notes bore interest at a fixed rate of 7.05% per annum for the first five years, payable annually in arrears on 15 November each year, commencing from 15 November 2012.

Jiangsu Zhongneng had the absolute right (but not the obligation) to adjust upward the annual interest rate within the range from 0 to 100 basis point upon the end of five years from the date of issue. The interest rate for the last two years would be 7.05% per annum plus any of the upward adjustment.

Any investors of the Notes had the right to register within 5 business days from the date of announcement of any upward adjustment of the interest rate upon the end of five years from the date of issue in order to qualify for resale of the whole or any part of the Notes held by them to Jiangsu Zhongneng at par.

During the year ended 31 December 2018, the amount was fully repaid upon maturity.

(b) On 18 June 2015, the Shanghai Stock Exchange issued a notice to Jiangsu Zhongneng that the terms of the proposed non-public issue of not more than RMB1,500,000,000 bonds by Jiangsu Zhongneng to qualified investors had fulfilled the trading conditions of the Shanghai Stock Exchange and that it had no objection to the trading of such proposed issue.

On 27 October 2015, Jiangsu Zhongneng issued notes payable in an aggregate principal amount of RMB700,000,000 to qualified investors in the PRC. The maturity date of the notes payable was 23 October 2018 and bore interest at 7.5%, which was payable annually, commencing from 23 October 2015.

During the year ended 31 December 2017, the principal amount totalling RMB540,000,000 was repaid.

During the year ended 31 December 2018, the remaining amount was fully repaid upon maturity.

(c) On 20 May 2015, the Association issued a notice to GCL-Poly Suzhou that it had accepted the registration of a total amount of RMB2,500,000,000 medium-term notes to be issued by GCL-Poly Suzhou.

On 20 July 2015, GCL-Poly Suzhou issued the first tranche of the medium-term notes in the principal amount of RMB500,000,000 due 2018 to financial institutions in the PRC. The maturity date of the notes payable was 20 July 2018 and bore interest at a fixed rate of 7% per annum, which was payable annually, commencing from 20 July 2016.

During the year ended 31 December 2018, the amount was fully repaid upon maturity.

39. NOTES AND BONDS PAYABLES (Continued)

Notes: (Continued)

(d) On 16 October 2015, the China Securities Regulatory Commission issued a notice to GCL-Poly Suzhou that it had approved the issue of not more than RMB2,000,000,000 notes payable to be issued by GCL-Poly Suzhou to qualified investors, and that the first tranche and the second tranche of such issue should be completed within 12 months and 24 months from the date of approval, respectively.

On 30 October 2015, GCL-Poly Suzhou issued notes payable in an aggregate principal amount of RMB1,000,000,000 to qualified investors in the PRC. The maturity date of the notes payable is 28 October 2020. If the option to resell is selected by the investors, the maturity date of the notes payable would be 28 October 2018. Any investor has the option to resell in face value any part of or the whole of the notes held by them to GCL-Poly Suzhou on the third interest payment date. The notes payable bears interest at 5.6% per annum, which is payable annually on 28 October in each year up to maturity date. If any investor selects to sell the notes held back to GCL-Poly Suzhou, the interest payable date will be on 28 October in each year up to 28 October 2018. The interest commencement date is 28 October 2015.

On 28 October 2018, certain investors have exercised the option to resell the notes to GCL-Poly Suzhou with face value of RMB792,483,000 and the amounts are repaid accordingly.

On 27 September 2016, GCL-Poly Suzhou completed the issue of the second tranche notes payable in an aggregate principal amount of RMB1,000,000,000 to qualified investors in the PRC. The maturity date of the notes payable is 26 September 2021. If the option to resell is selected by the investors, the maturity date of the notes payable would be 26 September 2019. Any investor has the option to resell in face value any part of or the whole of the notes held by them to GCL-Poly Suzhou on the third interest payment date. The notes payable bears interest at 4.15% per annum, which is payable annually on 26 September in each year up to maturity date. If any investor selects to sell the notes held back to GCL-Poly Suzhou, the interest payable date will be on 26 September in each year up to September 2019. The interest commencement date is 26 September 2016.

(e) On 3 August 2017 and 7 December 2017, GNE Group completed the first tranche and second tranche of the non-public issuance of green bonds amounting to RMB375,000,000 and RMB560,000,000, respectively, for a term of 3 years with a fixed interest rate of 7.5% per annum. As part of the second tranche amounting to RMB50,000,000 was subscribed by GNE Group via an external trust, total net proceeds of RMB881,460,000 (net of transaction costs of approximately RMB3,540,000), that are directly attributable to the issuance of the bond, was presented as the bonds payable liability as at 31 December 2017.

During the year ended 31 December 2018, GNE Group further acquired via an external trust part of the first tranche and second tranche of the non-public green bonds amounting to RMB100,000,000 and RMB250,000,000 respectively. As at 31 December 2018, the first tranche and second tranche of the non-public green bonds, amounting to RMB100,000,000 (2017: nil) and RMB300,000,000 (2017: RMB50,000,000) have been acquired by GNE Group, respectively.

(f) On 23 January 2018, GNE Group issued senior notes of US$500 million (equivalent to RMB3,167 million), which bear interest at 7.1% per annum and mature on 30 January 2021. The net proceeds of the notes issuance, after deduction of underwriting discounts and commissions and other expenses, amounted to approximately US$493 million (equivalent to RMB3,120 million).

40. DERIVATIVE FINANCIAL INSTRUMENTS

	Put option of interests in Jiangsu Xinhua
	RMB'000
As at 1 January 2017	16,011
Change in fair value credited to profit or loss (note 9B)	(112)
As at 31 December 2017	15,899
Change in fair value charged to profit or loss (note 9B)	10,112
As at 31 December 2018	26,011

In April 2016, the Group entered into the Investment Agreement with the JV Partner pursuant to which the JV Partner is given a right to request the Group to repurchase its 49.02% equity interest in Jangsu Xinhua at a premium under the following circumstances:

(a) If Jiangsu Xinhua fails to complete a qualified initial public offering ("IPO") at a mutually agreed stock exchange within a specified time frame;

(b) If Jiangsu Xinhua meets the listing requirements of the specified stock exchanges but fails to complete a qualified IPO due to external factors such as a change in government policy or other factors out of Jiangsu Xinhua's control;

(c) If Jiangsu Xinhua fails to produce polysilicon to the level of quality and specification stipulated under the Investment Agreement within a specified time frame; or

(d) If there is a significant breach by the Group on the relevant terms of the Investment Agreement or actions brought by the Group resulting in significant adverse impact to the joint venture and the Group fails to remediate such breach within the period required by the JV Partner.

The Directors had recognised the put option of interests in Jiangsu Xinhua as derivative financial instruments and initially recognised at fair value with subsequent changes in fair value recognised in profit or loss. During the year ended 31 December 2018, the Group remeasured the fair value with a loss on fair value change of the derivative financial instruments of approximately RMB10,112,000 (2017: gain of approximately RMB112,000) recognised to profit or loss.

Details of the inputs and assumption adopted in the valuation are described in note 47.

41. CONVERTIBLE BONDS PAYABLES

	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Total RMB'000
At 1 January 2017	1,154,536	858,461	2,012,997
Change in fair value charged to profit or loss (note 9B)	37,771	118,744	156,515
Payment of interests	(7,727)	(51,563)	(59,290)
Partial redemption of convertible bonds	(344,965)	—	(344,965)
At 31 December 2017	839,615	925,642	1,765,257
Change in fair value charged to profit or loss (note 9B)	40,768	5,524	46,292
Change in fair value charged to OCI	—	108	108
Payment of interests	(3,063)	(41,072)	(44,135)
Redemption of convertible bonds	(877,320)	(890,202)	(1,767,522)
At 31 December 2018	—	—	—

Note: Exchange gain of the convertible bonds payables of approximately RMB7,990,000 (2017: RMB102,527,000) has been recognised together with change in fair value to profit or loss for the year ended 31 December 2018.

2019 Convertible Bonds issued by the Company

On 22 July 2015, the Company completed the issue of convertible bonds due 2019 (the "2019 Convertible Bonds") in the aggregate principal amount of US$225,000,000 (equivalent to approximately RMB1,397,115,000), at the interest rate of 0.75% per annum.

The bonds entitled the holders to convert into ordinary shares of the Company at any time after six months of the date of issue to the maturity date at an initial conversion price of HK$2.60 per share, but would be subject to adjustment of anti-dilution protection. If the bonds had not been converted, they would be redeemed at 107.70% of its principal amount upon maturity. The Company would, at the option of the bondholders, redeem all or some of the holder's bonds as requested on 22 July 2018, at 105.70% of the principal amount of the bonds when a relevant event had occurred or might occur. If at anytime that 90% of the bonds had been converted and/or redeemed and/or cancelled, the Company might redeem the remaining bonds in whole together with the unpaid interest.

41. CONVERTIBLE BONDS PAYABLES (Continued)

2019 Convertible Bonds issued by the Company (Continued)

The proceeds of the issuance of the 2019 Convertible Bonds was primarily used for the early redemption of the convertible bonds due 2018. The Directors had designated the 2019 Convertible Bonds as FVTPL and initially recognised at fair value. It is remeasured at fair value with changes in fair value recognised in profit or loss in subsequent periods.

The conversion price of the 2019 Convertible Bonds was adjusted to HK$2.45 with effect from 24 December 2015 as a result of the declaration of a special dividend, and it was adjusted further down to HK$2.34 with effect from 29 December 2015 as a result of the determination of entitlements to the rights issue of shares of the Company on 26 January 2016.

During the year ended 31 December 2017, the Company partially redeemed the 2019 Convertible Bonds in the principal amount of US$50,000,000 at the purchase price of US$49,375,000 (equivalent to RMB344,965,000) under a private arrangement.

During the year ended 2018, the Company received a notice from the bondholders to redeem the outstanding 2019 Convertible Bonds in full in the principal amount of US$125,000,000 (equivalent to RMB839,615,000) at the redemption price of US$132,593,750 (equivalent to RMB877,320,000). The redemption was completed on 23 July 2018 and accordingly, the 2019 Convertible Bonds was fully redeemed.

Convertible bonds issued by GNE

On 27 May 2015 and 20 July 2015, GNE issued three-year convertible bond at a nominal value of HK$775,100,000 (equivalent to approximately RMB611,244,000) ("Talent Legend Issue") and HK$200,000,000 (equivalent to approximately RMB157,720,000) ("Ivyrock Issue"), respectively. Details of the major terms and conditions of the convertible bonds are set out in notes of the Group's 2017 report.

The Group designated the convertible bonds (including the conversion option) as financial liabilities at FVTPL which are initially recognised at fair value. Transaction costs relating to the issuance of the convertible bonds are charged to profit or loss immediately. In subsequent periods, such convertible bonds are remeasured at fair value. Prior to 1 January 2018, changes in fair value was recognised in profit or loss. Upon the application of IFRS 9, the change in fair value that is attributed to change in credit risk is recognised in OCI with the remaining fair value change recognised in profit or loss.

The fair values of the convertible bonds were determined by independent qualified valuers based on the Binomial Lattice Model for the year ended 31 December 2017.

Talent Legend Issue and Ivyrock Issue were redeemed during the year ended 31 December 2018 on their maturities at HK$868,112,000 (equivalent to RMB701,348,000) and HK$224,000,000 (equivalent to RMB188,854,000), respectively.

41. CONVERTIBLE BONDS PAYABLES (Continued)

The following key assumptions were applied:

2019 Convertible Bonds issued by the Company

	31 December 2017
Discount rate	7.51%
Share price (per share)	HK$1.40
Conversion price (per share)	HK$2.34
Risk free interest rate	1.20%
Time to maturity	1.56 years
Expected volatility	39.91%
Expected dividend yield	0%

Convertible bonds issued by GNE

	31 December 2017	
	Talent Legend Issue	Ivyrock Issue
Discount rate	18.26%	17.73%
Fair value of each share of GNE	HK$0.550	HK$0.550
Conversion price (per share)	HK$0.754	HK$0.754
Risk free interest rate	1.00%	1.01%
Time to maturity	0.40 year	0.55 year
Expected volatility	69.69%	63.28%
Expected dividend yield	0%	0%

42. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Ordinary shares of HK$0.1 each		
Authorised		
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	30,000,000	3,000,000
Issued and fully paid		
At 1 January 2017	18,587,565	1,858,756
Exercise of share options (Note a)	4,456	446
At 31 December 2017 and 1 January 2018	18,592,021	1,859,202
Exercise of share options (Note a)	352	35
Share repurchased and cancelled (Note b)	(262,424)	(26,242)
	18,329,949	1,832,995

	2018 RMB'000	2017 RMB'000
Shown in the financial statements as	**1,610,009**	1,632,181

Notes:

(a) During the year ended 31 December 2018, share option holders exercised their rights to subscribe for 192,007 and 160,000 (2017: 3,493,479 and 963,000) ordinary shares in the Company at HK$0.586 and HK$1.16 (2017: HK$0.586 and HK$1.16) per share, respectively, with the net proceeds of approximately RMB249,000 (2017: RMB2,676,000).

42. SHARE CAPITAL (Continued)

Notes: (Continued)

(b) During the year ended 31 December 2018, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of shares of HK$0.1 each	Price per share Highest	Lowest	Aggregate consideration paid	Equivalent aggregate consideration paid
		HK$	HK$	HK$'000	RMB'000
June 2018	232,424,000	0.78	0.73	176,905	144,620
July 2018	30,000,000	0.69	0.67	20,378	18,124
	262,424,000			197,283	162,744

During the year ended 31 December 2018, the Company repurchased and cancelled 262,424,000 shares of its own shares and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against the share premium. An amount equivalent to the nominal value of the shares cancelled was transferred from accumulated profits to the capital redemption reserve.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during both years.

All shares issued during the years ended 31 December 2018 and 2017 rank pari passu in all respects with the then existing shares of the Company.

43. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2018, GNE Group had several acquisitions due to business expansion, for a controlling stake in certain companies for a total consideration of approximately RMB12,759,000 (2017: RMB42,201,000).

For the companies set out in note (i) below are solar farm project companies in development stage and did not have any substantial economic resources and processes for creating economic benefits; accordingly, GNE Group considers the nature of these acquisitions as acquisitions of assets in substance and the considerations have been allocated first to the financial assets acquired and financial liabilities assumed at the respective fair values. The remaining balance of the considerations is then allocated to other identifiable assets and liabilities on the basis of their relative fair values at the date of acquisitions.

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

For the other acquisitions as mentioned in note (ii) below, these solar farm project companies are in on-grid stage with relevant economic resources as at the date of the respective acquisitions which are considered as businesses. Therefore, those acquisitions are considered as business combinations under IFRS 3 and accounted for using acquisition method.

Year ended 31 December 2018

(i) Assets acquisition

(a) Acquisition of 化隆協合太陽能發電有限公司 ("Hualong")

On 31 August 2018, GNE Group acquired 100% equity interest in Hualong at a consideration of RMB1,200,000. At the date of acquisition, Haulong had a 20MW solar farm project under development. The project was completed and connected to the grid in November 2018.

(b) Acquisition of 青海百能光伏投資管理有限公司 ("Qinghai Baineng")

On 31 August 2018, GNE Group acquired 100% equity interest in Qinghai Baineng at a consideration of RMB3,400,000. At the date of acquisition, Qinghai Baineng had a 10MW solar farm project under development. The project was completed and connected to the grid in November 2018.

	Hualong	**Qinghai Baineng**	**Total**
	RMB'000	RMB'000	RMB'000
Assets and liabilities recognised at the date of acquisition			
Property, plant and equipment	6,455	629	7,084
Prepayments and other receivables	2,426	2,766	5,192
Bank balances and cash	24	5	29
Other payables	(7,705)	—	(7,705)
Total identifiable net assets acquired	1,200	3,400	4,600
Consideration payable to the former owner	(1,200)	(3,400)	(4,600)
Cash consideration paid	—	—	—
Bank balances and cash acquired	24	5	29
Net cash inflow	24	5	29

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(ii) Business acquisition

(a) Acquisition of 易縣國鑫能源有限公司 ("Yixian")

On 31 January 2018, GNE Group acquired 100% equity interest in Yixian at a consideration of RMB10,000. At the date of acquisition, Yixian had a solar farm project with capacity of 20MW in operation.

(b) Acquisition of 神木縣國泰農牧發展有限公司 ("Guotai")

On 20 April 2018, GNE Group acquired 80% equity interest in Guotai at a consideration of RMB80,000. At the date of acquisition, Guotai had two solar farm projects with total capacity of 40MW in operation.

(c) Acquisition of Yili

As at 31 December 2017, GNE Group held 50% equity interest in Yili which was accounted as a joint venture of the Group (note 21). On 24 August 2018, GNE Group acquired an additional 6.51% equity interest in Yili through capital contribution of RMB7,369,000 with the other shareholder given up its right for an equivalent contribution. The acquisition is considered as step-acquisition under IFRS 3 and accounted for using acquisition method at the acquisition date. GNE Group had derecognised the joint venture carrying amount and recognised any gain or loss in profit and loss for the deemed disposal. At the date of acquisition, Yili had a solar farm project with total capacity of 30MW in operation.

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(ii) Business acquisition (Continued)

(d) Acquisition of 神木縣晶登電力有限公司 ("Jingdeng")

On 10 September 2018, GNE Group acquired 80% equity interest in Jingdeng at a consideration of RMB700,000. At the date of acquisition, Jingdeng had three solar farm projects with total capacity of 140MW in operation.

