順風國際清潔能源有限公司
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 01165

ANNUAL REPORT **2017**

WORLD'S LEADING
CLEAN ENERGY PROVIDER
LOW-CARBON & ENERGY-SAVING
INTEGRATED SOLUTIONS PROVIDER

Energy Saving

Coal
566,256 tonne

H_2O
6,258,700 m^3

Electricity Generated

Year 2017
1,564,675 MWh

Year 2016
1,328,594 MWh

SFCE

Reduction of Emissions

Smoke and Dust
27,406,785 tonne

CO_2
1,520,864 tonne

SO_2
100,737 tonne

NO_x
49,661 tonne

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Corporate Information

DIRECTORS

Executive Directors

Mr. Zhang Fubo *(Chairman)*
Mr. Wang Yu *(Chief Executive Officer)*
Mr. Lu Bin
Mr. Chen Shi
Mr. Zhang Yi *(resigned on 9 September 2017)*
Mr. Luo Xin *(resigned on 23 June 2017)*

Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Kwong Wai Sun Wilson

AUDIT COMMITTEE

Mr. Kwong Wai Sun Wilson *(Chairman)*
Mr. Tao Wenquan
Mr. Zhao Yuwen

REMUNERATION COMMITTEE

Mr. Kwong Wai Sun Wilson *(Chairman)*
Mr. Zhang Fubo
Mr. Tao Wenquan
Mr. Zhao Yuwen

NOMINATION COMMITTEE

Mr. Zhang Fubo *(Chairman)*
Mr. Kwong Wai Sun Wilson
Mr. Zhao Yuwen

COMPANY SECRETARY

Mr. Tse Man Kit Keith

AUTHORIZED REPRESENTATIVES

Mr. Zhang Fubo
Mr. Tse Man Kit Keith

REGISTERED OFFICE

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Portion C, 30/F, Bank of China Tower,
1 Garden Road, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN CHINA

No. 12 Xinhua Road
National Hi-tech Industrial Development Zone
Wuxi City
Jiangsu 214028, China

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Shunfeng International Clean Energy Limited (the "**Company**"), I am pleased to present the audited results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2017.

Never before have we seen a year like 2017, which was full of opportunities and challenges. GTM Research concluded in their annual market research report that 2017 was another record year with new solar installation worldwide exceeding 85GW, and that China, US, India and Japan continued to be the major solar application markets in the world. While an increasing number of emerging countries have started to use solar power as an alternative energy source, China continued to be the most inspiring market for solar power generation with 53GW in new installation in 2017, and thus, further enhancing its leadership role in the global solar power market.

In China, there has been a growing concern over the problem of air pollution, which was aggravated by the widespread regional heavy smog during winter. In an effort to achieve environmental protection, the Central Government of the PRC has set out targets to shift from using coal to natural gas as the energy source for residential heating. With respect to the solar power industry, various levels of the Central Government have collaborated closely to tackle the issue of overcapacity through issuing financial subsidies or non-financial support to companies in the clean energy industries, and as part of the campaign the Government encourages applications of solar energy in local communities. These are the two fundamental bases for future growth in the solar energy industry in China. However, due to budget concerns, the Central Government was constrained in securing sufficient funds for vast application of solar energy. Although the amount of solar energy generated in China decreased by 6% in 2017 and the curtailment on solar energy generation continued to be a major issue in the north-west region of China, the construction of ultra-high voltage transmission lines to connect the west and the east will be the key to solve the issue in the long run.

On the other hand, the situation in the US presents new challenges. The US has officially withdrawn from Accord de Paris which affected the development and the market of the clean energy industry. Earlier this year, the US Trade Office also decided to levy up to 30% tariffs on solar panels imported into the US from China. Given these challenges, it is estimated that the demand from the US market may decrease considerably in the next few years.

BUSINESS REVIEW

With all these changes, the Group has been adapting proactively to leverage business opportunities and minimise risks and dangers that the challenges may have brought about. For the year ended 31 December 2017, the Group recorded a revenue of RMB10,017.4 million, representing an increase of 21.0% from RMB8,276.5 million in 2016. The growth in revenue was mainly attributable to the improved sales of solar products with an increase of 30.6% in the sales volume as compared to 2016, as well as an increase in revenue from solar power generation.

During the Year, the Group continued to optimise solar products manufacturing operation through its subsidiaries in China, and leveraged on strong market growth opportunities, particularly in China. The Group achieved 21.1% growth in revenue for the sale of solar products to external third parties, which amounted to RMB8,249.2 million.

In 2017, the Group maintained the total scale of on-grid solar power plants and continued to maximise solar power generation in spite of the restriction on limiting the use of electricity in the north-west regions throughout the Year. The revenue from the solar power generation reached RMB1,320.7 million during the Year, representing an increase of 22.9% as compared to RMB1,074.6 million in 2016.

The Group also recorded revenues of RMB127.5 million and RMB320.0 million in the Year in its other two segments of plant operation and services, and manufacturing and sales of LED Products, respectively. We have recorded a steady growth in both segments, representing an increase of 15.8% as compared to a revenue of RMB110.0 million in plant operation and service in 2016 and an increase of 14.3% as compared to a revenue of RMB280.0 million in manufacturing and sales of LED Products in 2016, respectively.