	Yixian	Guotai	Yili	Jingdeng	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value of assets and liabilities recognised at the date of acquisition					
Property, plant and equipment	164,010	359,732	169,233	1,047,374	1,740,349
Trade receivables	—	2,541	48,303	3,519	54,363
Contract assets	—	35,777	—	197,940	233,717
Prepayments and other receivables	32,319	147,144	15,297	187,642	382,402
Bank balances and cash	5,677	5,311	10,791	10,793	32,572
Other payables	(83,798)	(353,532)	(185,988)	(813,093)	(1,436,411)
Borrowings	(118,198)	(196,873)	—	(633,030)	(948,101)
Total fair value of identifiable net assets acquired	10	100	57,636	1,145	58,891
Non-controlling interest	—	(20)	(25,216)	(445)	(25,681)
Consideration payable to the former owner	(10)	(80)	—	(700)	(790)
Fair value of previously held equity interest	—	—	(25,051)	—	(25,051)
Cash consideration paid	—	—	(7,369)	—	(7,369)
Bank balances and cash acquired	5,677	5,311	10,791	10,793	32,572
Net cash inflow	5,677	5,311	3,422	10,793	25,203

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(ii) Business acquisition (Continued)

Impact of acquisition on the results of the Group

Had the acquisition as mentioned in (ii) been effected at the beginning of the year, total amounts of revenue and profit for the year of the Group would have been RMB5,749,047,000 and RMB770,930,000, respectively. Such pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the year, nor is it intended to be a projection of future results.

In determining the above pro-forma financial information, depreciation and amortisation of the property, plant and equipment was calculated based on their recognised amounts at the date of the acquisition.

The revenue and profit contributed by entities acquired during the year in note (ii) are RMB94,610,000 and RMB8,646,000, respectively.

The fair value and gross contractual amount of trade and other receivables at the date of acquisition amounted to RMB274,953,000. The estimate at acquisition date of contractual cash flows not expected to be collected is insignificant.

Year ended 31 December 2017

(i) Assets acquisition

(a) Acquisition of 中衛市利和光伏電力有限公司 ("Zhongwei Lihe")

On 24 April 2017, GNE Group acquired 100% equity interest in Zhongwei Lihe and its subsidiaries, 武邑潤豐新能源有限公司 ("Runfeng") and 武邑新陽新能源有限公司 ("Xinyang") at a consideration of RMB200,000. At the date of acquisition, each of Runfeng and Xinyang had a 20 MW solar farm project under development. The projects were connected to the grid in July 2017.

(b) Acquisition of 海東市源通光伏發電有限公司 ("Haidong Yuantong")

On 20 October 2017, GNE Group acquired 100% equity interest in Haidong Yuantong at a consideration of RMB200,000. At the date of acquisition, Haidong Yuantong had a 20MW solar farm project under development. The project was connected to the grid in January 2018.

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

Year ended 31 December 2017 (Continued)

(i) Assets acquisition (Continued)

(c) Acquisition of 互助昊陽光伏發電有限公司 ("Huzhu Haoyang")

On 17 November 2017, GNE Group acquired 100% equity interest in Huzhu Haoyang at a consideration of RMB100,000. At the date of acquisition, Huzhu Haoyang had a 40MW solar farm project under construction. The project was completed and connected to the grid in December 2017.

(d) Acquisition of 蘭溪金瑞農業科技有限公司 ("Lanxi Agriculture")

On 24 November 2017, GNE Group acquired 100% equity interest in Lanxi Agriculture at a consideration of RMB1,300,000. At the date of acquisition, Lanxi Agriculture is in preliminary development stage.

	Zhongwei Lihe	**Haidong Yuantong**	**Huzhu Haoyang**	**Lanxi Agriculture**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities recognised at the date of acquisition					
Property, plant and equipment	57,061	149,461	340,008	8,602	555,132
Prepayments and other receivables	622	26,644	98,148	800	126,214
Bank balances and cash	—	44	2	—	46
Other payables	(57,483)	(175,949)	(438,058)	(8,102)	(679,592)
Total identifiable net assets acquired	200	200	100	1,300	1,800
Consideration payable to the former owner	(200)	(200)	(100)	(1,300)	(1,800)
Cash consideration paid	—	—	—	—	—
Bank balances and cash acquired	—	44	2	—	46
Net cash inflow	—	44	2	—	46

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

Year ended 31 December 2017 (Continued)

(ii) Business acquisition

(a) Acquisition of Sannohe Solar Power 1 GK ("Sannohe")

On 18 May 2016, GNE Group entered into an equity purchase agreement with an individual, pursuant to which GNE Group agreed to acquire the entire equity interest of Sannohe, for a consideration of JPY500,000,000 (equivalent to RMB30,250,000). The transaction was completed on 19 January 2017. At the date of acquisition, Sannohe had a 3.75MW solar farm project in operation.

(b) Acquisition of 曲陽晶投新能源科技有限公司 ("Quyang Jingtou")

On 19 July 2017, GNE Group acquired 100% equity interest in Quyang Jingtou at a consideration of RMB2,090,000. At the date of acquisition, Quyang Jingtou had a 30MW solar farm project in operation.

(c) Acquisition of 蘭溪金瑞太陽能發電有限公司 ("Lanxi Solar")

On 24 November 2017, GNE Group acquired 100% equity interest in Lanxi Solar at a consideration of RMB1,050,000. At the date of acquisition, Lanxi Solar had two 20MW solar farm projects in operation.

(d) Acquisition of 神木縣晶富電力有限公司 ("Shenmu Jingfu")

On 14 December 2017, GNE Group acquired 80% equity interest in Shenmu Jingfu at a consideration of RMB2,385,600. At the date of acquisition, Shenmu Jingfu had two solar farm projects, with total capacity of 40MW, in operation.

(e) Acquisition of 神木縣晶普電力有限公司 ("Shenmu Jingpu")

On 14 December 2017, GNE Group acquired 80% equity interest in Shenmu Jingpu at a consideration of RMB4,625,200. At the date of acquisition, Shenmu Jingpu had three solar farm projects, with total capacity of 140MW, in operation.

43. ACQUISITIONS OF SUBSIDIARIES (Continued)

Year ended 31 December 2017 (Continued)

(ii) Business acquisition (Continued)

	Sannohe	Quyang Jingtou	Lanxi Solar	Shenmu Jingfu	Shenmu Jingppu	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Fair value of assets and liabilities recognised at the date of acquisition						
Property, plant and equipment	75,041	235,727	248,504	319,237	1,130,007	2,008,516
Trade receivables	100	5,968	25,056	29,746	130,427	191,297
Prepayments and other receivables	4,039	81,065	37,155	41,808	261,544	425,611
Bank balances and cash	284	4,892	9,171	3,470	15,014	32,831
Other payables	(49,214)	(143,995)	(83,759)	(278,309)	(568,735)	(1,124,012)
Bank and other borrowings	—	(181,567)	(235,077)	(112,970)	(962,475)	(1,492,089)
Total fair value of identifiable net assets acquired	30,250	2,090	1,050	2,982	5,782	42,154
Non-controlling interest (Note)	—	—	—	(596)	(1,157)	(1,753)
Consideration paid during the year ended 31 December 2016	(29,800)	—	—	—	—	(29,800)
Consideration payable to the former owner	(450)	(2,090)	(1,050)	(2,386)	(4,625)	(10,601)
Cash consideration paid	—	—	—	—	—	—
Bank balances and cash acquired	284	4,892	9,171	3,470	15,014	32,831
Net cash inflow	284	4,892	9,171	3,470	15,014	32,831

Note: The non-controlling interest (20%) in Shenmu Jingfu and Shenmu Jingpu recognised at the acquisition date was measured at proportionate share of the net assets acquired.

44. DISPOSAL OF SUBSIDIARIES

Year ended 31 December 2018

(i) Disposal of 蘇州客准光伏科技有限公司 (Suzhou Kezhun Photovoltaic Technology Co. Ltd.*, "Suzhou Kezhun")

On 28 December 2018, the Group entered into a share transfer agreement with an independent third party to dispose of its entire 100% equity interest in Suzhou Kezhun at a consideration of RMB850,000,000.

	RMB'000
Consideration:	
Consideration received	297,500
Consideration receivable (Note)	462,488
	759,988
Analysis of assets over which control was lost:	
Property, plant and equipment	199,202
Prepaid lease payments	33,309
Other receivables	7,109
Bank balances and cash	500
Total assets disposed of	240,120
Gain on disposal of the subsidiary:	
Consideration received and receivable	759,988
Total assets disposed of	(240,120)
Expenses attributable to the disposal	(75,000)
Gain on disposal	444,868
Net cash inflow arising on disposal:	
Cash consideration	297,500
Less: bank balances and cash disposed of	(500)
	297,000

* English name for identification only

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(i) Disposal of 蘇州客准光伏科技有限公司 (Suzhou Kezhun Photovoltaic Technology Co. Ltd.*, "Suzhou Kezhun") (Continued)

Note: Pursuant to the share transfer agreement, part of the consideration amounting to RMB552,500,000 will be settled in four instalments by 30 June 2021. Accordingly, the amount is adjusted for the effects of time value of money using an effective interest rate of 10% per annum. Such consideration receivables are recorded on the consolidated statement of financial position of the Group at 31 December 2018 as follows:

	RMB'000
Other receivables (note 26):	
— Current	154,545
— Non-current	307,943
	462,488

(ii) Disposal of solar farm projects in the PRC

(a) On 20 May 2018, 蘇州協鑫新能源投資有限公司 (Suzhou GCL New Energy Investment Co., Ltd.*, "Suzhou GCL New Energy"), a subsidiary of GNE Group, entered into a share transfer agreement with an independent third party. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 100% equity interest of 內蒙古鑫景光伏發電有限公司 (Inner Mongolia Xinjing Photovoltaic Electric Power Co., Ltd.*, "Xinjing") at a consideration of RMB22,000,000.

* English name for identification only

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(ii) Disposal of solar farm projects in the PRC (Continued)

(b) On 10 December 2018, Suzhou GCL New Energy, a subsidiary of GNE Group, entered into a share transfer agreement with an independent third party, CGN Solar. Pursuant to the agreement, Suzhou GCL New Energy agreed to sell 80% equity interest of Huarong at a consideration of RMB119,155,000. Huarong operates solar farm projects in Huarong, the PRC ("Huarong Project").

GNE Group guaranteed that for the three-year period following the completion date under the equity transfer agreement, Huarong Project shall generate an average on-grid electricity per year of not less than the guaranteed amount, being 115.4 million kWh and is adjusted in accordance with the degradation rate of the solar panels from 30 June 2018 to the completion date. In the event that the Huarong Project fails to reach the aforesaid target, Suzhou GCL New Energy shall make up the loss suffered by CGN Solar and such guarantee shall extend for a period of three years. As the average annual on grid electricity generated by the project in the past two years well exceeded 115.4 million kWh, in the opinion of the directors of GNE, the fair value of the guarantee is insignificant as at the completion date on 20 May 2018 and 31 December 2018.

In addition, GNE Group has granted a put option to CGN Solar, pursuant to which GNE Group has agreed that (i) if the Huarong Project fails to generate an average annual on-grid electricity reaching 70% of the aforesaid on-grid electricity during the three-year period; (ii) if Huarong fails to receive the tariff adjustment continuously for reasons unrelated to CGN Solar, GNE Group shall repurchase the 80% equity interest in Huarong from CGN Solar at a repurchase price to be agreed between both parties and replace all advancement from CGN Solar to Huarong with its loan. As the average annual on-grid electricity generated by the project in the past 2 years well exceeded the aforesaid 70% requirement, and GNE Group obtained legal opinion from GNE Group's PRC legal advisor that Huarong Project has met the requirement and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff adjustment when the electricity was delivered on grid, in the opinion of the directors of GNE, the fair value of the option is considered insignificant as at the completion date on 20 May 2018 and 31 December 2018.

Besides, CGN Solar has granted to GNE Group a put option, pursuant to which CGN Solar has agreed to grant GNE Group the right, but not an obligation, to request CGN Solar to purchase the remaining 20% equity interest in Huarong upon the aforesaid guarantee being fulfilled. As the purchase price will be made reference to the fair value of the project at the date of purchase of the remaining 20% equity interest in Huarong by CGN Solar, in the opinion of the directors of GNE, the fair value of the option is considered insignificant as completion date on 20 May 2018 and 31 December 2018.

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(ii) Disposal of solar farm projects in the PRC (Continued)

	Xinjing RMB'000	Huarong RMB'000	Total RMB'000
Consideration:			
Consideration receivable	—	10,950	10,950
Consideration received	22,000	108,205	130,205
	22,000	119,155	141,155
Analysis of assets and liabilities over which control was lost:			
Property, plant and equipment	109,403	588,909	698,312
Other non-current assets	16,868	91,447	108,315
Bank balances and cash	—	8,323	8,323
Trade and other receivables	1,712	147,989	149,701
Trade and other payables	(126,305)	(134,694)	(260,999)
Bank and other borrowings	—	(547,964)	(547,964)
Net assets disposed of	1,678	154,010	155,688
Gain on disposal of subsidiaries:			
Total consideration	22,000	119,155	141,155
Carrying amount of the residual interest	—	36,816	36,816
Net assets disposed of	(1,678)	(154,010)	(155,688)
Gain on disposal	20,322	1,961	22,283
Net cash inflow arising on disposal:			
Cash consideration received	22,000	108,205	130,205
Less: bank balances and cash disposed of	—	(8,323)	(8,323)
	22,000	99,882	121,882

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(iii) Disposal of solar farm projects in Japan

(a) Disposal of AD3

On 9 February 2018, GNE Group entered into a transfer agreement with an independent third party to dispose 50% beneficial interest of its then wholly-owned subsidiary, AD3, a solar farm project in Japan, at a consideration of JPY419,200,000 (equivalent to approximately RMB24,422,000). Upon completion of the disposal on the same date, GNE Group and the independent third party have joint control over AD3, as under the contractual agreement, unanimous consent is required from both parties to the agreement in directing the relevant activities of AD3. Part of the consideration, amounting to JPY330,100,000 (equivalent to approximately RMB19,231,000), has been received on the date of share transfer agreement as deposits. The remaining consideration of JPY89,100,000 (equivalent to approximately RMB5,191,000) will be paid upon fulfilment of certain conditions. Accordingly, AD3 is classified as a joint venture of GNE Group since 9 February 2018.

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2018 (Continued)

(iii) Disposal of solar farm projects in Japan (Continued)

(b) Disposal of Himeji

On 14 February 2018, GNE Group entered into an equity interest transfer agreement with an independent third party. Pursuant to the agreement, GNE Group agreed to transfer 50% beneficial interest in Himeji to the independent third party resulting GNE Group and the independent third party having joint control over Himeji, as under the contractual agreement, unanimous consent is required from both parties to the agreement for directing the relevant activities. Accordingly, Himeji is classified as a joint venture of GNE Group since 14 February 2018.

	AD3	**Himeji**	**Total**
	RMB'000	RMB'000	RMB'000
Consideration:			
Consideration received	19,231	—	19,231
Consideration receivable	5,191	—	5,191
	24,422	—	24,422
Carrying amount of residual interest	11,801	1,745	13,546
	36,223	1,745	37,968
Less: net identifiable assets derecognised:			
Property, plant and equipment	19,028	—	19,028
Prepaid lease payments	—	14,564	14,564
Trade and other receivables	4,233	5	4,238
Bank balances and cash	374	2,055	2,429
Trade and other payables	(33)	(15,121)	(15,154)
Net identifiable assets disposed of	23,602	1,503	25,105
Gain on disposal of subsidiaries	12,621	242	12,863
Net cash inflow (outflow) arising on disposal:			
Cash consideration received	19,231	—	19,231
Less: bank balances and cash disposal of	(374)	(2,055)	(2,429)
	18,857	(2,055)	16,802

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2017

(i) Disposal of PCB business

On 2 August 2017, GNE Group completed its disposal of PCB business and details are set out in note 12. The net assets of PCB business at the date of disposal were as follows:

	RMB'000
Consideration received:	
Total consideration received	218,042

	2 August 2017 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	334,334
Prepaid lease payments	6,396
Other non-current assets	17,237
Inventories	192,401
Trade and other receivables	472,466
Bank balances and cash	26,930
Trade and other payables	(504,830)
Bank borrowings — due within one year	(198,862)
Obligations under finance leases — due within one year	(30,020)
Other current liabilities	(65,773)
Obligations under finance leases — due after one year	(11,589)
Other non-current liabilities	(21,510)
Net assets disposed of	217,180
Gain on disposal of a subsidiary:	
Consideration received	218,042
Net assets disposed of	(217,180)
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	86,512
Transaction costs	(862)
Gain on disposal	86,512
Net cash inflow arising on disposal:	
Cash consideration, net of transaction costs	217,180
Less: bank balances and cash disposed of	(26,930)
	190,250

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2017 (Continued)

(i) Disposal of PCB business (Continued)

The impact of PCB business on the Group's results and cash flows in the prior period is disclosed in note 12.

(ii) Disposal of solar farm projects in the PRC

On 30 June 2017, GNE Group entered into share transfer agreements with Zhongmin GCL, a joint venture of GNE Group, pursuant to which GNE Group agreed to sell and Zhongmin GCL agreed to purchase 100% equity interest of 金湖正輝太陽能電力有限公司 (Jinhu Zhenghui Photovoltaic Co., Ltd.*, "Jinhu") and 山東萬海電力有限公司 (Shandong Wanhai Solar Power Co., Ltd.*, "Wanhai") for consideration of approximately RMB191,496,000 and RMB70,420,000, respectively. Part of the consideration, amounting to RMB250,600,000, has been paid on the date of share transfer agreements as deposits. GNE Group has an option to repurchase the equity interest of those two solar farm projects upon 5 years from the completion of share transfers at the then fair value. As the repurchase price will be made reference to the fair value of projects at the date of repurchase, in the opinion of the directors of GNE, the fair value of the option is considered insignificant. Details of these transactions are set out in the announcement of GNE dated 30 June 2017.