FUTURE PROSPECT

Looking ahead, the global clean energy market is navigating into uncharted water, requiring a well-defined strategy and delicate manoeuver of the Group's resources. The next 5 years will be a turning point for the solar PV industry, and we expect to see record amount of additional annual installation for solar PV power, well above wind and hydro power. In China, the solar PV market is driven by continuous technology advancement in cost reduction and unprecedented market dynamics as result of policy changes.

On behalf of the Board, I would like to thank our management team and staff for their dedication and hard work, and our shareholders and business partners for their on-going trust and support. We are committed to our mission of delivering cost-effective, clean energy solutions and services to our customers.

Success is not final, and challenge is not fatal. It is the courage to strive for improvement that continues to count. Therefore we must strive to continue to create high values and bring sound returns to our shareholders.

Mr. Zhang Fubo
Chairman

28 March, 2018

Management Discussion and Analysis

BUSINESS REVIEW

The Group has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with global influences. The Group will continue to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which provides low-carbon and energy-saving integrated solutions.

Solar Power Generation

During the Year, the solar power plants owned by the Group generated an aggregate of approximately 1,564,675MWh.

	For the year ended 31 December		
	2017	2016	% of
	MWh	MWh	Changes
Power generation volume:			
PRC	**1,512,121**	1,282,217	17.9%
Overseas	**52,554**	46,377	13.3%
Total	**1,564,675**	1,328,594	17.8%

As at 31 December 2017, the Group's solar power plants successfully realised a total installed capacity of approximately 1.5GW of on-grid generation.

Manufacturing and Sales of Solar Products

As at 31 December 2017, the sales volume of solar products amounted to 3,859.2MW, representing an increase of 904.6MW or 30.6% from 2,954.6MW for the year ended 31 December 2016.

	For the year ended 31 December		
	2017	2016	% of
	MW	MW	Changes
Sales volume to independent third parties:			
Wafers	**37.6**	55.8	-32.6%
Cells	**1,346.6**	1,465.6	-8.1%
Modules	**2,475.0**	1,433.2	72.7%
Total	**3,859.2**	2,954.6	30.6%

As at 31 December 2017, our top five customers represented approximately 15.2% of our total revenue as compared to approximately 14.9% in 2016. Our largest customer accounted for approximately 4.0% of our total revenue for the Year as compared to approximately 5.6% in 2016. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is an integrated solutions provider with photovoltaic integration and agricultural comprehensive services located in the PRC, which mainly purchase solar modules from the Group and has been maintaining business relationship with the Group for more than 4 years. Other major customers also purchase solar products from the Group. The Group has been maintaining business relationship with such customers for one year to three years and offered them credit periods ranging from 30 days to 180 days. As at the date of this announcement, our major customers repaid their debts in accordance with the agreed commercial terms on time and the outstanding receivables were still within the credit periods granted by the Group. Therefore, no provision of the related doubtful debt in respect of the major customers is necessary. After conducting an internal assessment by the Group, it is concluded that our major customers have good repayment history and credibility. In order to minimise the credit risk, the Directors continuously monitor the level of exposure via frequent review of the financial conditions and credibility of the major customers, so as to ensure that prompt actions will be taken to lower exposure.

In 2017, our sales to PRC-based and overseas customers represented approximately 74.9% and 25.1% of the Group's total revenue, respectively. While in 2016, our sales to PRC-based and overseas customers represented approximately 67.8% and 32.2% of the Group's total revenue, respectively. Our strong track record of product quality, advanced proprietary technology and effective cost control measures have contributed to our sound reputation and thus our success in optimizing our customer base. We believe such strategic measures will continue to create strong and sustainable market demand for our products.

The Group strives to become a global leading supplier of clean energy and low-carbon and energy-saving integrated solutions. Apart from leveraging on the positive brand awareness of "Shunfeng" and "Suntech" established over years in the global market to continuously expand the businesses of construction and operation of global solar power plants and manufacturing of solar products, the Group also pursues other clean energy related businesses to realise diversified business development.

Plants Operation and Services

meteocontrol GmbH ("**meteocontrol**"), is one of the world's largest independent photovoltaic plant monitoring service providers. meteocontrol has extensive solar power plant monitoring, operation and maintenance experience in residential, commercial and utility sectors and has a monitoring volume of 12GW. meteocontrol offers services covering the entire process of solar power plant projects, from planning and installation to global operation and maintenance, and also provides independent consultation for the projects at every stage. In addition, meteocontrol is the only company to receive accreditation from DAkkS, a research institution authorised by the German government. During the Year, meteocontrol has brought revenue of RMB127.5 million (2016: approximately RMB110.0 million) to the Group.

Production and Sales of LED Products

Lattice Power is principally engaged in the development, manufacturing, marketing and sales of LED chips and LED packages for the use in general indoor and outdoor lighting, specialty lighting, LCD backlighting and related industries. During the Year, the sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB320.0 million while it amounted to approximately RMB280.0 million in 2016.