On 31 July 2017, 蘇州協鑫新能源開發有限公司 (Suzhou GCL New Energy Development Co., Ltd.*, "Suzhou Development"), a subsidiary of GNE Group, entered into a share transfer agreement with Fuyang New Energy, an independent third party. Pursuant to the agreement, Suzhou Development agreed to sell 100% equity interest of one of its subsidiaries, 東營協鑫光伏科技有限公司 (Dongying GCL Photovoltaic Technology Co., Ltd.*, "Dongying") at a consideration of RMB25,910,000.

* English name for identification only

44. DISPOSAL OF SUBSIDIARIES (Continued)

Year ended 31 December 2017 (Continued)

(ii) Disposal of solar farm projects in the PRC (Continued)

The net assets of those three solar farm projects at the date of disposal were as follows:

	Jinhu	Wanhai	Dongying	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration:				
Consideration received	185,700	64,900	25,910	276,510
Consideration receivable	5,796	5,520	—	11,316
Total consideration	191,496	70,420	25,910	287,826
Analysis of assets and liabilities over which control was lost:				
Property, plant and equipment	711,281	245,264	77,738	1,034,283
Prepaid lease payments	1,011	1,522	—	2,533
Other non-current assets	58,962	42,463	8,128	109,553
Trade and other receivables	149,519	63,909	3,927	217,355
Bank balances and cash	81,064	13,903	6,101	101,068
Trade and other payables	(27,426)	(27,276)	(82,728)	(137,430)
Bank borrowings	(670,000)	(240,000)	—	(910,000)
Intragroup payables	(123,977)	(24,304)	—	(148,281)
Net assets disposed of	180,434	75,481	13,166	269,081
Gain (loss) on disposal of subsidiaries:				
Total consideration	191,496	70,420	25,910	287,826
Net assets disposed of	(180,434)	(75,481)	(13,166)	(269,081)
Gain (loss) on disposal	11,062	(5,061)	12,744	18,745
Net cash inflow arising on disposal:				
Cash consideration received	185,700	64,900	25,910	276,510
Less: bank balances and cash disposed of	(81,064)	(13,903)	(6,101)	(101,068)
	104,636	50,997	19,809	175,442

45. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2017.

The capital structure of the Group consists of net debt, which mainly includes loans from related companies, bank and other borrowings, obligations under finance leases and notes and bonds payables and convertible bonds payables, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors review the capital structure on a periodical basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or the redemption of existing debt.

46. FINANCIAL INSTRUMENTS

46a. Categories of financial instruments

	2018 **RMB'000**	2017 RMB'000
Financial assets		
FVTPL:		
Mandatorily measured at FVTPL		
— Held for trading	**108,408**	100,733
— Other financial assets at FVTPL	**536,246**	—
— Designated as at FVTPL	**—**	131,689
— Convertible bonds receivable	**76,001**	—
AFS investments	**—**	782,170
Equity instruments at FVTOCI	**90,716**	—
Debt instruments at FVTOCI	**65,606**	—
Financial assets at amortised cost	**23,070,635**	—
Loans and receivables (including cash and cash equivalents)	**—**	30,997,964
Financial liabilities		
FVTPL:		
Convertible bonds issued by GNE	**—**	925,642
2019 Convertible Bonds issued by the Company	**—**	839,615
Derivative financial instruments	**26,011**	15,899
Amortised cost	**81,173,036**	73,731,883

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies

The management provides services to the business units, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The management reports periodically to the Directors who monitor risks and policies implemented to mitigate exposures.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Foreign currency risk management

The Group's exposure to foreign currency risk arose from certain pledged and restricted bank deposits and bank balances, bank and other borrowings, obligations under finance leases, trade and other receivables and payables, amounts due from related companies, held for trading investments, other financial assets at FVTPL, debt instruments at FVTOCI (2017: AFS investments), notes and bonds payables, convertible bonds receivable and payables of the Group that are denominated in foreign currencies. The Group currently does not have a currency risk hedging policy. However, the management monitors foreign currency risk exposure by closely monitoring the movement of foreign currency rate and considers hedging against it should the need arise.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk management (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
The Group				
EUR	**50,174**	56,251	**129,606**	131,494
HK$	**344,327**	319,285	**497,189**	955,977
US$	**1,253,633**	4,372,717	**8,929,539**	6,103,701
Inter-company balances				
HK$	**210,917**	240,691	**24,674**	269,863
US$	**1,187,235**	1,153,827	**677,577**	696,499
JPY	**45,858**	53,594	**—**	—

The foreign currency assets in 2018 and 2017 mainly related to the HK$ denominated bank balances, held for trading investments and convertible bonds receivable, US$ denominated other financial assets at FVTPL, debts instruments at FVTOCI (2017: AFS investments), trade and other receivables, amounts due from related companies, pledged and restricted bank deposits and bank balances, and EUR denominated pledged and restricted bank deposits and bank balances as set out in notes 22, 23, 26, 28, 29 and 30, respectively.

The foreign currency liabilities in 2018 and 2017 mainly related to the HK$ denominated other payables and convertible bonds issued by GNE, US$ denominated trade and other payables, bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds issued by the Company as set out in notes 32, 37, 38, 39 and 41, respectively.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

The following sensitivity analysis details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in functional currency of respective entities against the relevant foreign currencies. 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. The sensitivity analysis also includes inter-company balances where the denomination of the balance is in a currency other than the functional currency of the lender or the borrower. Where functional currency of the respective entities had strengthened 5% (2017: 5%) against the relevant foreign currencies, profit or loss of the respective year would be affected as follows. For a 5% (2017: 5%) weakening of functional currency of respective entities against the relevant foreign currency, there would be an equal and opposite impact on the profit or loss for the respective year.

The Group

	EUR	**HK$**	**US$**
	RMB'000	RMB'000	RMB'000
2018			
Decrease in loss for the year	**2,979**	**5,732**	**287,846**
2017			
Increase in profit for the year	2,822	24,970	47,762

Inter-company balances

	HK$	**US$**	**JPY**
	RMB'000	RMB'000	RMB'000
2018			
Increase in loss for the year	**(6,984)**	**(19,112)**	**(1,720)**
2017			
Increase (decrease) in profit for the year	1,094	(17,150)	(2,010)

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk management

The Group is exposed to fair value interest rate risk in relation to fixed-rate debt instruments at FVTOCI (2017: AFS investments), amounts due from (to) related companies, loans from related companies, pledged and restricted bank deposits, bank and other borrowings, obligations under finance leases and notes and bonds payables and convertible bonds payables (see notes 22, 28, 30, 33, 34, 37, 38, 39 and 41 for details of the above financial instruments, respectively). The Group currently has not entered into interest rate swaps to hedge against its exposure to changes in fair values of such financial assets and financial liabilities.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits and bank balances and variable-rate bank borrowings (see notes 30 and 37).

The management has considered the Group's exposure to cash flow interest rate risk in relation to variable-rate pledged and restricted bank deposits and bank balances (see note 30) to be limited because the current market interest rates on general deposits are relatively low and stable.

It is the Group's policy to maintain an appropriate level between its fixed-rate and variable-rate borrowings so as to minimise the fair value and cash flow interest rate risk.

Interest income from financial assets that are measured at amortised cost or FVTOCI is as follows:

	2018 **RMB'000**	2017 RMB'000
Financial assets at amortised cost	**148,723**	—
Financial assets at FVTOCI	**4,908**	—
Loan and receivables (including bank balances and cash)	**—**	228,910
	153,631	228,910

Interest expense on financial liabilities not measured at FVTPL is as follows:

	2018 **RMB'000**	2017 RMB'000
Financial liabilities at amortised cost	**3,531,284**	2,733,137

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. The following sensitivity analysis is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Variable-rate borrowings

If interest rates had been 50 basis points higher/lower on LIBOR and the lending benchmark interest rate stipulated by Benchmark Rate and all other variables were held constant, the Group's loss for the year ended 31 December 2018 would have increased/decreased by approximately RMB150,361,000 (2017: profit for the year would have decreased/increased by approximately RMB142,786,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings. The Group's exposure to cash flow interest rate risk has increased during the current year mainly due to the increase in variable-rate borrowings. On the other hand, the Group's exposure to fair value interest rate risk has decreased during the year mainly due to the decrease in fixed-rate borrowings. The Group's exposure to fair value interest rate risk relating to convertible bonds is mainly on the fluctuation of discount rate resulting from changes in benchmark interest rate. The sensitivity analysis for change in discount rate is disclosed in note 47(i).

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities and convertible bonds receivable and payables. The Group's equity price risk is mainly concentrated on equity instruments operating in solar, and securities and financial service industries sector quoted on the Stock Exchange. In addition, the Group has monitored the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date. If the equity prices had been 5% (2017: 5%) higher/lower, post-tax loss for the year ended 31 December 2018 would decrease/increase by approximately RMB4,248,000 and RMB4,158,000, respectively (2017: post-tax profit would decrease/increase by RMB6,243,000 and RMB5,803,000, respectively) as a result of the changes in fair value of held for trading investments and convertible bonds receivable (2017: held for trading investments and convertible bonds receivables and payables).

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

As at 31 December 2018, other than financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by GNE Group is disclosed in note 56. GNE Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets and financial guarantee contracts.

Trade receivables, amounts due from related companies (trade related) and contract assets arising from contracts with customers

In order to minimise the credit risk, each major operating business has a policy of credit control in place under which credit evaluations of customers are performed on all customers requiring credit.

Credit terms are granted to customers which are either secured by bills or with letters of credit issued by banks or good credit quality customers. The management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

Credit risk on sales of polysilicon and wafer is not significant as the major customers are listed entities with good repayment history, and significant portion of trade receivables are either secured by bills or with letters of credit issued by banks or advances from customers.

The trade receivables arising from sales of electricity are mainly due from the local electric power bureaus in various provinces in the PRC. The management considered the probability of default of trade receivables is low since the local electric power bureaus are state-owned grid companies, and taking into the account the past payment histories of the debtors, adjusted for general economic conditions of the solar industry and an assessment of both current as well as forecast direction of market conditions at the reporting date. Accordingly, the management is of the opinion that the credit risk of trade receivables is limited.

In relation to contract assets of tariff adjustment receivables, the management performs impairment assessment on a periodic basis. Based on the assessment, the management is of the opinion that the probability of defaults of the relevant counterparties are insignificant since the solar industry is well supported by the PRC government. In addition, as detailed in note 5, the management are confident that all of the Group's operating solar farms are able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy are fully recoverable but only subject to timing of allocation of funds from the PRC government. Accordingly, the credit risk regarding contract assets of tariff adjustment receivables is limited.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables, amounts due from related companies (trade related) and contract assets arising from contracts with customers (Continued)

For sales of electricity, the Group's concentration of credit risk by geographical location is mainly the PRC, which accounted for over 99% (2017: over 99%) of the trade receivables for sales of electricity as at 31 December 2018.

As at 31 December 2018, the Group had concentration of credit risk mainly on one (2017: one) related company on amounts due from related companies (trade related) amounted to approximately RMB605,799,000 (2017: RMB484,347,000). Credit risk of amounts due from related companies (trade related) is considered as limited because the related companies are with good repayment history and with positive operating results/cash flows, the gross carrying amounts of approximately RMB612,197,000 as at 31 December 2018 were assessed individually and impairment allowance of approximately RMB6,398,000 was recognised for the current year.

Other receivables and amounts due from related companies (non-trade related)

The credit quality of other receivables and amounts due from related parties (non-trade related) excluding prepayments has been assessed with reference to historical information about the counterparties' past payment histories and financial position of the counterparties. The Directors closely monitor the credit quality of other receivables and amounts due from related companies (non-trade related) and consider those amounts, which are neither past due nor impaired, are of a good credit quality in view of the good historical repayment record of such parties.

In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on these balances individually.

For the purpose of impairment assessment of consideration receivables, advance to Borrowers, receivables for modules procurement and loan receivables, the loss allowance is measured at an amount equals to 12m ECL. In determining the expected credit losses for these assets, the Directors have taken into account the financial position of the counterparties, the industries they operate, as well as their latest available operating results, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

As at 31 December 2018, the Group has concentration of credit risk on consideration receivables amounted to approximately RMB462,488,000 as the amounts are due from a single party. Credit risk on consideration receivables is considered to be limited as the counterparty has pledged 65% of its equity interest in Suzhou Kezhun as a collateral over these balances to the Group.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Pledged and restricted bank deposits and bank balances

Credit risk on pledged and restricted bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit rating agencies in the PRC, Hong Kong and the USA.

The Group assessed 12m ECL for bank balances and pledged and restricted bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the ECL on bank balances and pledged and restricted bank deposits is considered to be insignificant.

Debt instruments at FVTOCI

The Group only invests in debt securities with low credit risk. The Group's debt instruments at FVTOCI mainly comprise listed bonds. The Directors consider the ECL for debt instruments at FVTOCI is insignificant as at 31 December 2018.

Financial guarantee contracts

For financial guarantee contracts, the maximum amount that GNE Group has guaranteed under the respective contracts was RMB697,590,000 as at 31 December 2018. The credit risks on financial guarantee contracts provided by GNE Group is limited as the underlying borrowings are secured by assets of the relevant borrowers.

At the end of the reporting period, the directors of GNE have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Therefore, the loss allowance is measured at 12m ECL and details of the financial guarantee contracts are set out in note 56.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprising the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/ other items
Low risk	The counterparty has a low risk of default	Lifetime ECL (not credit-impaired)	12m ECL
Medium risk	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL (not credit-impaired)	12m ECL
High risk	There has been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)	Lifetime ECL (not credit-impaired)
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and financial guarantee contracts, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
Debt instruments as FVTOCI					
— investments in listed bonds	22	B1 – Aa3	N/A	12m ECL	65,606
Financial assets at amortised costs					
Trade receivables — goods and services (excluding sales of electricity)	26	N/A	(Note 1)	Lifetime ECL (provision matrix)	583,757
		N/A	Low risk (Note 1)	Lifetime ECL	142,663
		N/A	Loss (Note 1)	Credit-impaired	55,622
		Baa3 – Aaa*	Low risk (Note 1)	Lifetime ECL	5,828,249
Trade receivables — sales of electricity	26	N/A	(Note 1)	Lifetime ECL (provision matrix)	3,415,126
Amounts due from related companies (trade related)	28	N/A	Low risk (Note 1)	Lifetime ECL	612,197
Amounts due from related companies (non-trade related)	28	N/A	(Note 2)	12m ECL	631,045
Other receivables	26	N/A	(Note 2)	12m ECL	1,295,450
Pledged and restricted bank deposits	30	Ba1 – Aaa	N/A	12m ECL	6,067,028
		N/A	(Note 1)	12m ECL	506,804
Bank balances and cash	30	Ba3 – Aaa	N/A	12m ECL	4,075,791
Contract assets	27	N/A	(Note 1)	Lifetime ECL (provision matrix)	4,236,405
Financial guarantee contracts	56	N/A	Low risk (Note 3)	12m ECL	697,590

* These represent credit rating grades of the relevant banks which issued the bills.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

1. For trade receivables, amounts due from related companies (trade related) and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, credit-impaired or to be settled by bills, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

   Trade receivables with bills received from trade customers amounted to approximately RMB5,828,249,000 as at 31 December 2018. The Directors consider the ECL for these trade receivables is insignificant because the bills are issued by reputable banks with high credit ratings assigned by international credit rating agencies in the PRC.

   As part of the Group's credit risk management, the Group applies internal credit rating for its customers.

   The following table provides information about the exposure to credit risk for trade receivables (excluding sales of electricity) which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired). Debtors with significant balances or credit-impaired with gross carrying amounts of approximately RMB142,663,000 and RMB55,622,000 as at 31 December 2018 were assessed individually, respectively.

	Trade receivables (excluding sales of electricity)	
Internal credit rating	**Average loss rate**	**Gross carrying amount** RMB'000
Low risk	0.10%	569,143
Medium risk	2.50%	14,614
		583,757

   The estimated loss rates are based on any historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

   The following table provides information about the exposure to credit risk for trade receivables and contract assets in relation to its sales of electricity operation in the PRC which are based on provision matrix as at 31 December 2018 within lifetime ECL (not credit-impaired).

	Trade receivables (sales of electricity)		**Contract assets**	
Internal credit rating	**Average loss rate**	**Gross carrying amount** RMB'000	**Average loss rate**	**Gross carrying amount** RMB'000
Low risk	0.06%	3,415,126	0.38%	4,236,405

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

1. (Continued)

The Group always measures the loss allowance for trade receivables for sales of electricity and contract assets, including those with significant financing component at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated using a provision matrix for debtors which shared credit risk characteristics by reference to repayment history of the debtors, taking into account general economic conditions of the solar industry, relevant country default risk, and an assessment of both the current as well as the forecast direction at the reporting date.

For amounts due from related companies (trade related), debtors with significant balances with gross carrying amounts of approximately RMB612,197,000 as at 31 December 2018 were assessed individually.

During the year ended 31 December 2018, impairment allowance for trade receivables of approximately RMB277,105,000 was reversed resulting from subsequent settlement.

The Directors are of the opinion that the ECL for trade receivables (sales of electricity) and contract assets of its sale of electricity operation is insignificant for the year ended 31 December 2018.