Financing Activities

During the Year, the Group has earned continuous support from financial institutions to fund the development of its solar business. In 2017, the Company has successfully obtained loans from financial institutions. These funds serve as a continuous support for enhancing liquidity and future business development.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB1,740.9 million, or 21.0%, from RMB8,276.5 million for the year ended 31 December 2016 to RMB10,017.4 million for the Year, primarily due to the fact that (i) most of the solar power plants of the Group that completed on-grid connection before 2017 have completed testing and commenced operation in 2017 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 18.4% from 1,291,875MWh for the year ended 31 December 2016 to 1,529,406MWh for the Year; (ii) the sales volume of our solar products increased by 30.6% from 2,954.6MW for the year ended 31 December 2016 to 3,859.2MW for the Year; (iii) revenue from plant operation and services increased by 15.9% from RMB110.0 million for the year ended 31 December 2016 to RMB127.5 million for the Year; and (iv) sales revenue from LED products increased by 14.3% from RMB280.0 million for the year ended 31 December 2016 to RMB320.0 million for the Year.

The power generation of the Group increased as the overall scale of the on-grid connected power plants increased. However, the power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during the Year, resulting in a decrease in power generation. The revenue from power generation of the Group decreased by approximately RMB370.0 million.

For the Year, sales of solar products accounted for 82.4% of the total revenue, of which sales of modules, cells, wafers and other PV systems accounted for 59.1%, 20.1%, 0.2% and 3.0% of the total revenue, respectively; revenue from solar power generation accounted for 13.2% of the total revenue. Revenue from plant operation and services accounted for 1.2% of the total revenue while sales from LED products accounted for 3.2% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB1,785.3 million, or 43.2%, from RMB4,131.4 million for the year ended 31 December 2016 to RMB5,916.7 million for the Year, primarily due to an increase in the Group's sales volume by 1,041.8MW or 72.7% from 1,433.2MW for the year ended 31 December 2016 to 2,475.0MW for the Year, but was partially offset by the decrease in the average selling price of solar modules products by 17.2% from RMB2.9 per watt for the year ended 31 December 2016 to RMB2.4 per watt for the Year.

Solar cells

Revenue from the sales of solar cells decreased by RMB479.0 million, or 19.2%, from RMB2,490.2 million for the year ended 31 December 2016 to RMB2,011.2 million for the Year, primarily due to a decrease in the sales volume by 119.0 MW or 8.1% from 1,465.6 MW for the year ended 31 December 2016 to 1,346.6 MW for the Year, and the decrease in the average selling price by 11.8% from RMB1.7 per watt for the year ended 31 December 2016 to RMB1.5 per watt for the Year.

Solar wafers

Revenue from the sales of solar wafers decreased by RMB40.6 million, or 65.0%, from RMB62.5 million for the year ended 31 December 2016 to RMB21.9 million for the Year, which was primarily attributable to the decrease in sales volume by 32.6% from 55.8 MW for the year ended 31 December 2016 to 37.6 MW for the Year.

Solar power generation

Revenue from solar power generation increased by RMB246.1 million, or 22.9%, from RMB1,074.6 million for the year ended 31 December 2016 to RMB1,320.7 million for the Year, primarily because total power generated amounted to 1,564,675 MWh, of which 1,529,406 MWh was recorded as revenue from power generation upon completion of testing.

Solar Power Plant Operation and Services

meteocontrol provides solar power plant monitoring service. The revenue from relevant service fee generated during the Year increased by RMB17.5 million or 15.9% from RMB110.0 million for the year ended 31 December 2016 to RMB127.5 million for the Year.

LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB40.0 million or 14.3% from RMB280.0 million for the year ended 31 December 2016 to RMB320.0 million for the Year.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 74.9% of the total revenue for the Year was generated from sales to our PRC customers, as compared to 67.8% for the year ended 31 December 2016. The remaining portion was generated from the sales to our certain overseas customers, who are mainly based in certain Asian, North American and European countries.

Cost of sales

Cost of sales increased by RMB1,666.0 million, or 24.6%, from RMB6,774.4 million for the year ended 31 December 2016 to RMB8,440.4 million for the Year, primarily due to the increase in our total shipment volume of solar products and the increase in power generation volume of solar power generation business.

Gross profit

Gross profit increased by RMB75.0 million, or 5.0%, from RMB 1,502.1 million for the year ended 31 December 2016 to RMB1,577.1 million for the Year.

Other income

Other income increased by RMB84.0 million, or 55.3%, from RMB151.9 million for the year ended 31 December 2016 to RMB235.9 million for the Year, primarily due to the receipt of interest income arising from advances to independent third parties of RMB44.3 million for the Year (for the year ended 31 December 2016: RMB3.2 million) and the receipt of government grants increased by RMB41.1 million, or 41.4%, from RMB99.3 million for the year ended 31 December 2016 to RMB140.4 million for the Year.

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a decline of 96.1%, or RMB1,650.4 million, from a net loss of RMB1,717.6 million for the year ended 31 December 2016 to a net loss of RMB67.2 million for the Year, which was primarily due to (1) no impairment loss on interest in a joint venture was recorded for the year ended 31 December 2017, while impairment loss on interest in a joint venture of RMB259.9 million was recorded for the year ended 31 December 2016; (2) the decrease in impairment loss on solar power plants by RMB206 million, or 93.0% from RMB221.5 million for the year ended 31 December 2016 to RMB15.5 million for the Year; (3) recognition of doubtful debts for trade and other receivables decreased by RMB264.7 million, or 67.1%, from 394.2 million for the year ended 31 December 2016 to 129.5 million for the Year; (4) no impairment loss on property, plant and equipment was recorded for the year ended 31 December 2017, while impairment loss on property, plant and equipment of RMB248.9 million was recorded for the year ended 31 December 2016; (5) no impairment loss on goodwill was recorded for the year ended 31 December 2017, while impairment loss on goodwill of RMB520.0 million was recorded for the year ended 31 December 2016; and (6) no impairment loss on intangible assets was recorded for the year ended 31 December 2017, while impairment loss on intangible assets of RMB196.5 million was recorded for the year ended 31 December 2016.