The following tables show the movement in lifetime ECL that has been recognised for trade receivables (excluding sales of electricity) and amounts due from related companies (trade related) under simplified approach:

Trade receivables (excluding sales of electricity)

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
At 1 January 2018	—	333,425	333,425
Impairment loss recognised	5,014	24,450	29,464
Impairment loss reversed	—	(277,105)	(277,105)
Amounts written off as uncollectible	—	(25,148)	(25,148)
At 31 December 2018	5,014	55,622	60,636

Amounts due from related companies (trade related)

	Lifetime ECL (not credit-impaired) RMB'000
At 1 January 2018	—
Impairment loss recognised	6,398
At 31 December 2018	6,398

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

2. For the purposes of the internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

   As at 31 December 2018, the balance of other receivables is not past due and the internal credit rating is considered as low risk.

   As at 31 December 2018, amounts due from related companies (non-trade related) of approximately RMB20,105,000 were past due but settled subsequent to the end of the reporting period.

3. For financial guarantee contracts, the gross carrying amount represents the maximum amount that Group has guaranteed under the relevant contract.

Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings to ensure unutilised banking facilities are adequate and ensures compliance with loan covenants or to obtain waiver from the relevant banks if the Group is not able to satisfy any of the covenant requirements.

The Group incurred a post-tax loss of approximately RMB458 million from continuing operations for the year ended 31 December 2018, and the Group's current liabilities exceeded its current assets by approximately RMB23,058 million as at 31 December 2018. Further, the Group had cash and cash equivalents of RMB4,121 million with total borrowings due within one year amounted to RMB27,126 million.

The Group finances its capital intensive operations by short-term and long-term bank and other borrowings and shareholders' equity.

As at 31 December 2018, included in the Group's bank borrowings totalling approximately RMB2,181 million have breached certain financial covenant requirements as stipulated in the relevant loan agreements. In addition, the breach of these covenant requirements has triggered the cross default clauses in several other bank borrowings of approximately RMB6,022 million. Subsequent to the end of the reporting period, the Group has obtained consents from the relevant lenders to waive the financial covenants concerned and not to demand for immediate repayment of these bank borrowings; and accordingly, the cross default clauses in the relevant bank borrowings are then remedied.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

The Group successfully renewed banking facilities that were due during the year. In addition, the Directors have evaluated the Group's current undrawn banking facilities and renewable bank borrowings. The management maintains continuous communication with the Group's principal banks on the renewal of existing banking facilities that will fall due in the coming twelve months and the grant of additional banking facilities. The Directors have reviewed the Group's bank loans and banking facilities available to the Group and are of the opinion that the bank loans and banking facilities would be renewed when their current terms expire. The Directors have evaluated all the relevant facts available to them and are of the opinion that there are good track records or relationship with the relevant banks which enhance the Group's ability to renew the current bank loans upon expiry. Up to the date of approval of these financial statements for issuance, the Directors are not aware of any intention of the Group's principal banks to withdraw their banking facilities granted or request early repayment of the utilised facilities within the next twelve months from the end of the reporting period.

Despite uncertainties and measures mentioned in note 2, the Directors believe that the Group will be able to generate sufficient cash flows to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period.

The Directors are of the opinion that, taking into account the Group's current undrawn banking facilities, renewal of existing banking facilities, the Group's cash flow projection for the coming year, the issuance of the corporate bonds and the remaining registered SCP in the interbank debt market of the PRC as and when required by the Group, and the successful implementation of measures of GNE Group, the Group will have sufficient working capital to meet its cashflow requirements in the next twelve months and the on-going loan covenant compliance.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the contractual repayment dates.

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

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2018								
Non-derivative financial liabilities								
Trade and other payables	—	15,744,780	4,363,355	—	—	—	20,108,135	20,108,135
Amounts due to related companies	—	578,092	—	—	—	—	578,092	578,092
Loans from related companies	7.45	267,040	279,126	2,227,261	1,105,460	94,218	3,973,105	3,599,789
Bank and other borrowings								
— fixed-rate	5.31	3,000,433	7,836,789	2,341,240	694,488	546,997	14,419,947	11,669,538
— variable-rate	5.27	9,825,906	7,246,614	4,485,733	12,821,416	13,495,568	47,875,237	40,096,364
Notes and bonds payables	6.48	133,645	1,164,355	1,074,157	3,625,621	—	5,997,778	5,121,118
Financial guarantee contracts (Note 1)	—	697,590	—	—	—	—	697,590	—
Subtotal		30,247,486	20,890,239	10,128,391	18,246,985	14,136,783	93,649,884	81,173,036
Obligations under finance leases	5.65	73,517	274,120	412,719	514,640	158,518	1,433,514	1,228,399
Derivative financial instrument								
Put option of interest in Jiangsu Xinhua (Note 2)	—	26,011	—	—	—	—	26,011	26,011
		30,347,014	21,164,359	10,541,110	18,761,625	14,295,301	95,109,409	82,427,446

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2017								
Non-derivative financial liabilities								
Trade and other payables	—	14,294,266	4,466,220	—	—	—	18,760,486	18,760,486
Amounts due to related companies	—	177,061	—	—	—	—	177,061	177,061
Bank and other borrowings								
— fixed-rate	6.00	5,241,660	4,776,666	2,195,612	261,982	314,400	12,790,320	11,888,655
— variable-rate	5.23	2,374,503	6,649,520	6,405,547	12,024,309	13,679,660	41,133,539	38,076,267
Notes and bonds payables	6.25	59,390	2,191,268	163,875	3,024,619	—	5,439,152	4,829,414
Subtotal		22,146,880	18,083,674	8,765,034	15,310,910	13,994,060	78,300,558	73,731,883
Convertible bonds payables	3.50	7,197	1,814,778	—	—	—	1,821,975	1,765,257
Obligations under finance leases	7.40	274,653	544,123	238,171	586,538	235,523	1,879,008	1,636,602
Derivative financial instrument								
Put option of interest in Jiangsu Xinhua (Note 2)	—	15,899	—	—	—	—	15,899	15,899
		22,444,629	20,442,575	9,003,205	15,897,448	14,229,583	82,017,440	77,149,641

The amounts included above for variable-rate borrowings are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings that are repayable on demand due to breach of loan covenants, as disclosed in notes 2 and 37, are included in the "on demand or less than 3 month" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank loans amounted to RMB8,203,098,000 (2017: nil). The Directors do not believe that the banks will exercise their rights to demand immediate repayment from the Group, given that subsequent to the end of the reporting period, the Group has obtained consents from the relevant bankers to waive the strict compliance on the financial ratios.

46. FINANCIAL INSTRUMENTS (Continued)

46b. Financial risk management objectives and policies (Continued)

Liquidity risk management (Continued)

Liquidity and interest risk tables (Continued)

The following table details the Group's aggregate principal and interest cash outflows based on scheduled repayments dates set out in the loan agreements for bank borrowings that became repayable on demand due to the aforesaid breach of loan covenants. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of the reporting period.

	Weighted average effective interest rate %	less than 1 year RMB'000	1–2 years RMB'000	2–5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flow RMB'000	Carrying amount RMB'000
As at 31 December 2018	**5.28**	**2,569,772**	**3,562,038**	**2,424,701**	**705,824**	**9,262,335**	**8,203,098**

Notes:

1. The amounts included for financial guarantee contracts are the maximum amounts GNE Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, GNE Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

2. The put option is with notional amount of RMB500 million, which represents the exercise price and potential cash outflow of the Group to purchase the shares of Jiangsu Xinhua if certain specific circumstance(s) as described in note 40 occur(s), which included but not limited to, Jiangsu Xinhua fails to complete IPO on or before 1 January 2021 and the JV Partner exercises the option. The potential cash outflow may incur in a period from 1 to 5 years after 31 December 2017.

47. FAIR VALUE MEASUREMENTS

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018 **RMB'000**	2017 RMB'000				
1) Convertible bonds receivable (Note a)	**76,001**	—	Level 3	Binomial Option Pricing Model, the key inputs are: underlying share price, exercise price, risk free interest rate, share price volatility and dividend yield.	Share price volatility of 44.51% (2017: N/A) and discount rate of 27.52% (2017: N/A).	The higher the volatility, the higher the fair value. The higher the discount rate, the lower the fair value.
					Dividend yield of 0% (2017: N/A), taking into account management's experience and knowledge of the dividend to be paid.	The higher the dividend yield, the lower the fair value.
2) 2019 Convertible Bonds issued by the Company (Note b)	**—**	839,615	Level 3	N/A (2017: Binomial Lattice Model, the key input are: underlying share price, exercise price, risk free interest rate, share price volatility, discount rate, and dividend yield.)	N/A (2017: share price volatility of 39.91% and discount rate of 7.51%).	2017: The higher the volatility, the higher the fair value; the higher the discount rate, the lower the fair value.
					N/A (2017: 0%, taking into account management's experience and knowledge of the dividend to be paid).	2017: The higher the dividend yield, the lower the fair value.

47. FAIR VALUE MEASUREMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at 2018 RMB'000	Fair value as at 2017 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
3) Convertible bonds issued by GNE (Note c)	**—**	925,642	Level 3	Binomial Lattice Model, the key inputs are: underlying share price, conversion price, risk free rate, share price volatility, discount rate and dividend yield.	N/A (2017: share price volatility of 63.28%–69.69% and discount rate of 17.73%–18.26%), taking into account the historical share price of GNE for the period of time close to the expected time to exercise.	The higher the volatility, the higher the fair value. The higher the discount rate, the lower the fair value.
4) Put option of interest in Jiangsu Xinhua classified as derivative financial instruments (Note d)	**26,011**	15,899	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of future expected cash flows to be derived from Jiangsu Xinhua.	Revenue growth rate, taking into account management's experience and knowledge of market conditions of the specific industries.	The higher the revenue growth rate, the higher the fair value.
					Discount rate of 16% (2017: 14%).	The higher the discount rate, the higher the fair value.
				Scenario analysis, the key inputs are: estimated probability of success or failure in IPO, risk-free rate and credit spread.	Estimated probability of success in IPO, failure in IPO due to external factors and unsatisfactory performance of Jiangsu Xinhua set out in note 40 of 90%, 10% and 0%, respectively (2017: 90%, 10% and 0%, respectively) taking into account the best estimate of the Directors.	The higher the estimated probability of failure in IPO, the higher the fair value.

47. FAIR VALUE MEASUREMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at 2018 RMB'000	Fair value as at 2017 RMB'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
5) Asset management plans investments held by GNE measured at financial assets at FVTPL (2017: AFS investments) (Note e)	**100,000**	340,040	Level 3	Income approach — in this approach, the discounted cash flow method was used to capture the present value of future expected cash flows to be derived from the underlying assets.	Discount rate of 7.5% (2017: 7%–7.5%).	The higher the estimated discount rate, the lower the fair value.
6) Listed equity securities classified as held for trading investments	**108,408**	100,733	Level 1	Quoted bid price in an active market.	N/A	N/A
7) Listed debt securities measure at debt instruments at FVTOCI (2017: AFS investments)	**65,606**	99,808	Level 1	Quoted bid price in an active market.	N/A	N/A
8) Unlisted equity investments measured at financial assets at FVTPL (2017: AFS investments)	**44,321**	N/A	Level 3 (2017: N/A)	Market comparison approach — in this approach, fair value was determined with reference to recent transaction price.	Adjusted market price between comparables and the underlying property held by the unlisted equity investments.	An increase in the price per square meter used would result in an increase in fair value measurement of the property, and vice versa.
9) Listed equity investments measured at equity instruments at FVTOCI	**90,716**	—	Level 1	Quoted bid price in an active market.	N/A	N/A

47. FAIR VALUE MEASUREMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	2018 RMB'000	2017 RMB'000				
10) Unlisted investments measured at financial assets at FVTPL (2017: financial assets designated as at FVTPL)	**171,597**	131,689	Level 3	Market comparison approach - in this approach, fair value was determined with reference to P/S ratio or P/E ratio or recent transaction price.	P/S ratio of 4.29x (2017: 2.13x) or P/E ratio of 21.19x – 91.95x (2017: 21.61x – 33.50x).	The higher the P/S or P/E ratio, the higher the fair value.
	220,328	—	Level 2	Quoted price from a third party financial institution which determined with reference to the value of underlying investments which mainly composed of listed shares.	N/A	N/A

Notes:

(a) If the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the loss on change in fair value of the convertible bonds receivable would decrease by approximately RMB244,000 (2017: N/A)/increase by approximately RMB124,000 (2017: N/A).

If the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the convertible bonds receivable would decrease by approximately RMB932,000 (2017: N/A)/increase by approximately RMB910,000 (2017: N/A).

(b) For the year ended 31 December 2017, if the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the loss on change in fair value of the 2019 Convertible Bonds issued by the Company would increase by approximately RMB7,333,000/decrease by approximately RMB5,332,000.

For the year ended 31 December 2017, if the discount rate used was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the 2019 Convertible Bonds issued by the Company would increase by approximately RMB1,945,000/decrease by approximately RMB1,956,000.

47. FAIR VALUE MEASUREMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Notes: (Continued)

(c) For the year ended 31 December 2017, if the share price volatility of the underlying shares was 5% higher/lower while all the other variables were held constant, the loss on change in fair value of the convertible bonds payable issued by GNE would increase by approximately RMB6,028,000/decrease by approximately RMB7,442,000.

For the year ended 31 December 2017, if the discount rate was multiplied by 95% or 105% while all the other variables were held constant, the loss on change in fair value of the convertible bonds issued by GNE would increase by approximately RMB2,487,000/decrease by approximately RMB2,474,000.

(d) If the discount rate was multiplied by 95% or 105% while all the other variables were held constant, the change in fair value of the derivative financial instruments would decrease by approximately RMB4,738,000/increase by approximately RMB4,190,000.

(e) If the estimated discount rate was multiplied by 95% or 105% while all the other variables were held constant, the fair value of the investments would increase by approximately RMB776,000 (2017: RMB2,042,000)/decrease by approximately RMB765,000 (2017: RMB2,024,000).

There is no transfer among the different levels of the fair value hierarchy for both years.

The Directors consider that the carrying amounts of financial assets and financial liabilities and associated interest receivables and interest payables recorded at amortised cost in the consolidated financial statements approximate their fair values.

Included in other expenses, gains and losses set out in note 9B, a net gain of RMB10,905,000 is related to financial assets and financial liabilities measured at FVTPL held during 2018 (2017: a net loss of RMB151,279,000).

47. FAIR VALUE MEASUREMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy as at 31 December 2018

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVTPL				
Listed equity securities classified as held for trading investments	108,408	—	—	108,408
Other financial assets at FVTPL	—	220,328	315,918	536,246
Convertible bonds receivable	—	—	76,001	76,001
Equity instruments at FVTOCI	90,716	—	—	90,716
Debt instruments at FVTOCI	65,606	—	—	65,606
Total	264,730	220,328	391,919	876,977
Financial liabilities				
Put option of interest in Jiangsu Xinhua classified as derivative financial instrument	—	—	26,011	26,011

47. FAIR VALUE MEASUREMENTS (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy as at 31 December 2017

	Level 1 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets			
Listed equity securities classified as held for trading investments	100,733	—	100,733
Financial assets designated as at FVTPL	—	131,689	131,689
AFS investments			
Asset management plans investments held by GNE	—	340,040	340,040
Listed debt securities	99,808	—	99,808
Total	200,541	471,729	672,270
Financial liabilities			
2019 Convertible Bonds issued by the Company	—	839,615	839,615
Convertible bonds issued by GNE	—	925,642	925,642
Put option of interest in Jiangsu Xinhua classified as derivative financial instrument	—	15,899	15,899
Total	—	1,781,156	1,781,156

47. FAIR VALUE MEASUREMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements

31 December 2018

	Convertible bonds receivable RMB'000	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Put option of interest in Jiangsu Xinhua classified as derivative financial instruments RMB'000	Asset management plans investments held by GNE measured at financial assets at FVTPL RMB'000	Unlisted investments/ equity instruments measured at financial assets as FVTPL RMB'000	Total RMB'000
Opening balance	—	(839,615)	(925,642)	(15,899)	340,040	131,689	(1,309,427)
Reclassification from AFS investments	—	—	—	—	—	42,321	42,321
Purchase	80,334	—	—	—	—	2,100	82,434
(Loss) gain in profit or loss	(1,910)	(40,768)	(5,524)	(10,112)	16,790	39,808	(1,716)
Fair value attributable to changes in credit risk	—	—	(108)	—	—	—	(108)
Payment of interests	—	3,063	41,072	—	—	—	44,135
Receipt of interests	(2,423)	—	—	—	—	—	(2,423)
Redemption of convertible bonds	—	877,320	890,202	—	—	—	1,767,522
Redemption of asset management plans investments	—	—	—	—	(256,830)	—	(256,830)
Closing balance	76,001	—	—	(26,011)	100,000	215,918	365,908

47. FAIR VALUE MEASUREMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements (Continued)

31 December 2017

	Convertible bonds receivable RMB'000	2019 Convertible Bonds issued by the Company RMB'000	Convertible bonds issued by GNE RMB'000	Put option of interest in Jiangsu Xinhua classified as derivative financial instruments RMB'000	Financial assets designated as FVTPL RMB'000	Asset management plans investments RMB'000	Total RMB'000
Opening balance	128,211	(1,154,536)	(858,461)	(16,011)	—	—	(1,900,797)
Purchase	—	—	—	—	115,000	606,050	721,050
Gain (loss) in profit or loss	13,506	(37,771)	(118,744)	112	16,689	2,883	(123,325)
Payment of interests	—	7,727	51,563	—	—	—	59,290
Partial redemption of convertible bonds	—	344,965	—	—	—	—	344,965
Redemption of convertible bonds receivable	(141,717)	—	—	—	—	—	(141,717)
Redemption of the investments	—	—	—	—	—	(268,893)	(268,893)
Closing balance	—	(839,615)	(925,642)	(15,899)	131,689	340,040	(1,309,427)

Of the total gains or losses for the year included in profit or loss, RMB44,576,000 (2017: RMB136,831,000) related to put option of interest in Jiangsu Xinhua, convertible bonds receivable, unlisted investments measured at financial assets at FVTPL and asset management plans investments measured at financial assets at FVTPL held at the end of the reporting period (2017: put option of interest in Jiangsu Xinhua, convertible bonds receivable, financial asses designated as at FVTPL and asset management plans investments) and those fair value gains or losses are included in other expense, gains and losses, net.

47. FAIR VALUE MEASUREMENTS (Continued)

(ii) Reconciliation of Level 3 fair value measurements (Continued)

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group performed discounted cash flow to derive the present value of other investments or engages third party qualified valuers to perform the valuation of convertible bonds, the put option of interest in Jiangsu Xinhua classified as derivative financial instruments, unlisted investments measured at financial assets at FVTPL, unlisted equity investments measured at financial assets at FVTPL and asset management plan investments held by GNE recognised as financial assets at FVTPL. The Directors work closely with the qualified valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports the findings to the Directors every half year to explain the cause of fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

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

48. TRANSFERS OF FINANCIAL ASSETS

During the current year, the Group endorsed certain bills for the settlement of payables for purchase of plant and machinery, construction costs and trade and other payables; and discounted certain bills received by the Group to banks for financing.

The following were bills received by the Group as at 31 December 2018 and 2017 that were transferred to banks or creditors by discounting or endorsing the bills, respectively, on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these bills, it continues to recognise the full carrying amount of trade receivables and recognised the cash received on the transfer as secured borrowings (see note 37) or the amounts outstanding with the creditors remain to be recognised as trade and other payables. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

48. TRANSFERS OF FINANCIAL ASSETS (Continued)

At 31 December 2018

	Bills discounted to banks with full recourse RMB'000	**Bills endorsed to creditors with full recourse RMB'000**	**Total RMB'000**
Carrying amount of transferred assets	**1,935,537**	**2,270,573**	**4,206,110**
Carrying amount of associated liabilities	**(1,935,537)**	**(2,270,573)**	**(4,206,110)**
Net position	**—**	**—**	**—**

At 31 December 2017

	Bills discounted to banks with full recourse RMB'000	Bills endorsed to creditors with full recourse RMB'000	Total RMB'000
Carrying amount of transferred assets	1,561,129	2,363,392	3,924,521
Carrying amount of associated liabilities	(1,561,129)	(2,363,392)	(3,924,521)
Net position	—	—	—

The finance costs from continuing operations recognised for bills discounted to banks are RMB183,329,000 (2017: RMB140,079,000) for the year ended 31 December 2018.

49. OPERATING LEASES

The Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments paid under operating leases during the year:		
Buildings	**86,379**	89,860
Land	**69,991**	28,445
Staff quarters	**3,391**	6,849
Motor vehicles	**7,306**	11,889
Others	**19,922**	33,372
	186,989	170,415

At the end of the reporting period, the Group's commitments for future minimum lease payments under non-cancellable operating leases including lease payments during renewal period in which renewals are reasonably certain, which fall due as follows:

	2018 RMB'000	2017 RMB'000
Within one year	**130,948**	157,855
In the second to fifth years inclusive	**457,602**	368,021
Over five years	**1,821,327**	1,219,684
	2,409,877	1,745,560

Operating lease payments represent rentals payable by the Group for certain pieces of land, properties and other assets. Leases are negotiated and rentals are fixed for terms ranging from 1 to 34 years (2017: 2 to 34 years) for those pieces of land and ranging from 1 to 3 years (2017: 1 to 3 years) for the other properties. The lease agreements entered into between the landlords and the Group include renewal options at the discretion of the respective group entities for further 5 to 10 years from the end of the leases with fixed rental.

49. OPERATING LEASES (Continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2018	2017
	RMB'000	RMB'000
Within one year	**20,262**	6,365
In the second to fifth years inclusive	**1,071**	18,266
Over five years	**—**	6,000
	21,333	30,631

Operating lease income represents property rental income earned during the year. All of the properties held have committed tenants for the next 1 to 8 years (2017: 1 to 8 years).

50. COMMITMENTS

	2018	2017
	RMB'000	RMB'000
Capital commitments		
Capital expenditure in respect of acquisitions of property, plant and equipment contracted for but not provided	**2,893,232**	7,184,942
Other commitments		
Commitment to contribute share capital to investments in joint ventures contracted for but not provided	**394,182**	453,460
Commitment in respect of subscription of convertible bonds receivable contracted for but not provided	**—**	83,590
Commitment to contribute share capital to financial assets at FVTPL contracted for but not provided	**95,000**	95,100
Commitment to contribute share capital to AFS investments contracted for but not provided	**—**	350,000
	3,382,414	8,167,092

51. PLEDGE OF ASSETS

At the end of the reporting period, the Group has pledged the following assets to secure credit facilities of the Group:

	2018 RMB'000	2017 RMB'000
Bank and other borrowings secured by:		
Pledged and restricted bank deposits	**2,563,058**	3,131,490
Prepaid leases payments	**390,266**	321,159
Property, plant and equipment	**35,431,853**	34,932,567
Trade receivables and contract assets	**8,735,113**	5,760,900
	47,120,290	44,146,116
Obligations under finance leases secured by:		
Aircraft	**210,952**	235,529
Prepaid leases payments	**21,244**	21,689
Pledged and restricted bank deposits	**222,160**	252,791
Property, plant and equipment	**1,901,628**	3,024,233
	2,355,984	3,534,242
Total	**49,476,274**	47,680,358

Certain subsidiaries pledged their fee collection rights in relation to the sales of electricity, and as at 31 December 2018, trade receivables and contract assets in respect of such fee collection rights pledged amounted to approximately RMB6,889,576,000 (2017: RMB4,299,771,000).

In addition to the pledged assets above, there are restricted bank deposits of approximately RMB3,788,614,000 (2017: RMB1,522,607,000) and trade receivables of approximately RMB1,110,981,000 (2017: RMB1,054,039,000) which have been restricted to secure issuance of bills and short-term letters of credit for trade and other payables. As at 31 December 2018, the loans from a related company were secured by property, plant and equipment amounted to approximately RMB3,102,494,000 and pledged deposits amounted to approximately RMB142,194,000.

52. SHARE-BASED PAYMENT TRANSACTIONS

52a. The Company

(I) Equity-settled share option scheme

On 22 October 2007, a Pre-IPO Share Option Scheme ("Pre-IPO Share Option Scheme") and a Share Option Scheme ("Share Option Scheme") were adopted by the Company pursuant to the resolution of the sole shareholder. Under the schemes, the Company may grant option to directors, employees of the Company and its subsidiaries and qualifying grantees to subscribe for shares of the Company. Options granted are exercisable during the period after respective vesting date to the last day of the ten-year period after grant date.

At 31 December 2018, the number of shares in respect of which options had been granted and remained outstanding under the Company's share option schemes was 164,422,000 (2017: 174,816,000) shares, representing 0.90% (2017: 0.94%) of the issued share capital of the Company at that date.

The total number of shares in respect of which options may be granted under the Share Option Scheme are not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

The exercise price is determined by the Directors and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares of the Company for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

Pursuant to the terms of the Pre-IPO Share Option Scheme and Share Option Scheme, the exercise price and number of share options were being adjusted as a result of the determination of entitlements to a rights issue of the Company on 26 January 2016. Details of the adjustments are disclosed in the announcement of the Company on 26 January 2016.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(I) Equity-settled share option scheme (Continued)

Movements of share options granted during the year are as follows:

(i) Pre-IPO Share Option Scheme

2018

All outstanding shares were fully forfeited and expired during the year ended 31 December 2017.

2017

				Number of share options			
	Exercise price	Date of grant	Exercise period	Outstanding at 1 January 2017	During the year Forfeited	During the year Expired	Outstanding at 31 December 2017
Directors	HK$4.071	13.11.2007	13.11.2010 to 12.11.2017	3,222,944	—	(3,222,944)	—
Employees and others	HK$4.071	13.11.2007	13.11.2010 to 12.11.2017	20,687,272	(221,577)	(20,465,695)	—
				23,910,216	(221,577)	(23,688,639)	—
Exercisable at the end of the year				23,910,216			—
Weighted average exercise price (HK$)				4.071	4.071	4.071	—

The Binomial Lattice Model has been used to estimate the fair value of the options. The variables and assumptions used in estimating the fair value of the share options are based on the Director's best estimate. Change in subjective input assumptions can materially affect the fair value.

No further options under the Pre-IPO Share Option Scheme can be granted after 13 November 2007, the date of listing of the shares of the Company on the Stock Exchange.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(I) Equity-settled share option scheme (Continued)

(ii) Share Option Scheme

2018

	Exercise price	Date of grant	Exercise period	Number of share options: Outstanding at 1 January 2018	During the year: Exercised (Note)	During the year: Forfeited	Outstanding at 31 December 2018
Directors	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	4,028,680	–	–	4,028,680
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	–	–	–	–
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	–	–	–	–
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	–	–	–	–
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	5,942,302	–	–	5,942,302
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	8,649,473	–	–	8,649,473
Employees and others	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	5,350,480	(192,007)	–	5,158,473
	HK$1.046	24.04.2009	01.05.2009 to 23.04.2019	807,750	–	–	807,750
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	5,035,850	–	–	5,035,850
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	6,093,378	–	–	6,093,378
	HK$1.630	05.07.2013	16.09.2013 to 04.07.2023	25,456,222	–	(4,703,484)	20,752,738
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	21,855,589	–	(503,585)	21,352,004
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	88,272,265	(160,000)	(4,834,134)	83,278,131
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	3,323,661	–	–	3,323,661
				174,815,650	(352,007)	(10,041,203)	164,422,440
Exercisable at the end of the year				106,154,112			123,193,662
Weighted average exercise price (HK$)				1.58	0.85	1.47	1.59

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(I) Equity-settled share option scheme (Continued)

(ii) Share Option Scheme (Continued)

2017

				Number of share options			
	Exercise price	Date of grant	Exercise period	Outstanding at 1 January 2017	During the year Exercised (Note)	During the year Forfeited	Outstanding at 31 December 2017
Directors	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	4,028,680	—	—	4,028,680
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	—	—	—	—
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	—	—	—	—
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	—	—	—	—
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	5,942,302	—	—	5,942,302
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	8,649,473	—	—	8,649,473
Employees and others	HK$0.586	16.02.2009	01.04.2009 to 15.02.2019	8,995,035	(3,493,479)	(151,076)	5,350,480
	HK$1.046	24.04.2009	01.05.2009 to 23.04.2019	807,750	—	—	807,750
	HK$3.296	12.01.2011	01.03.2011 to 11.01.2021	5,035,850	—	—	5,035,850
	HK$4.071	15.07.2011	01.09.2011 to 14.07.2021	6,093,378	—	—	6,093,378
	HK$1.630	05.07.2013	16.09.2013 to 04.07.2023	31,610,029	—	(6,153,807)	25,456,222
	HK$2.867	24.03.2014	26.05.2014 to 23.03.2024	22,359,174	—	(503,585)	21,855,589
	HK$1.16	19.02.2016	15.03.2016 to 18.02.2026	91,954,623	(963,000)	(2,719,358)	88,272,265
	HK$1.324	29.03.2016	18.04.2016 to 28.03.2026	3,323,661	—	—	3,323,661
				188,799,955	(4,456,479)	(9,527,826)	174,815,650
Exercisable at the end of the year				108,353,448			106,154,112
Weighted average exercise price (HK$)				1.56	0.71	1.54	1.58

Note: In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$1.43 (2017: HK$1.37).

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(II) Equity-settled share award scheme

(iii) Share award scheme

The Company adopted the Scheme on the Adoption Date for a duration of the later of (i) the 10th anniversary of the Adoption Date, and (ii) such date that all awards outstanding are fully vested, settled, lapsed, forfeited or cancelled. The purpose of the Scheme is, through the grant of the share awards to certain of the Directors and employees ("Eligible Persons") of the Group, to effectively attract, retain and incentivise core employees of the Group and align their interests and growth with the Group as a whole.

The Company has entered into a trust deed with the Trustee for the purpose of facilitating the purchase, holding and sale of shares in the Group for the benefit of the Eligible Persons of the Group. The maximum number of shares that can be held by the Trustee under the Scheme is limited to 2% of the issued share capital of the Company from time to time. All the shares purchased by the Group through the Trustee on the Stock Exchange are recorded as shares held for the share award scheme in the Group's reserves and are for the Scheme only.

The board of the directors of the Company (the "Board") may, from time to time, at its absolute discretion, select any Eligible Persons to participate in the Scheme as grantees ("Award Grantees"), subject to the terms and conditions set out in the rule of the Scheme. In determining the Award Grantees, the Board shall take into consideration matters including, but without limitation, the present and expected contribution of the relevant Award Grantees to the Group. An Award Grantee may be granted an award by the Company during the award period which will vest over a period of time and on such other conditions to be determined by the Board in its absolute discretion.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(II) Equity-settled share award scheme (Continued)

(iii) Share award scheme (Continued)

The Board may from time to time while the Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested thereunder. Details of the Scheme are set out in the announcement of the Company dated 16 January 2017. For the purpose of the Scheme, during the years ended 31 December 2018 and 2017, the Company purchased its own ordinary shares through the Trustee as follows:

Month of purchase	Number of ordinary shares	Aggregate consideration paid HK$000	Equivalent aggregate consideration paid RMB'000
June 2018	100,000,000	81,385	66,532
May 2017	182,998,888	163,258	141,692
June 2017	40,000,000	32,729	28,405

No award shares were granted for both years.

(III) Cash-settled share award scheme

US Equity Incentive Plan granted by GCL US II

GCL Solar Materials US II, LLC ("GCL US II") adopted an equity plan on 31 March 2017 ("Plan Date") pursuant to a resolution passed on the same date for the purpose of providing incentives to eligible employees and will expire on the later of (i) the sixth anniversary of adoption date, or (ii) such date that all class B units of GCL US II ("Class B Units") outstanding are fully vested, settled, lapsed, forfeited or cancelled (as the case may be) (the "US Equity Incentive Plan"). Under the US Equity Incentive Plan, the board of directors of GCL US II may grant Class B Units of GCL US II to eligible employees. Class B Units shall be non-voting and the aggregate number of Class B Units authorised for issuance shall be 12,750,000 which represents up to 10% of the fully diluted equity of GCL US II as of the closing date of the SunEdison Agreement on 31 March 2017 (i.e. US$127,500,000).

During the year ended 31 December 2017, GCL US II issued Class B Units to the grantees of the US Equity Incentive Plan (the "US Grantees") which will be vested in full in three years with one-third to be vested on each of the first, the second and the third anniversary of the Plan Date, respectively.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(III) Cash-settled share award scheme (Continued)

US Equity Incentive Plan granted by GCL US II (Continued)

Movement of Class B Units granted during the year is as follows:

	Number of Class B Units
Outstanding at 1 January 2017	—
Granted during the year	12,830,724
Forfeited during the year	(2,517,286)
Outstanding at 1 January 2018	10,313,438
Exercised during the year	(3,104,008)
Forfeited during the year	(1,985,264)
Outstanding at 31 December 2018	5,224,166

The US Grantee shall be entitled, on the first and second anniversaries of the Plan Date, to sell 50% of the Class B Units vested to GCL US II or another member of the Group selected by GCL US II at a price equal to US$1 each (the "Floor Price"). The Grantee shall be entitled on the third anniversary of the Plan Date to sell all the vested Class B Units to GCL US II or another member of the Group selected by GCL US II at the higher of valuation of the Class B Units as of the third anniversary of the Plan Date or the Floor Price. If, on the third anniversary of the Plan Date, the Group at its sole and absolute discretion, does not intend to make an IPO of the solar material business unit in the USA in the 36 months following the third anniversary of the Plan Date, GCL US II shall purchase all the vested Class B Units at the price set out above. Valuation shall include GCL Solar Materials US I, LLC, GCL US II, GCL Solar Materials US III, LLC, GCL Solar Materials US IV, LLC and assets and operations acquired pursuant to the SunEdison Agreement, however and wherever held by the Group and take into account all monetisation transactions as defined in the US Equity Incentive Plan for the purposes of valuation.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52a. The Company (Continued)

(III) Cash-settled share award scheme (Continued)

US Equity Incentive Plan granted by GCL US II (Continued)

In the event there is an IPO prior to the sixth anniversary of the Plan Date and Class B Units are outstanding at the time of such IPO, such Class B Units will be converted into shares of common stock of the company whose shares are sold in the IPO (the "New IPO Company"). The Group will set the conversion rate of Class B Units into shares of the common stock of the New IPO Company upon the conversion date. If there are any vested Class B Units remaining as of the sixth anniversary of the Plan Date and there has been no IPO by that time, there shall be a valuation and GCL US II shall purchase all the remaining vested Class B Units at the price determined based on the higher of valuation of the Class B Units as of the sixth anniversary of the Plan Date or the Floor Price.

The settlements mention aboved for the vested Class B Units shall be made, in the sole discretion of GCL US II in (i) cash; (ii) shares of a Group entity that is publicly listed in the USA or (iii) a combination of (i) and (ii).

In the opinion of the Directors, the fair value of the outstanding Class B Units as at 31 December 2018 is not higher than US$1. The Group has recorded liabilities of RMB28,145,000 (2017: RMB30,887,000) in its consolidated statement of financial position as at 31 December 2018 and RMB15,073,000 (2017: RMB30,887,000) as share-based payment expense during the year in respect of the cash-settled share award. During the year ended 31 December 2018, certain US Grantees exercised their rights to sell the Class B units to GCL US II at US$1 per units, resulting a payment of RMB18,247,000 (2017: nil).