Distribution and selling expenses

Distribution and selling expenses decreased by RMB35.1 million or 9.3%, from RMB377.0 million for the year ended 31 December 2016 to RMB341.9 million for the Year, primarily due to the decrease in shipment cost which resulted from the decrease in the sales volume of overseas customers.

Administrative expenses

Administrative and general expenses decreased by RMB51.4 million, or 7.7%, from RMB664.9 million for the year ended 31 December 2016 to RMB613.5 million for the Year.

Research and development expenditure

Research and development expenditure decreased by RMB39.2 million, or 22.1%, from RMB177.6 million for the year ended 31 December 2016 to RMB138.4 million for the Year, primarily due to the decrease in the expenses on research and development investment and related costs.

Share of loss of associates

Share of loss of associates for the year decreased by RMB2.3 million, or 35.4%, from RMB6.5 million for the year ended 31 December 2016 to RMB4.2 million for the Year.

Share of gain (loss) of joint ventures

Share of gain of joint ventures for the Year amounted to RMB8.0 million, while the share of losses of joint ventures for the year ended 31 December 2016 was recorded as RMB82.6 million.

Finance costs

Finance costs increased by RMB391.5 million, or 37.9%, from RMB1,031.8 million for the year ended 31 December 2016 to RMB 1,423.3 million for the Year, primarily due to an increase in the interest on bank and other borrowings for the Year by RMB119.4 million, or 15.4%, from RMB777.5 million for the year ended 31 December 2016 to RMB896.9 million for the Year and the deductible amounts capitalised for the Year decreased by RMB238.8 million, or 86.3%, from RMB276.8 million for the year ended 31 December 2016 to RMB38.0 million for the Year.

Loss before tax

Due to the above reasons, loss before tax decreased by RMB1,636.5 million, from RMB2,404.1 million for the year ended 31 December 2016 to the loss before tax of RMB767.6 million for the Year.

Income tax (expense) credit

Income tax decreased by RMB71.2 million, from income tax credit of RMB4.7 million for the year ended 31 December 2016 to income tax expense of RMB66.5 million for the Year, primarily due to the decrease in deferred tax credit for the Year.

Loss for the Year

As a result of the reasons stated above, loss for the Year decreased by RMB1,565.3 million, or 65.2%, from the loss of RMB2,399.4 million for the year ended 31 December 2016 to the loss of RMB834.1 million for the Year.

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The decrease in inventories was mainly due to an increase in demand for our solar and LED products. Included in the balance of the inventories as at 31 December 2017 was a write-down of inventories of RMB101.5 million (31 December 2016: RMB73.5 million), which was mainly attributable to inventories bought in previous years at a higher price. The inventory turnover days as at 31 December 2017 was 31.1 days (31 December 2016: 38.5 days), and the decrease in inventory turnover days was mainly attributable to the increase in demand of our solar and LED products.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2017 was 92.2 days (31 December 2016: 99.7 days). The trade receivables turnover days as at 31 December 2017 was still within the credit period (normally 30 to 180 days) which the Group granted to its customers.

Trade payables turnover days

The trade payables turnover days as at 31 December 2017 was 49.3 days (31 December 2016: 56 days). Given the established business relationship and the change in overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Year.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 31 December 2017, the Group's current ratio (current assets divided by current liabilities) was 0.56 (31 December 2016: 0.82) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet our future development demands for capital. As at 31 December 2017, the Group was in a negative net cash position of RMB12,869.7 million (31 December 2016: RMB13,950.7 million), which included cash and cash equivalents of RMB663.7 million (31 December 2016: RMB912.6 million), bank and other borrowings of RMB10,865.3 million (31 December 2016: RMB11,425.2 million), convertible bonds of RMB1,511.0 million (31 December 2016: RMB2,279.2 million), bond payables of RMB1,045.1 million (31 December 2016: RMB1,012.1 million) and obligations under finance leases of RMB112.0 million (31 December 2016: RMB146.8 million).

The Group's bank and other borrowings were mainly denominated in RMB and HKD while its cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB, HKD, USD and Euro. The Group's net debts to equity ratio (net debt divided by shareholders' equity) increased from 229.0% as at 31 December 2016 to 240.4% as at 31 December 2017.

During the Year, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2016: Nil).

Contingent liabilities and guarantees

As at 31 December 2017, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB413.8 million (31 December 2016: RMB354.3 million), of which RMB307.6 million (31 December 2016: RMB307.7 million) has been provided and recognised as provision in the statement of financial position. As at 31 December 2017, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 31 December 2017, the Group had pledged certain trade and other receivables with carrying amount of RMB953.8 million (31 December 2016: RMB1,117.1 million) and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB11,470.3 million (31 December 2016: RMB11,762.7 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 31 December 2017, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB1,476.4 million (31 December 2016: RMB2,156.6 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 2017 and 31 December 2016, none of the other assets of the Group were pledged in favor of any financial institution.