52b. Share option plan of GNE

Equity-settled share option scheme

GNE's new share option scheme was adopted pursuant to a resolution passed on 15 October 2014 ("New Share Option Scheme") for the primary purpose of providing incentives to the directors of GNE and eligible employees. Under the New Share Option Scheme, the board of directors of GNE may grant options to eligible employees, including the directors of GNE, to subscribe for shares in GNE. Additionally, GNE may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to GNE.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52b. Share option plan of GNE (Continued)

Equity-settled share option scheme (Continued)

At 31 December 2018, the number of shares in respect of which had been granted under the New Share Option Scheme and remained outstanding was approximately 549,835,000 (2017: 591,388,000) shares, representing 2.5% (2017: 3.1%) of the issued share capital of GNE at that date. The maximum number of shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme shall not in aggregate exceed 10% of the shares of GNE in issue at the date of approval of the New Share Option Scheme. The maximum entitlement for any one participant is that the total number of shares issued or to be issued upon exercise of the options granted to each participant in any twelve-month period shall not exceed 1% of the total number of shares in issue.

The exercise price is determined by the directors of GNE, and will not be less than the higher of (i) the closing price of GNE's shares on the date of grant, (ii) the average closing price of GNE's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of GNE's share.

On 23 October 2014, GNE granted 134,210,000 share options at exercise price of HK$4.75 per share option ("2014 Share Options"), subject to acceptance by the grantees, to subscribe for an aggregate of 134,210,000 shares under the New Share Option Scheme, and of which 35,000,000 share options were granted to the directors of GNE. These share options are subject to a vesting scale in five even tranches on 24 November 2014 and the first, second, third and fourth anniversary dates of the grant date, respectively, as well as market performance conditions. The share options granted are exercisable from the respective vesting dates to the last day of the ten-year period after the grant date.

As a result of the share subdivision, the exercise price per 2014 Share Options granted and the number of subdivided shares falling to be issued upon exercise of the options granted had been adjusted to HK$1.1875 per share option and 536,840,000 shares options respectively.

On 24 July 2015, GNE granted 473,460,000 share options at exercise price of HK$0.61 per share option ("2015 Share Options"), subject to acceptance by the grantees, to subscribe for an aggregate of 473,460,000 shares under the New Share Option Scheme, and of which 43,000,000 share options were granted to the directors of GNE. These share options are subject to certain service and market performance conditions and a vesting scale in five even tranches on 24 July 2015 and the first, second, third and fourth anniversary dates of the grant date, respectively. The share options granted are exercisable after the respective vesting date and upon meeting the service and market performance conditions up to the last day of the ten-year period after the grant date.

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52b. Share option plan of GNE (Continued)

Equity-settled share option scheme (Continued)

Pursuant to the terms of the New Share Option Scheme, the exercise price of the 2014 Share Options and 2015 Share Options is adjusted from HK$1.1875 to HK$1.1798 and from HK$0.61 to HK$0.606, respectively, with effect from 2 February 2016 as a result of the determination of entitlements to the rights issue of shares of GNE.

The following table discloses movements of GNE's share options:

2018

				Number of share options		
	Exercise price	Date of grant	Exercise period	Outstanding at 1 January 2018	During the year: Forfeited	Outstanding at 31 December 2018
Directors	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	**58,382,800**	**—**	**58,382,800**
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	**48,618,780**	**—**	**48,618,780**
Employees and others providing similar services	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	**237,114,696**	**(6,039,600)**	**231,075,096**
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	**247,271,290**	**(35,512,848)**	**211,758,442**
				591,387,566	**(41,552,448)**	**549,835,118**
Exercisable at the end of the year				**236,720,109**		**274,036,784**
Weighted average exercise price (HK$)				**0.8927**	**0.6894**	**0.9255**

52. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

52b. Share option plan of GNE (Continued)

Equity-settled share option scheme (Continued)

2017

	Exercise price	Date of grant	Exercise period	Number of share options: Outstanding at 1 January 2017	During the year: Forfeited	Outstanding at 31 December 2017
Directors	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	58,382,800	—	58,382,800
	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	48,618,780	—	48,618,780
Employees and others providing	HK$1.1798	23.10.2014	24.11.2014 to 22.10.2024	263,286,296	(26,171,600)	237,114,696
similar services	HK$0.606	24.07.2015	24.07.2015 to 23.07.2025	294,319,774	(47,048,484)	247,271,290
				664,607,650	(73,220,084)	591,387,566
Exercisable at the end of the year				197,784,821		236,720,109
Weighted average exercise price (HK$)				0.8837	0.8111	0.8927

During the current year, share-based payment expense of RMB17,679,000 (2017: RMB47,242,000) has been recognised in profit or loss in respect of equity-settled share option scheme. In addition, certain share options granted to employees have been forfeited after the vesting period, and respective share options reserve of approximately RMB15,117,000 (2017: RMB61,450,000) are transferred to the Group's accumulated profits from share options reserve and non-controlling interests.

At each reporting date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the share options reserve.

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Continuing operations								Discontinued operations				
	Dividend payables RMB'000 (note 32)	**Interest payables** RMB'000 (note 32)	**Amounts due to related companies (non-trade)** RMB'000 (note 33) (Note b)	**Loans from related companies** RMB'000 (note 34)	**Bank and other borrowings** RMB'000 (note 37)	**Obligations under finance leases** RMB'000 (note 38)	**Notes and bonds payables** RMB'000 (note 39)	**Convertible bonds payables** RMB'000 (note 41)	**Interest payables** RMB'000	**Bank and other borrowings** RMB'000	**Obligations under finance leases** RMB'000	**Amount due to a shareholder of a subsidiary under PCB business** RMB'000	**Total** RMB'000
At 1 January 2017	38,773	187,839	291,837	–	33,279,555	2,513,440	5,121,345	2,012,997	–	181,003	65,760	17,890	43,710,439
Financing cash flows (Note a)	(105,841)	(1,013,777)	(248,885)	–	17,247,144	(1,002,004)	(604,645)	(404,255)	(5,667)	627	(25,841)	–	13,836,856
Loss on fair value change of convertible bonds payables	–	–	–	–	–	–	–	156,515	–	–	–	–	156,515
Exchange realignment	–	–	–	–	(203,277)	(21,226)	–	–	–	–	–	(658)	(225,161)
Finance costs (note 8)	–	661,451	–	–	1,420,463	146,392	312,714	–	5,667	–	1,690	–	2,548,377
Interest capitalised (note 8)	–	338,509	–	–	–	–	–	–	–	–	–	–	338,509
Dividends declared to non-controlling interests	183,631	–	–	–	–	–	–	–	–	–	–	–	183,631
Acquisitions of subsidiaries	–	–	–	–	1,492,089	–	–	–	–	–	–	–	1,492,089
Disposal of subsidiaries	–	–	–	–	(910,000)	–	–	–	–	–	–	–	(910,000)
Disposal of PCB business	–	–	–	–	–	–	–	–	–	(181,630)	(41,609)	(17,232)	(240,471)
Non-cash settlements	(87,785)	–	–	–	(2,361,052)	–	–	–	–	–	–	–	(2,448,837)
At 1 January 2018	28,778	174,022	42,952	–	49,964,922	1,636,602	4,829,414	1,765,257	–	–	–	–	58,441,947
Financing cash flows (Note a)	(56,463)	(1,014,406)	16,284	2,253,630	1,266,121	(553,796)	(463,684)	(1,811,657)	–	–	–	–	(363,971)
Loss on fair value change of convertible bonds payables	–	–	–	–	–	–	–	46,292	–	–	–	–	46,292
Financial liabilities designated as at FVTPL attributable to changes in credit risk	–	–	–	–	–	–	–	108	–	–	–	–	108
Exchange realignment	–	–	–	–	231,336	17,486	264,650	–	–	–	–	–	513,472
Finance costs (note 8)	–	855,924	51,962	31,568	1,898,148	90,671	490,738	–	–	–	–	–	3,419,011
Interest capitalised (note 8)		202,944	–	–	–	–	–	–	–	–	–	–	202,944
Dividends declared to non-controlling interests	44,650	–	–	–	–	–	–	–	–	–	–	–	44,650
Acquisitions of subsidiaries	–	–	–	–	948,101	–	–	–	–	–	–	–	948,101
Disposal of subsidiaries	–	–	–	–	(547,964)	–	–	–	–	–	–	–	(547,964)
Transfer to liabilities associated with assets classified as held for sales	–	(970)	–	–	(872,955)	–	–	–	–	–	–	–	(873,925)
Reclassification to loans from related companies	–	–	–	1,314,591	(1,124,017)	(190,574)	–	–	–	–	–	–	–
Recognition of deferred income on government grant – ITC	–	–	–	–	(188,869)	–	–	–	–	–	–	–	(188,869)
Movement of discounted bills with recourse	–	–	–	–	191,079	–	–	–	–	–	–	–	191,079
Non-cash settlements	–	–	–	–	–	228,010	–	–	–	–	–	–	228,010
At 31 December 2018	16,965	217,514	111,198	3,599,789	51,765,902	1,228,399	5,121,118	–	–	–	–	–	62,060,885

53. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

Notes:

(a) The cash flows from dividends payables, interest payables, amounts due to related companies, loans from related companies, bank and other borrowings, obligations under finance leases, notes and bonds payables and convertible bonds payables from continuing operations make up the net amount of proceeds and repayments in the consolidated statement of cash flows.

(b) The balance at 1 January 2017 presented has excluded an amount of RMB13,734,000 relating to purchase of machinery and equipment in prior years which was fully settled during the year.

54. EVENTS AFTER REPORTING PERIOD

Other than the completion of disposal of Liuzhou Project as disclosed in note 31, the Group has the following significant event after the end of the reporting period:

On 1 February 2019, GNE Group entered into certain agreements for a financing arrangement with粵港澳大灣區資產管理有限公司 ("Greater Bay Area Asset Management") to obtain a financing of approximately RMB420,000,000 for a six month ended. Details are set out in GNE's announcement dated 1 February 2019.

On 28 March 2019, GNE Group announced the disposal of 55% equity interests in approximately 280MW of its solar farm projects to 五凌電力有限公司 ("Wuling Power Corporation Ltd."*), a subsidiary of China Power Investment Corporation at a consideration of approximately RMB246 million. Details are set out in GNE's announcement on the same date. The directors of GNE are currently assessing the financial impact of the disposal

55. RETIREMENT BENEFITS SCHEMES

(a) The PRC

The Group's full-time employees in the PRC are covered by a government sponsored defined contribution pension scheme, and are entitled to a monthly pension from their retirement dates. The PRC Government is responsible for the pension liability to these retired employees. The Group is required to make annual contributions to the retirement plan at a rate of 12% to 20% (2017: 12% to 20%) of employees' salaries, which are charged to profit or loss as an expense when the contributions are due.

(b) Hong Kong

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme and is funded by contributions from employers and employees according to the provisions of the MPF Ordinance.

* English name for identification only

55. RETIREMENT BENEFITS SCHEMES (Continued)

(c) The USA

In 2015, GNE established a 401(k) savings trust plan ("401(k) Plan"), a defined contribution plan and is funded by employers and employees that qualifies as an Inland Revenue Service ("IRS") deferred salary arrangement under Section 401(k) of the US Internal Revenue Code. Under the 401(k) Plan, participating employees may elect to contribute up to a maximum amount subject to certain IRS limitations.

(d) Japan

GNE Group participates in an employee's pension fund for all its employees in Japan. The scheme is a defined contribution scheme and is funded by contribution from employers and employees according to Employee's Pension Insurance Act.

During the year ended 31 December 2018, total amounts contributed by the Group to the schemes in the PRC, Hong Kong, the USA and Japan and charged to profit or loss, which represent contributions payable to the schemes by the Group at rates specified in the rules of the schemes are approximately RMB92,048,000 (2017: RMB88,249,000).

56. RELATED PARTY DISCLOSURES

During the year, the Group entered into the following material transactions with related parties:

	2018 HK$000	2017 RMB'000
Continuing operations		
Transactions with companies in which Mr. Zhu Gongshan and his family have control:		
Consultancy service fee expense	**(13,373)**	(10,818)
Management fee expense	**(21,513)**	(8,915)
Interest expense	**(12,493)**	—
Purchases of steam (Note)	**(17,368)**	(569,194)
Purchase of coal (Note)	**(586,024)**	(653,181)
Purchase of raw water and desalted water	**(1,800)**	(1,267)
Purchase of energy service	**(19,598)**	—
Rental income	**33,157**	14,408
Sales of wafer	**1,392,760**	1,556,833

56. RELATED PARTY DISCLOSURES (Continued)

	2018	2017
	RMB'000	RMB'000
Transactions with joint ventures and associates:		
Interest expense	**(71,037)**	—
Purchase of polysilicon	**(89,587)**	(58,226)
Purchase of silicon rods	**(1,543,923)**	—
Purchase of property, plant and equipment	**(11,935)**	—
Management fee income	**40,692**	—
Sales of raw materials	**145,249**	—
Sales of property, plant and equipment and land use right	**85,569**	55,029
Interest income	**10,949**	—

As at 31 December 2018, GNE Group provided guarantee to Huarong and Wanhai for certain of their bank and other borrowings amounting to RMB204,000,000 and RMB493,590,000, respectively. Since these bank and other borrowings are secured by their (i) property, plant and equipment, (ii) trade receivables, contract assets and fee collection right in relation to sales of electricity, in the opinion of the directors of GNE, the fair value of the guarantee is considered insignificant at initial recognition.

Details of balances and other arrangements with related parties are disclosed in the consolidated statement of financial position from pages 121 to 123 and notes 28 and 33.

Note: Steam and coal are purchased by a subsidiary of solar material business mainly for the manufacturing of polysilicon, at price mutually agreed by the two parties.

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES

57a. General information of subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are set out below.

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Directly held:					
Incorporated in the Cayman Islands					
Universe Solar Energy Holdings Inc. 環宇光伏電力控股有限公司	Cayman Islands/ Hong Kong	US$10,500	**100**	100	Investment holding
Incorporated in the BVI					
Elite Time Global Ltd. 傑泰環球有限公司	BVI	US$1	**100**	100	Investment holding
Solar material business					
Established in the PRC					
Jiangsu Zhongneng	PRC	RMB7,052,031,330	**99.55**	99.55	Manufacture and sale of polysilicon
Jiangsu GCL Silicon Material Technology Development Co., Ltd.* 江蘇協鑫硅材料科技發展有限公司	PRC	RMB3,099,650,000	**99.55**	99.55	Manufacture and sale of ingot and wafer
Konca Solar	PRC	RMB1,184,570,000	**74.85**	74.85	Manufacture and sale of ingot and wafer
Changzhou GCL Photovoltaic Technology Co., Ltd.* 常州協鑫光伏科技有限公司	PRC	US$717,978,274	**99.55**	99.55	Manufacture and sale of wafer
Suzhou GCL Photovoltaic Technology Co., Ltd.* 蘇州協鑫光伏科技有限公司	PRC	RMB990,298,120	**99.55**	99.55	Manufacture and sale of wafer

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
Solar material business (Continued)					
Established in the PRC (Continued)					
GCL-Poly (Suzhou)	PRC	RMB4,940,000,000	**99.55**	99.55	Investment holding and trading of wafer
Henan GCL Photovoltaic Technology Co., Ltd.* 河南協鑫光伏科技有限公司	PRC	RMB373,500,000	**99.55**	99.55	Manufacture and sale of ingot
GCL (Nanjing) Solar Energy Technology Co., Ltd.* 協鑫(南京)太陽能科技有限公司	PRC	RMB250,000,000	**99.55**	99.55	Manufacture and trading of solar cell and module
Taicang GCL Photovoltaic Technology Co., Ltd.* 太倉協鑫光伏科技有限公司	PRC	RMB958,775,000	**99.55**	99.55	Manufacture and sale of wafer
Funing GCL Photovolatic Technology Co., Ltd.* 阜寧協鑫光伏科技有限公司	PRC	RMB312,621,612	**99.55**	99.55	Manufacture and sale of solar products
Ningxia GCL Monocrystalline Silicon Technology Development Co., Ltd.* 寧夏協鑫晶體科技發展有限公司	PRC	RMB$301,000,000	**99.55**	99.55	Manufacture and sale of solar products
Yangzhou GCL Photovoltaic Technology Company Limited* 揚州協鑫光伏科技有限公司	PRC	RMB$514,678,595	**99.55**	99.55	Manufacture and sale of wafer

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
Solar material business (Continued)					
Established in the PRC (Continued)					
Suzhou GCL Technology Development Co., Ltd.* 蘇州協鑫科技發展有限公司	PRC	RMB900,000,000	**99.55**	99.55	Manufacture and sale of wafer
GCL-Poly Silicon Material (Taicang) Co., Ltd.* 保利協鑫硅材料(太倉)有限公司	PRC	US$34,000,000	**100**	100	Trading of solar products
Incorporated in Hong Kong					
GCL Solar Energy Technology Holdings Limited 協鑫光伏電力科技控股有限公司	Hong Kong	HK$1	**100**	100	Investment holding
Konca Solar Cell (H.K.) Co., Ltd. 高佳太陽能(香港)有限公司	Hong Kong	HK$20,000,000	**74.85**	74.85	Trading of wafer
Corner Star Limited 各星有限公司	Hong Kong	HK$1	**99.55**	99.55	Own a technical know-how

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
			%	%	
Indirectly held: (Continued)					
Solar farm business					
Established in the PRC					
GCL-Poly (Sangri) Solar Power Co., Ltd.* 保利協鑫(桑日)光伏電力有限公司	PRC	RMB62,000,000	**100**	100	Operation of solar farm
Xuzhou GCL Solar Energy Co., Ltd.* 徐州協鑫光伏電力有限公司	PRC	RMB84,000,000	**100**	100	Operation of solar farm
Jiangsu Guoneng Solar Technology Co., Ltd.* 江蘇國能新能源科技有限公司	PRC	RMB10,000,000	**100**	100	Operation of solar farm
Suzhou GCL-Poly Solar Energy Investment Ltd.* 蘇州保利協鑫光伏電力投資有限公司	PRC	RMB422,000,000	**100**	100	Investment holding
Datong Xian GCL Solar Energy Co., Ltd.* 大同縣協鑫光伏電力有限公司	PRC	RMB144,600,000	**100**	100	Operation of solar farm
Baoying Xingneng Renewable Energy Co., Ltd.* 寶應興能可再生能源有限公司	PRC	RMB52,800,000	**100**	100	Operation of solar farm
Funing Xinneng Solar Energy Co., Ltd.* 阜寧新能光伏電力有限公司	PRC	RMB52,800,000	**100**	100	Operation of solar farm
Ningxia Qingyang New Energy Co., Ltd.* 寧夏慶陽新能源有限公司	PRC	RMB170,000,000	**51**	51	Operation of solar farm

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
			%	%	
Indirectly held: (Continued)					
Solar farm business (Continued)					
Established in the PRC (Continued)					
Huocheng Xian Tukai New Energy Technology Development Co., Ltd.* 霍城縣圖開新能源科技開發有限公司	PRC	RMB49,380,000	**51**	51	Operation of solar farm
Ningxia Hengyang New Energy Co., Ltd.* 寧夏恒陽新能源有限公司	PRC	RMB49,800,000	**100**	100	Operation of solar farm
Datong Xian Xinneng Solar Energy Co., Ltd.* 大同縣鑫能光伏電力有限公司	PRC	RMB32,600,000	**100**	100	Operation of solar farm
Incorporated in Hong Kong					
GCL Solar Energy Limited 協鑫光伏有限公司	Hong Kong	HK$1	**100**	100	Investment holding
Incorporated in the USA					
GCL Solar Energy, Inc.	USA	US$2,000,000	**100**	100	Construction and sale of solar farm projects
Incorporated in Luxembourg					
Berimor Investments S.a.r.l.	Luxembourg	US$2,000,000	**100**	100	Investment holding

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business					
Incorporated in Hong Kong					
協鑫新能源國際有限公司 GCL New Energy International Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
協鑫新能源發展有限公司 GCL New Energy Development Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
協鑫新能源管理有限公司 GCL New Energy Management Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
協鑫新能源貿易有限公司 GCL New Energy Trading Limited	Hong Kong	HK$1	**62.28**	62.28	Investment holding
Established in the PRC					
協鑫新能源投資(中國)有限公司 GCL New Energy Investment (China) Co., Ltd.*	PRC	US$1,188,000,000 (2017: US$889,000,000)	**62.28**	62.28	Investment holding
蘇州協鑫新能源運營科技有限公司 Suzhou GCL New Energy Operation and Technology Co., Ltd.*	PRC	RMB50,000,000	**62.28**	62.28	Investment holding
南京協鑫新能源發展有限公司 Nanjing GCL New Energy Development Co., Ltd.*	PRC	US$1,188,000,000	**62.28**	62.28	Investment holding

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2018

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)
57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC					
Suzhou GCL New Energy	PRC	RMB12,928,250,000	**57.81**	57.81	Investment holding
南京協鑫新能源科技有限公司 Nanjing GCL New Energy Technology Co., Ltd.*	PRC	RMB300,000,000	**62.28**	62.28	Investment holding
鎮江協鑫新能源發展有限公司 Zhenjiang GCL New Energy Development Co., Ltd.*	PRC	RMB33,000,000	**62.28**	62.28	Investment holding
包頭市中利騰暉光伏發電有限公司 Bao Tou Shi Zhong Li Photovoltaic Co., Ltd.*	PRC	RMB110,000,000	**62.28**	62.28	Operation of solar farms
冊亨協鑫光伏電力有限公司 Ce Heng Solar Power Co., Ltd.*	PRC	RMB130,000,000	**62.28**	62.28	Operation of solar farms
德令哈協合光伏發電有限公司 Delingha Century Concord Photovoltaic Power Co., Ltd.*	PRC	RMB222,000,000	**62.28**	62.28	Operation of solar farms
汾西縣協鑫光伏電力有限公司 Fenxi GCL Photovoltaic Power Co., Ltd.*	PRC	RMB130,000,000	**62.28**	62.28	Operation of solar farms
阜南協鑫光伏電力有限公司 Funan GCL Photovoltaic Power Co., Ltd.*	PRC	RMB165,000,000	**62.28**	62.28	Operation of solar farms
高唐縣協鑫晶輝光伏有限公司 Gaotang Xian GCL Jing Hui Photovoltaic Co., Ltd.*	PRC	RMB81,000,000	**62.28**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
哈密耀輝光伏電力有限公司 Hami Yaohui Photovoltaic Co., Ltd.*	PRC	RMB181,960,000	**62.28**	62.28	Operation of solar farms
海豐縣協鑫光伏電力有限公司 Haifeng Xian GCL Solar Power Co., Ltd.*	PRC	RMB155,900,000	**62.28**	62.28	Operation of solar farms
海南州世能光伏發電有限公司 Hainan Zhou Shi Neng Photovoltaic Power Co., Ltd.*	PRC	RMB60,000,000	**62.28**	62.28	Operation of solar farms
邯能廣平縣光伏電力開發有限公司 Hanneng Guangping Solar Energy Development Limited*	PRC	RMB130,000,000	**62.28**	62.28	Operation of solar farms
橫山晶合太陽能發電有限公司 Hengshan Jinghe Solar Energy Co., Ltd.*	PRC	RMB222,000,000	**60.01**	60.01	Operation of solar farms
湖北省麻城市金伏太陽能電力有限公司 Hubei Macheng Jinfu Solar Energy Limited*	PRC	RMB191,000,000	**62.28**	62.28	Operation of solar farms
淮北鑫能光伏電力有限公司 Huaibei Xinneng Solar Power Co., Ltd.*	PRC	RMB90,000,000	**62.28**	62.28	Operation of solar farms
江陵縣協鑫光伏電力有限公司 Jiangling Xian GCL Solar Power Co., Ltd.*	PRC	RMB230,000,000	**62.28**	62.28	Operation of solar farms
靖邊縣順風新能源有限公司 Jingbian Shunfeng New Energy Limited*	PRC	RMB68,550,000	**59.17**	59.17	Operation of solar farms

Notes to the Consolidated Financial Statements (CONTINUED)
For the year ended 31 December 2018

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)
57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
靖邊協鑫光伏電力有限公司 Jingbian GCL Solar Power Co., Ltd.*	PRC	RMB80,000,000	**62.28**	62.28	Operation of solar farms
開封華鑫新能源開發有限公司 Kaifeng Hua Xin New Energy Development Co., Ltd.*	PRC	RMB200,000,000	**62.28**	62.28	Operation of solar farms
Lanxi	PRC	RMB60,320,000 (2017: RMB30,000,000)	**62.28**	62.28	Operation of solar farms
Linzhou Xinchuang	PRC	RMB107,000,000	**62.28**	62.28	Operation of solar farms
猛海協鑫光伏農業電力有限公司 Menghai GCL Solar Agricultural Power Co., Ltd.*	PRC	RMB85,000,000	**62.28**	62.28	Operation of solar farms
內蒙古香島新能源發展有限公司 Inner Mongolia Xiangdao New Energy Development Company Limited*	PRC	RMB273,600,000	**56.11**	56.11	Operation of solar farms
寧夏金禮光伏電力有限公司 Ningxia Jinli Photovoltaic Electric Power Co., Ltd.*	PRC	RMB86,830,000	**62.28**	62.28	Operation of solar farms
寧夏金信光伏電力有限公司 Ningxia Jinxin Photovoltaic Electric Power Co., Ltd.*	PRC	RMB126,300,000	**62.28**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
寧夏中衛協鑫光伏電力有限公司 Ningxia Zhongwei GCL Solar Power Co., Ltd.*	PRC	RMB61,600,000	**62.28**	62.28	Operation of solar farms
淇縣協鑫新能源有限公司 Qixian GCL New Energy Limited*	PRC	RMB84,000,000	**62.28**	62.28	Operation of solar farms
汝陽協鑫新能源有限公司 Ruyang GCL New Energy Limited*	PRC	RMB146,000,000	**62.28**	62.28	Operation of solar farms
Indirectly held: (Continued)					
汝州協鑫光伏電力有限公司 Ruzhou GCL Photovoltaic Power Co., Ltd.*	PRC	RMB150,000,000	**62.28**	62.28	Operation of solar farms
芮城縣協鑫光伏電力有限公司 Ruicheng Xian GCL Solar Power Co., Ltd.*	PRC	RMB134,000,000	**62.28**	62.28	Operation of solar farms
三門峽協立光伏電力有限公司 San Men Xia Xie Li Solar Power Co., Ltd.*	PRC	RMB65,000,000	**62.28**	62.28	Operation of solar farms
山西佳盛能源股份有限公司 Shanxi Jiasheng Energy Holding Ltd.*	PRC	RMB50,000,000	**59.79**	59.79	Operation of solar farms
上林協鑫光伏電力有限公司 Shanglin GCL Solar Power Co., Ltd.*△	PRC	RMB124,800,000 (2017: RMB84,800,000)	**42.32**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
			%	%	
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
尚義元辰新能源開發有限公司 Shangyi Yuanchen New Energy Development Company Limited*	PRC	RMB400,650,000	**62.28**	62.28	Operation of solar farms
Shenmn Jingfu∆	PRC	RMB75,400,000	**49.82**	49.82	Operation of solar farms
Shenmn Jingpu∆	PRC	RMB266,400,000	**49.82**	49.82	Operation of solar farms
神木市平西電力有限公司 Shenmu Ping Xi Power Co., Ltd.*	PRC	RMB82,000,000 (2017: RMB20,000,000)	**62.28**	62.28	Operation of solar farms
神木市平元電力有限公司 Shenmu Ping Yuan Power Co., Ltd.*	PRC	RMB20,000,000	**62.28**	62.28	Operation of solar farms
Guotai#∆	PRC	RMB20,000,000	**49.82**	—	Operation of solar farms
Jingdeng#∆	PRC	RMB50,000,000	**49.82**	—	Operation of solar farms
石城協鑫光伏電力有限公司 Shicheng GCL Solar Power Co., Ltd.*∆	PRC	RMB112,838,100	**31.76**	43.60	Operation of solar farms
天長市協鑫光伏電力有限公司 Tianchang GCL Solar Energy Limited*	PRC	RMB63,960,000	**62.28**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
烏拉特後旗源海新能源有限責任公司 Wulate Houqi Yuanhai New Limited*	PRC	RMB50,000,000	**62.28**	62.28	Operation of solar farms
新安縣協鑫光伏電力有限公司 Xinan Xian GCL Solar Power Co., Ltd.*	PRC	RMB120,000,000	**62.28**	62.28	Operation of solar farms
宿州協鑫光伏電力有限公司 Su Zhou GCL Solar Power Co., Ltd.*△	PRC	RMB74,000,000	**62.28**	62.28	Operation of solar farms
鹽邊鑫能光伏電力有限公司 Yan Bian Xin Neng Solar Power Co., Ltd.*	PRC	RMB56,000,000	**62.28**	62.28	Operation of solar farms
鹽源縣白烏新能源科技有限公司 Yan Yuan Xian Bai Wu New Energy Technology Co., Ltd.*	PRC	RMB113,000,000	**62.28**	62.28	Operation of solar farms
餘幹縣協鑫新能源有限責任公司 Yugan GCL New Energy Limited*	PRC	RMB139,300,000	**62.28**	62.28	Operation of solar farms
盂縣晉陽新能源發電有限公司 Yu County Jinyang New Energy Power Generation Co., Ltd.*	PRC	RMB171,800,000	**61.91**	61.91	Operation of solar farms
榆林隆源光伏電力有限公司 Yulin Longyuan Solar Energy Limited*	PRC	RMB465,000,000	**62.28**	62.28	Operation of solar farms
榆林市榆神工業區東投能源有限公司 Yulin Yu Shen Industrial Area Energy Co., Ltd.*	PRC	RMB170,000,000	**62.28**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	2017	
			%	%	
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
元謀綠電新能源開發有限公司 Yuanmou Green Power New Energy Development Limited*△	PRC	RMB85,000,000	**49.82**	49.82	Operation of solar farms
鄆城鑫華能源開發有限公司 Yuncheng Xinhua Energy Development Co,. Ltd.*	PRC	RMB58,597,800 (2017: RMB1,000,000)	**62.28**	62.28	Operation of solar farms
張家港協鑫光伏電力有限公司 Zhang Jia Gang GCL Photovoltaic Power Co., Ltd.*	PRC	RMB72,414,000	**62.28**	62.28	Operation of solar farms
正藍旗國電光伏發電有限公司 Zhenglanqi State Power Photovoltaic Company Limited*	PRC	RMB125,000,000	**61.78**	61.78	Operation of solar farms
中利騰暉海南電力有限公司 Zhongli Tenghui Hainan Solar Power Co., Ltd.*	PRC	RMB105,500,000	**62.28**	62.28	Operation of solar farms
東海縣協鑫光伏電力有限公司 Donghai GCL Solar Energy Co., Ltd.*	PRC	RMB54,470,000	**62.28**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group 2018 %	2017 %	Principal activities
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
阜寧縣鑫源光伏電力有限公司 Fu Ning Xian Xin Yuan Solar Power Co., Ltd.*	PRC	RMB52,000,000	**62.28**	62.28	Operation of solar farms
峨山永鑫光伏發電有限公司 E Shan Yongxin Photovoltaic Electric Power Co., Ltd.*	PRC	RMB1,000,000	**62.28**	62.28	Operation of solar farms
碭山協鑫光伏電力有限公司 Dang Shan GCL Solar Power Co., Ltd.*	PRC	RMB44,000,000	**62.28**	62.28	Operation of solar farms
欽州鑫金光伏電力有限公司 Qinzhou Xin Jin Solar Power Co., Ltd.*△	PRC	RMB134,950,000 (2017: RMB94,590,000)	**43.82**	62.28	Operation of solar farms
永城鑫能光伏電力有限公司 Yongcheng Xin Neng Photovoltaic Electric Power Co, Ltd.*	PRC	RMB101,600,000 (2017: RMB1,000,000)	**62.28**	62.28	Operation of solar farms
商水協鑫光伏電力有限公司 Shang Shui GCL Photovoltaic Electric Power Co, Ltd.*	PRC	RMB130,000,000	**62.28**	62.28	Operation of solar farms

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57a. General information of subsidiaries (Continued)

Name of subsidiary	Place of establishment/ operations	Particulars of issued share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018 **%**	2017 %	
Indirectly held: (Continued)					
New energy business (Continued)					
Established in the PRC (Continued)					
紅河縣瑞欣光伏發電有限公司 Honghe Xian Rui Xin Photovoltaic Electric Power Co., Ltd.*	PRC	RMB48,000,000	**62.28**	62.28	Operation of solar farms
盂縣協鑫光伏電力有限公司 Yu County GCL Solar Power Co., Ltd.*	PRC	RMB140,000,000	**62.28**	62.28	Operation of solar farms
微山鑫能光伏電力有限公司 Weishan Xin Neng Solar Power Co., Ltd.*	PRC	RMB75,000,000	**62.28**	62.28	Operation of solar farms
Huzhu Haoyang	PRC	RMB66,000,000	**62.28**	62.28	Operation of solar farms
科爾沁右翼前旗鑫晟光伏電力有限公司 Horiqin Youyi Qianqi Xin Sheng Photovoltaic Electric Power Co, Ltd.*	PRC	RMB80,000,000	**61.66**	61.66	Operation of solar farms

* English name for identification only
\# Newly established in 2018
Δ Despite the Group indirectly holds less than 50% of the effective equity interest of these companies, the Group considers to exercise control over these companies through GNE as GNE holds more than 50% of the equity interest.

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

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57b. Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	**2018**	2017	**2018**	2017
				RMB'000	RMB'000	**RMB'000**	RMB'000
GNE	Bermuda and Hong Kong	**37.72%**	37.72%	**177,166**	317,391	**2,437,826**	2,240,667
Non-wholly owned subsidiaries of GNE				**144,645**	8,535	**1,565,228**	1,308,987
Individually immaterial subsidiaries of the Group with non-controlling interests				**(86,846)**	50,910	**963,897**	982,708
				234,965	376,836	**4,966,951**	4,532,362

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57b. Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarised financial information in respect of GNE is set out below. The summarised financial information below represents amounts before intragroup eliminations and fair value adjustments arising from the acquisition of GNE.