Exposure to the fluctuation in exchange rates

Certain bank balances and cash, restricted bank deposits and pledged bank deposits, trade and other receivables, trade and other payables and bank and other borrowings are denominated in currencies other than RMB, which exposes the Group to foreign exchange risks. The Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile and control exchange exposure through arrangement of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

Significant investments held and material acquisitions or disposals

There was no other substantial acquisition or disposal of subsidiaries or associates by the Group during the Year. Please refer to notes to the consolidated financial statements of the Group for the Year for details of the investments held by the Group.

Human resources

As at 31 December 2017, the Group had 6,397 employees (31 December 2016: 6,921). The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Final dividend

The Board has resolved not to declare final dividend for the Year.

Events subsequent to the Year

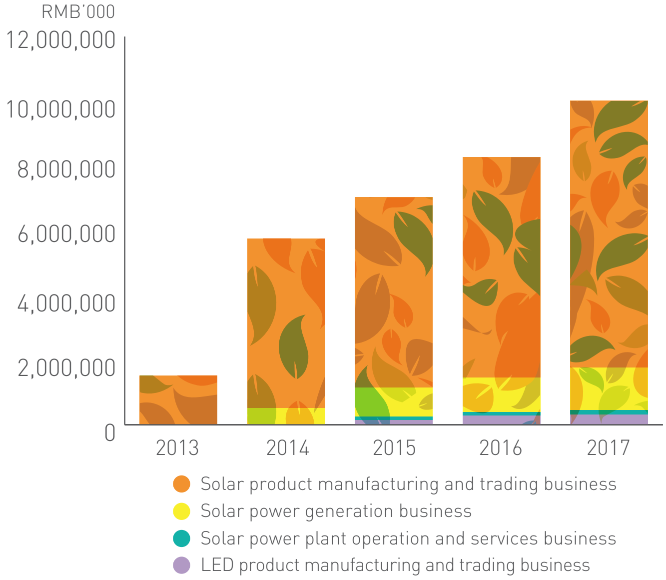
There was no other significant events after the Year up to the date of this announcement.

Five-year Statistics

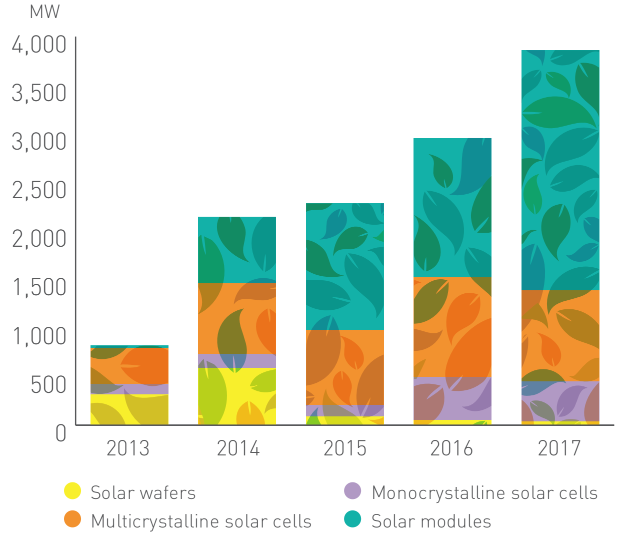
Year	2013	2014	2015	2016	**2017**
Financial performance					
Turnover growth (%)	44.4%	275.6%	22.4%	17.7%	**21.0%**
Gross profit margin (%)	9.9%	22.1%	18.9%	18.1%	**15.7%**
Net profit margin (%)	(118.8%)	22.7%	0.8%	(29.0%)	**(8.3%)**
EBITDA (in RMB thousands)	(1,664,108)	2,313,772	1,747,158	(274,000)	**1,784,247**
Adjusted EBITDA (in RMB thousands)*	151,890	1,321,748	1,763,997	1,682,352	**1,959,192**
Adjusted EBITDA margin (%)	9.9%	23.0%	25.1%	20.3%	**19.6%**
Earnings (loss) per share (in RMB cents)	(110.48)	56.98	1.33	(49.72)	**(19.29)**
Total indebtedness (in RMB thousands)	3,318,937	8,785,684	12,408,035	14,863,270	**13,533,442**
Gearing ratio (%)	63.6%	56.2%	56.4%	69.6%	**70.6%**
Interest coverage (times)	(39.8)	5.5	1.1	(1.3)	**0.5**
Trade receivable turnover (in days)	35.8	43.9	85.4	99.7	**92.2**
Trade payable turnover (in days)	38.6	37.5	57.7	56.0	**49.3**
Inventory turnover (in days)	11.6	39.6	54.4	38.5	**31.1**
Operation performance					
Power Generation Volume (MWh)	—	607,793	1,016,312	1,328,59	**1,564,675**
Sales volume					
Manufacturing business					
Solar wafers (MW)	—	66.9	91.4	23.3	**34.12**
Monocrystalline solar cells (MW)	107.7	143.7	116.2	361.42	**410.29**
Multicrystalline solar cells (MW)	372.8	669.8	679.1	931.81	**933.04**
Solar modules (MW)	—	645.1	995.8	1,119.25	**2,240.24**
Trading business					
Solar wafers (MW)	314.8M	524.4	—	32.5	**3.48**
Monocrystalline solar cells (MW)	—	—	1.6	78.27	**3.24**
Multicrystalline solar cells (MW)	—	56.1	90.3	94.07	**—**
Solar modules (MW)	22.0	37.8	308.0	314.02	**234.77**
Assets and liabilities					
Total assets (in RMB thousands)	9,638,582	21,131,710	28,859,411	28,013,407	**25,325,942**
Total liabilities (in RMB thousands)	7,857,359	15,004,712	20,687,373	21,922,125	**19,971,448**

* Adjusted EBITDA excluded finance costs, income tax, depreciation, amortisation and impairment loss on property, plantand equipment, goodwill, intangible assets, solar power plants, interests in a joint venture and associates, inventories, trade and other receivables and prepayments to suppliers.