	2018 **RMB'000**	2017 RMB'000
Current assets	**9,333,190**	10,721,035
Non-current assets	**51,846,671**	44,713,309
Current liabilities	**(20,574,506)**	(20,026,144)
Non-current liabilities	**(30,903,815)**	(26,612,258)
Equity attributable to owners of the Company	**5,698,486**	5,246,288
Non-controlling interests of GNE	**2,437,826**	2,240,667
Non-controlling interests of GNE's subsidiaries	**1,565,228**	1,308,987

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Continued)

57b. Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	2018 RMB'000	2017 RMB'000
Revenue — continuing operations	**5,632,397**	3,942,280
Expenses — continuing operations	**(4,883,043)**	(3,038,018)
Profit for the year from discontinued operations	**—**	77,112
Profit for the year	**749,354**	981,374
Profit for the year attributable to owners of GNE		
— from continuing operations	**469,680**	764,327
— from discontinued operations	**—**	77,112
	469,680	841,439
Profit for the year attributable to non-controlling interests		
— owners of perpetual notes*	**135,029**	131,400
— other non-controlling interests	**144,645**	8,535
Profit for the year	**749,354**	981,374
Profit attributable to owners of the Company	**427,543**	655,448
Profit attributable to non-controlling interests of GNE	**177,166**	317,391
Profit attributable to non-controlling interests of GNE's subsidiaries	**144,645**	8,535
Profit for the year	**749,354**	981,374
Other comprehensive income (expense) attributable to owners of the Company	**28,756**	(79,882)
Other comprehensive income (expense) attributable to non-controlling interests of GNE	**17,419**	(49,987)
Other comprehensive income attributable to non-controlling interests of GNE's subsidiaries	**—**	—
Other comprehensive income (expense) for the year	**46,175**	(129,869)
Total comprehensive income attributable to owners of the Company	**456,299**	575,566
Total comprehensive income attributable to non-controlling interests of GNE	**194,585**	267,404
Total comprehensive income attributable to non-controlling interests of GNE's subsidiaries	**144,645**	8,535
Total comprehensive income for the year	**795,529**	851,505
Dividends paid to non-controlling interests of GNE's subsidiaries	**(44,685)**	—
Net cash inflow from operating activities	**2,462,346**	1,854,127
Net cash outflow from investing activities	**(7,729,278)**	(13,354,230)
Net cash inflow from financing activities	**2,451,905**	11,888,037
Net cash (outflow) inflow	**(2,815,027)**	387,934

* The perpetual notes were held by wholly-owned subsidiaries of the Group and therefore is included in profit attributable to owners of the Company.

58. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position

	31 December 2018 RMB'000	31 December 2017 RMB'000
NON-CURRENT ASSETS		
Interest in subsidiaries	**14,932,839**	14,433,252
Amounts due from subsidiaries (Note)	**13,786,173**	13,569,823
Interest in an associate	**—**	172,100
Equity instruments at FVTOCI	**81,351**	—
Pledged bank deposits	**—**	65,342
Restricted bank deposits (Note)	**34,316**	32,671
	28,834,679	28,273,188
CURRENT ASSETS		
Prepayments and deposits	**4,042**	15,589
Amounts due from subsidiaries (Note)	**3,573,407**	1,451,785
AFS investments	**—**	99,808
Debt instruments at FVTOCI	**65,606**	—
Pledged bank deposits (Note)	**68,632**	—
Bank balances and cash (Note)	**560,313**	2,197,241
	4,272,000	3,764,423
CURRENT LIABILITIES		
Other payables	**37,981**	46,956
Amounts due to subsidiaries	**3,076**	3,972
Bank borrowings — due within one year	**3,531,577**	532,198
Convertible bonds payable	**—**	839,615
	3,572,634	1,422,741
NET CURRENT ASSETS	**699,366**	2,341,682
TOTAL ASSETS LESS CURRENT LIABILITIES	**29,534,045**	30,614,870
NON-CURRENT LIABILITY		
Bank borrowings — due after one year	**—**	2,055,444
NET ASSETS	**29,534,045**	28,559,426
CAPITAL AND RESERVES		
Share capital (note 42)	**1,610,009**	1,632,181
Reserves	**27,924,036**	26,927,245
TOTAL EQUITY	**29,534,045**	28,559,426

Note: ECL for amounts due from subsidiaries, pledged and restricted bank deposits, and bank balances and cash are assessed on a 12m ECL basis as there had been no significant increase in credit risk since initial recognition and impairment allowance is considered to be insignificant.

58. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Share premium RMB'000	Capital redemption reserve RMB'000	Investments revaluation reserve RMB'000	Capital reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	30,881,170	—	—	19,206	212,256	(7,305,509)	23,807,123
Profit and total comprehensive income for the year	—	—	—	—	—	3,104,287	3,104,287
Recognition of share-based payment expenses in respect of share options (note 52)	—	—	—	—	13,536	—	13,536
Exercise of share options	3,165	—	—	—	(866)	—	2,299
Forfeitures of share options	—	—	—	—	(47,841)	47,841	—
At 31 December 2017	30,884,335	—	—	19,206	177,085	(4,153,381)	26,927,245
Fair value loss on investments in debt instruments at FVTOCI	**—**	**—**	**(3,540)**	**—**	**—**	**—**	**(3,540)**
Fair value loss on investments in equity instruments at FVTOCI	**—**	**—**	**(11,806)**	**—**	**—**	**—**	**(11,806)**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**1,147,460**	**1,147,460**
Profit and total comprehensive (expense) income for the year	**—**	**—**	**(15,346)**	**—**	**—**	**1,147,460**	**1,132,114**
Recognition of share-based payment expenses in respect of share options (note 52)	**—**	**—**	**—**	**—**	**5,000**	**—**	**5,000**
Exercise of share options	**292**	**—**	**—**	**—**	**(73)**	**—**	**219**
Forfeitures of share options	**—**	**—**	**—**	**—**	**(10,370)**	**10,370**	**—**
Share repurchased and cancelled (note 42)	**(140,542)**	**22,202**	**—**	**—**	**—**	**(22,202)**	**(140,542)**
At 31 December 2018	**30,744,085**	**22,202**	**(15,346)**	**19,206**	**171,642**	**(3,017,753)**	**27,924,036**

Note: Differences between the reserves of the Company and of the Group, as disclosed in the consolidated statement of changes in equity, represented the consolidation adjustments arising from the reverse acquisition by GCL Solar in 2009. For more details, please refer to 2009 annual report of the Group.

CORPORATE INFORMATION

Chairman

Zhu Gongshan

Executive Directors

Zhu Gongshan
Zhu Zhanjun *(CEO)*
Zhu Yufeng
Sun Wei
Yeung Man Chung, Charles
(CFO & Company Secretary)
Jiang Wenwu
Zheng Xiongjiu

Independent Non-Executive Directors

Ho Chung Tai, Raymond
Yip Tai Him
Shen Wenzhong
Wong Man Chung, Francis

Composition of Board Committees

Audit Committee

Yip Tai Him *(Chairman)*
Ho Chung Tai, Raymond
Shen Wenzhong
Wong Man Chung, Francis

Remuneration Committee

Ho Chung Tai, Raymond *(Chairman)*
Yip Tai Him
Zhu Yufeng

Nomination Committee

Yip Tai Him *(Chairman)*
Ho Chung Tai, Raymond
Yeung Man Chung, Charles

Corporate Governance Committee

Ho Chung Tai, Raymond *(Chairman)*
Yip Tai Him
Yeung Man Chung, Charles

Strategy & Investment Committee

Ho Chung Tai, Raymond *(Chairman)*
Zhu Gongshan
Yip Tai Him
Shen Wenzhong
Wong Man Chung, Francis
Zhu Zhanjun
Yeung Man Chung, Charles

Company Secretary

Yeung Man Chung, Charles

Authorized Representatives

Zhu Zhanjun
Yeung Man Chung, Charles

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

Registered Office

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

Principal Place of Business in Hong Kong

Unit 1703B–1706, Level 17
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Cayman Islands Principal Share Registrar and Transfer Office

SMP Partners (Cayman) Limited
3rd Floor, Royal Bank House
24 Shedden Road
P.O. Box 1586, Grand Cayman
KY1–1110, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Legal Advisers to the Company

As to Hong Kong law

Freshfields Bruckhaus Deringer
55th Floor,
One Island East
Taikoo Place, Quarry Bay
Hong Kong

As to Cayman Islands law

Conyers Dill & Pearman
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1–1111
Cayman Islands

Company's Website

www.gcl-poly.com.hk

INFORMATION FOR INVESTORS

Listing information

Listing: Main Board of the Hong Kong Stock Exchange Limited
Stock Code: 3800

Share Information

Board Lot Size: 1,000 shares
Shares Outstanding as at 31 December 2018: 18,329,949,207 shares

Financial Calendar

28 March 2019: Announcement of 2018 Annual Results
29 April 2019: Publication of Annual Report
12 June 2019: Annual General Meeting

Enquiries Contact

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GLOSSARY OF TERMS

In this report, the following expressions have the meanings set out below unless defined in the context of this report:

"Beijing Financial Leasing"	Bank of Beijing Financial Leasing Co., Ltd* (北銀金融租賃有限公司), a company incorporated in the PRC with limited liability
"Board" or "Board of Directors"	board of Directors
"C$"	Canadian dollars, the lawful currency of Canada
"China" or "PRC"	the People's Republic of China, for the purposes of this report, excludes Hong Kong and Macau Special Administrative Region of the PRC
"Company" or "GCL-Poly"	GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 3800). As at the date of this report, GCL-Poly is interested in approximately 62.28% of the issued share capital of GNE
"Cornerstone Jingxin Financial Leasing"	Cornerstone Jingxin (Tianjin) Financial Leasing Co., Ltd* (基石京信(天津)融資租賃有限公司), a company incorporated in the PRC with limited liability
"Donghai GCL"	Donghai GCL Photovoltaic Power Co., Ltd* (東海縣協鑫光伏電力有限公司), an indirect subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Director(s)"	director(s) of the Company or any one of them
"Dongsheng PV"	Dongsheng Photovoltaic Technology (Hong Kong) Limited* (東昇光伏科技(香港)有限公司), a limited liability company incorporated in Hong Kong and a subsidiary of GCL System Integration
"GCL Electric"	GCL Electric Power Design and Research Co., Ltd.* (協鑫電力設計研究有限公司), a limited liability company incorporated in the PRC and a subsidiary of the Company and GNE
"GCL Energy Engineering"	GCL Energy Engineering Co., Ltd.* (協鑫能源工程有限公司), a company incorporated in the PRC and a subsidiary of GCL System Integration

GLOSSARY OF TERMS (CONTINUED)

"GCL Intelligent Energy"	GCL Intelligent Energy Co., Ltd.* (協鑫智慧能源股份有限公司) (formerly known as GCL Intelligent Energy (Suzhou) Co., Ltd.* (協鑫智慧能源(蘇州)有限公司) and GCL-Poly Limited* (保利協鑫有限公司)), a company established in the PRC
"GCL-Poly Suzhou New Energy"	GCL-Poly (Suzhou) New Energy Co., Ltd.* (保利協鑫(蘇州)新能源有限公司), an indirect subsidiary of the Company which is incorporated in the PRC with limited liability
"GCL Solar Energy"	GCL Solar Energy Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of the Company
"GCL System Integration"	GCL System Integration Technology Co., Ltd. (協鑫集成科技股份有限公司) (a company incorporated in the PRC with its shares listed on the SME Board of the Shenzhen Stock Exchange) (stock code: 002506)
"GCL System Integration (Suzhou)"	GCL System Integration Technology (Suzhou) Ltd.* (協鑫集成科技(蘇州)有限公司), a company established in the PRC and a subsidiary of GCL System Integration
"GNE"	GCL New Energy Holdings Limited (協鑫新能源控股有限公司), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 451), which is a subsidiary of the Company
"GNE Development"	GCL New Energy Development Limited 協鑫新能源發展有限公司, a company incorporated in Hong Kong with limited liability and a subsidiary of GNE
"GNE Directors"	The director of GNE
"GNE Group"	GNE and its subsidiaries
"GNE International"	GCL New Energy International Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of the Company and GNE
"GNE Investment"	GCL New Energy Investment (China) Co., Ltd* (協鑫新能源投資(中國)有限公司), a company incorporated in the PRC with limited liability, which is a subsidiary of the Company and GNE
"Group"	GCL-Poly and its subsidiaries

"GW"	gigawatts
"Honghe Ruixin"	Honghe Ruixin Photovoltaic Power Co., Ltd* (紅河縣瑞欣光伏發電有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Huaibei GCL New Energy"	Huaibei GCL New Energy Co., Ltd* (淮北鑫能光伏電力有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Jiangsu Jiarun"	Jiangsu Jiarun Property Co., Ltd.* (江蘇嘉潤置業有限公司), a company established in the PRC
"Jiangsu Zhongneng"	Jiangsu Zhongneng Polysilicon Technology Development Co., Ltd.* (江蘇中能硅業科技發展有限公司), a company incorporated in the PRC and a subsidiary of the Company
"Konca Solar"	Konca Solar Cell Co., Ltd.* (高佳太陽能股份有限公司), a subsidiary of the Company which is incorporated in the PRC with limited liability
"Kunming Xufeng"	Kunming Xufeng Photovoltaic Power Co., Ltd* (昆明旭峰光伏發電有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Lamtex"	Lamtex Holdings Limited, a company listed on the Stock Exchange with stock code 1041 and controlled as to 25.49% by the Company on 26 February 2018
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Luquan GCL"	Luquan GCL Photovoltaic Power Co., Ltd* (祿勸協鑫光伏發電有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Mr. Zhu"	Mr. Zhu Gongshan, the Chairman and an executive Director
"Mr. Zhu Yufeng"	son of Mr. Zhu and an executive Director
"MT"	metric tonnes

GLOSSARY OF TERMS (CONTINUED)

"MW"	megawatts
"MWh"	megawatt hour
"Nanjing GCL New Energy"	Nanjing GCL New Energy Development Co., Ltd.* (南京協鑫新能源發展有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Pei County Xinri"	Pei County Xinri Photovoltaic Power Co., Ltd* (沛縣鑫日光伏電力有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"PRC"	the People's Republic of China
"PV"	photovoltaic
"Shangshui GCL New Energy"	Shangshui GCL New Energy Co., Ltd* (商水協鑫光伏電力有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Shanglin Xinan"	Shangshui County Xinan Photovoltaic Power Co., Ltd* (上林縣鑫安光伏電力有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Suzhou GCL"	Suzhou GCL Energy Technology Co., Ltd.* (蘇州協鑫能源科技有限公司) a company established in the PRC
"Suzhou GCL-Poly"	Suzhou GCL-Poly Solar Power Investment Ltd.* (蘇州保利協鑫光伏電力投資有限公司), a company incorporated in the PRC with limited liability, a subsidiary of the Company
"Suzhou GCL Research"	Suzhou GCL Industrial Applications Research Co., Ltd.* (蘇州協鑫工業應用研究院有限公司), a subsidiary of the Company and a company established in the PRC
"Suzhou GCL New Energy"	Suzhou GCL New Energy Investment Co., Ltd.* (蘇州協鑫新能源投資有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability

GLOSSARY OF TERMS (CONTINUED)

"Suzhou GNE Operation"	Suzhou GCL New Energy Operation and Technology Co., Ltd.* (蘇州協鑫新能源運營科技有限公司), a company incorporated in the PRC with limited liability, a subsidiary of the Company and GNE
"Suzhou Xin Zhi Hai"	Suzhou Xin Zhi Hai Management Consulting Co., Ltd.* (蘇州鑫之海企業管理諮詢有限公司), a company incorporated in the PRC with limited liability
"Taicang GCL"	Taicang GCL Photovoltaic Technology Co., Ltd* (太倉協鑫光伏科技有限公司), a company incorporated in the PRC and a subsidiary of the Company
"Taicang Power"	Taicang GCL Power Generation Co., Ltd* (太倉港協鑫發電有限公司), a company incorporated in the PRC
"Taiqian GCL New Energy"	Taiqian GCL New Energy Company Limited* (台前協鑫光伏電力有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Tongyu Xinyuan"	Tongyu Xinyuan Photovoltaic Power Co., Ltd* (通榆鑫源光伏電力有限公司), a subsidiary of the Company and of GNE which is incorporated in the PRC with limited liability
"U.S."	United States of America
"W"	watts
"Wuxi Huaguang"	Wuxi Huaguang Boiler Co., Ltd.* (無錫華光鍋爐股份有限公司), a company incorporated in the PRC and the shares of which are listed on the Shanghai Stock Exchange with stock code 600475
"Xi'an Datang Electric"	Xi'an Datang Electric Power Design and Research Institute Co., Ltd.* (西安大唐電力設計研究院有限公司), a company incorporated in the PRC with limited liability
"Xinjiang GCL"	Xinjiang GCL New Energy Materials Technology Co., Limited* (新疆協鑫新能源材料科技有限公司), a company incorporated in the PRC and an indirect subsidiary of the Company

GLOSSARY OF TERMS (CONTINUED)

"Xinjiang Guoxin"	Xinjiang Guoxin Coal Energy Co., Limited* (新疆國信煤電能源有限公司), a company incorporated in the PRC
"Xinjiang Intelligent Energy"	Xinjiang GCL Intelligent Energy Services Co., Limited* (新疆協鑫智慧能源服務有限公司), a company incorporated in the PRC
"Yangzhou GCL"	Yangzhou GCL Photovoltaic Technology Co., Ltd* (揚州協鑫光伏科技有限公司), a company incorporated in the PRC and a subsidiary of the Company
"Yangzhou Power"	Yangzhou Harbour Sludge Power Co., Ltd* (揚州港口污泥發電有限公司), a company incorporated in the PRC
"Yongcheng GCL New Energy"	Yongcheng GCL New Energy Co., Ltd.* (永城鑫能光伏電力有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Zhenjiang GCL New Energy"	Zhenjiang GCL New Energy Development Co., Ltd.* (鎮江協鑫新能源發展有限公司), a subsidiary of the Company and GNE which is incorporated in the PRC with limited liability
"Zhu Family Trust"	the discretionary trust known as "Asia Pacific Energy Fund", of which Mr. Zhu and his family (including Mr. Zhu Yufeng, an executive Director and son of Mr. Zhu) are beneficiaries

* *English name for identification only.*

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