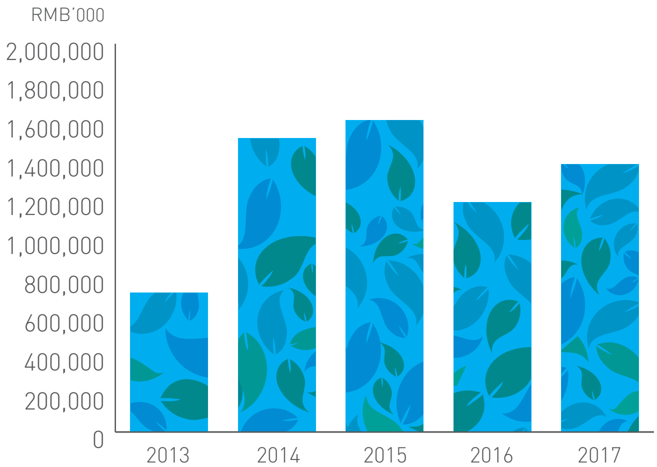
Revenue



Sales volume



Net cash from operating activities



Adjusted EBITDA

Corporate Governance Report

Corporate Governance Report

Good corporate governance is conducive to enhancing overall performance, transparency and accountability and is essential in modern corporate administration. The Board continuously observes the principles of good corporate governance in the interests of Shareholders and devotes considerable effort to identifying and formalizing best practice.

CORPORATE GOVERNANCE CODE

Save for code provision A.6.7 of the Corporate Governance Code, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Year. For further details, please refer to the section headed "(e) Shareholders' Rights" below.

In accordance with the requirement of the Listing Rules, the Company has established an audit committee with defined terms of reference and appointed a chief financial officer to oversee the financial reporting procedures and internal control of the Group. The Company has also established a nomination committee and a remuneration committee with defined terms of reference.

(a) Corporate Governance Functions

The Board is responsible for determining the policy for the corporate governance of the Company and performing the corporate governance duties as below:

(i) to develop and review the Group's policies and practices on corporate governance and make recommendations;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Group's policies and practices on compliance with all legal and regulatory requirements (where applicable);

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the employees and Directors; and

(v) to review the Group's compliance with Corporate Governance Code and disclosure requirements in the corporate governance report.

(b) Board of Directors

The overall management of the Company's operation is vested in the Board.

The Board takes overall responsibility to oversee all major matters of the Group, including the formulation and approval of all policy matters, overall strategic development of the Group, monitoring and controlling the Group's operation and financial performance, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors have to make decisions objectively in the interests of the Company.

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

As at the date of this annual report, the Board comprised a total of seven Directors, including four Executive Directors, namely, Mr. Zhang Fubo (Chairman), Mr. Wang Yu (Chief Executive Officer), Mr. Lu Bin and Mr. Chen Shi; and three Independent Non-Executive Directors, namely, Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson. Biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

Model Code

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the Corporate Governance Code, the roles of the Chairman of the Board and the chief executive should be separate and should not be performed by the same individual. The Company has complied with the requirement of separation of these two roles under the Corporate Governance Code with Mr. Zhang Fubo acting as the Chairman of the Board and Mr. Wang Yu acting as the Chief Executive Officer of the Company. To the best knowledge of the Company, there is no other financial, business or family relationship between the members and Chairman of the Board and the Chief Executive Officer.

Independent Non-Executive Directors

Independent Non-Executive Directors have played a significant role in the Board by bringing their independent judgment at the Board meeting and scrutinizing the Group's performance. Their views carry significant weight in the Board's decision, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All Independent Non-Executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The Independent Non-Executive Directors provide independent advice on the Group's business strategy, results and management so that all interests of Shareholders can be taken into account, and the interests of the Company and Shareholders can be protected.

During the Year, the Board had three Independent Non-Executive Directors with Mr. Kwong Wai Sun Wilson possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rule 3.10(1) and (2) of the Listing Rules.

The term of each Independent Non-Executive Director is three years.

The Company has received annual confirmations of independence from each of the existing Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Any newly appointed Director would receive an induction package covering the Group's businesses and the statutory regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills.

According to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Corporate Governance Code on continuous professional development during the Year:

	Corporate Governances/Updates on laws, rules and regulations	
	Read materials	**Attend workshops**
Executive Directors		
Mr. Zhang Fubo	1/1	1/1
Mr. Wang Yu	1/1	1/1
Mr. Lu Bin	1/1	1/1
Mr. Chen Shi	1/1	1/1
Independent non-executive Directors		
Mr. Tao Wenguan	1/1	1/1
Mr. Zhao Yuwen	1/1	1/1
Mr. Kwong Wai Sun Wilson	1/1	1/1

Meetings

The Board meets to discuss the overall strategy as well as the operation and financial performance of the Group from time to time. Directors may participate either in person or through electronic means of communications. The number of the meetings held and the attendance of each Director at these meetings for the Year have been set out as follows:

	Note	**Board Meeting**
No. of meetings held		4
No. of meetings attended		
Executive Directors		
Mr. Zhang Fubo		2/4
Mr. Wang Yu		4/4
Mr. Lu Bin		4/4
Mr. Chen Shi		2/4
Mr. Zhang Yi	1	2/4
Mr. Luo Xin	2	1/4
Independent non-executive Directors		
Mr. Tao Wenguan		4/4
Mr. Zhao Yuwen		4/4
Mr. Kwong Wai Sun Wilson		4/4

Notes:

1. Resigned on 9 September 2017

2. Resigned on 23 June 2017

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management of the Company and the company secretary at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the articles of association of the Company (the "**Articles**"), as well as relevant rules and regulations.

Appointments, Re-election and removal of Directors

Each of the Directors has entered into a service contract with the Company for a specific term, and is subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the articles of association of the Company. The articles of association of the Company provide that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting, and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Committees

The Board has established (i) audit committee; (ii) remuneration committee; and (iii) nomination committee, with defined terms of reference. The terms of reference of the board committees which explain their respective role and the authority delegated to them by the Board are available upon request. The board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice and other assistance in appropriate circumstances, at the Company's expenses.

Audit Committee

The audit committee was established in May 2011 with written terms of reference. The primary duties of the audit committee are to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards and develop and implement policy on engaging an external auditor to supply non-audit services. Their written terms of reference are in line with the Corporate Governance Code provisions. During the Year, the audit committee consisted of three members, namely Mr. Kwong Wai Sun Wilson, Mr. Tao Wenquan and Mr. Zhao Yuwen all of whom are Independent Non-Executive Directors. Mr. Kwong Wai Sun Wilson is the chairman of the audit committee.

The audit committee monitors the integrity of financial statements of the Company and its annual report and accounts, and has reviewed the Group's consolidated financial statements for the Year, including the accounting principles and practice adopted by the Group.

During the Year, two meetings were held by the audit committee. At the meeting, the annual report for the year ended 31 December 2016 and the interim report for the six months ended 30 June 2017 were reviewed in accordance with the terms of reference and other applicable policies and standards.

The attendance record of the committee members at the meeting was as follows:

	Committee Meeting
No. of meetings held	2
No. of meetings attended	
Mr. Kwong Wai Sun Wilson	2/2
Mr. Tao Wenguan	2/2
Mr. Zhao Yuwen	2/2

Remuneration Committee

The remuneration committee was established in May 2011 with written terms of reference. The primary duties of the remuneration committee are to make recommendations to the Board on the Company's policies and structure for all remuneration of Directors and senior management and make recommendations to the Board of the remuneration of Non-Executive Directors. Such model is consistent with Rule B.1.2(c)(ii) of the Corporate Governance Code and the Committee's written terms of reference are in line with the Corporate Governance Code provisions. During the Year, the remuneration committee consisted of four members, namely, Mr. Kwong Wai Sun Wilson (Independent Non-Executive Director), Mr. Tao Wenquan (Independent Non-Executive Director), Mr. Zhao Yuwen (Independent Non-Executive Director) and Mr. Zhang Fubo (Executive Director) (appointed as a member of remuneration committee on 9 September 2017) and Mr. Zhang Yi (Executive Director) (retired as Director on 9 September 2017). Mr. Kwong Wai Sun Wilson is the chairman of the remuneration committee.

During the Year, the remuneration committee held one meeting to discuss the remuneration policy and annual remuneration package of each Director and senior management of the Company.

	Notes	**Committee Meeting**
No. of meetings held		1
No. of meetings attended		
Mr. Kwong Wai Sun Wilson		1/1
Mr. Tao Wenguan		1/1
Mr. Zhao Yuwen		1/1
Mr. Zhang Fubo		1/1
Mr. Zhang Yi	1	0/1

Note:

1. Retired on 9 September 2017

Pursuant to code provision B.1.5 of the Corporate Governance Code, the remuneration of the five highest paid individuals (including Directors) by band for the Year is set out below:

Remuneration band	**No. of individuals**
HK$1,500,001 to HK$2,000,000	2
HK$2,000,001 to HK$2,500,000	2
HK$4,500,001 to HK$5,000,000	1

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11 to the consolidated financial statements.

Nomination Committee

The Company established a nomination committee on 28 March 2012 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board at least annually and identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Their written terms of reference are in line with the Corporate Governance Code provisions. During the Year, the nomination committee consisted of three members, namely, Mr. Zhang Fubo (Executive Director), Mr. Zhao Yuwen (Independent Non-Executive Director) and Mr. Kwong Wai Sun Wilson (Independent Non-Executive Director) and Mr. Zhang Yi (Executive Director) (retired as Director on 9 September 2017). Mr. Zhang Fubo is the chairman of the nomination committee.

During the Year, the nomination committee held one meeting to discuss matters relating to nomination committee responsibility and operating mechanism as well as areas to further utilize its functions.

	Note	**Committee Meeting**
No. of meetings held		1
No. of meetings attended		
Mr. Zhang Fubo		1/1
Mr. Zhao Yuwen		1/1
Mr. Kwong Wai Sun Wilson		1/1
Mr. Zhang Yi	1	0/1

Note:

1. Retired on 9 September 2017

(c) Financial Reporting

The Directors, supported by the chief financial officer and the finance department, acknowledge their responsibility for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. As set out in note 1(b) to the consolidated financial statements, the Directors have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 31 December 2017, the current liabilities exceeded its current assets by RMB6,139,388,000. In addition as at 31 December 2017, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB417,657,000 disclosed in note 49 to the consolidated financial statements.

As at 31 December 2017, the available unconditional banking facilities amounted to RMB149,218,000 and the unutilized conditional facilities which was subject to approval on a project-by-project basis amounted to RMB20,000,000,000. The management of the Group has currently commenced negotiation with other banks and financial institutions to obtain additional facilities subsequent to the year ended 31 December 2017. Up to date of this report, the Group has obtained additional conditional facilities totaling RMB1,004,747,000. The Directors are confident that the Group would be successful in obtaining approval in respect of the conditional facilities and additional conditional facilities. In addition, in respect of the bank and other borrowings and finance lease obligations with respective carrying amount of RMB4,811,122,000 and RMB45,195,000 as at 31 December 2017, which will be matured in the coming next 12 months after the end of the reporting period in accordance with the scheduled repayment date of the borrowing agreements. The management has currently commenced negotiation with the financial institutions and counterparties for renewal of the borrowings or extension of the maturity date. The directors are confident that, for the majority of them, the Group would be able to renew the borrowings or extend their maturity date. Lastly, in respect of the bank borrowings with the carrying amount of RMB1,153,457,000 as at 31 December 2017, which originally will be matured in year 2029, but currently classified as current liabilities as at 31 December 2017 due to certain financial covenants had been breached, the directors are confident that the banks will not exercise their right to demand immediate repayment from the Group, since the Group has pledged adequate amount of assets as securities for such borrowings. Taking into account the above factors, the directors are of the opinion that, together with the presently available banking facilities, and the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

The responsibility of the Board is to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects, and extends to the annual and interim reports of the Group, other price sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirement.

The responsibilities of Deloitte Touche Tohmatsu, the Company's external auditors, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

External Auditor's Remuneration

The Company engaged Deloitte Touche Tohmatsu as its external auditor. Details of the fees paid/payable to Deloitte Touche Tohmatsu during the Year are as follows:

	RMB'000
Audit services	9,955

(d) Risk Management and Internal Controls

It is the responsibility of the Board to maintain effective risk management and internal control systems in order to protect the overall interests of the Company and its shareholders. However, the systems are designed to manage but not eliminate all the risks the Group is exposed to. They do not provide an absolute shield against unpredictable risks and uncontrollable events such as natural catastrophes, fraud, and errors of judgement. It can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group established an Enterprise Risk Management (the "**ERM**") framework to implement effective risk management. The ERM framework mainly comprises of two parts: (1) risk management structure and (2) risk management process.

RISK MANAGEMENT STRUCTURE

Board
As a body in charge of the Group's risk management and internal control systems, the Board is responsible for the setting up of clear ERM framework and risk management policies, the purposes of which are to assess and evaluate the business strategies of the Group and its degree of risk tolerance. With the assistance of the Audit Committee, whose authority has been delegated by the Board, the Board maintains constant monitoring of the risk management and internal control systems of the Group, as well as conducting a review at least once a year to ensure its effectiveness.

Audit Committee
As the highest body, second only to the Board, is responsible for the risk management and internal control systems, the Audit Committee provides advice and supports to the Board in respect of all risk-related matters, including monitoring the implementation of the overall risk management procedure of the Group, conducting review on the risk register of the Group, review and approve the internal control review plan and its results.

Management
The management of the Group is responsible for identifying and continuous monitoring of the Group's exposure to risks in relation to strategy, operation, finance, reporting and compliance during the daily operations of the Group. It reports to the Board and the Audit Committee regarding the risks and their changes, formulates a set of internal control measures to mitigate the risks, collects through various channels the deficiencies of the internal control system and conducts rectifications in a timely manner.

Third Party Professional Internal Control Advisers
In order to ensure the independence of the internal control review, the Group has outsourced its internal audit function to the third party professional internal control advisers (the "**Internal Control Advisers**") who are responsible for reviewing our risk management process and the effectiveness of our internal control system. The internal control review conducted by the Internal Control Advisers is based on the risk assessment, and it will be submitted to the Audit Committee for review and approval. The Internal Control Advisers will also directly report the review results to the Audit Committee.

RISK MANAGEMENT PROCESS

The ERM framework has been set up by the Group so as to manage the Group's risk exposures in an effective manner. The framework defines the procedures to identify, evaluate, response and monitor risks and any change thereof. Through periodic internal discussion, the risk management knowledge of different departments will be enriched, which enables better understanding and timely reporting of risks by all staff, thereby strengthening the Group's risk management capability.

When identifying risks, the management will communicate with different operational departments and collect information of significant risk factors in various aspects such as strategy, operations and finance, reporting and compliance in a bottom-up approach. Upon specifying areas of risk assessment, the management will evaluate the importance of risks based on their potential impact and the possibility of occurrence and set up internal control measures to mitigate the risks. On-going monitoring and reporting of any change of risks will also be conducted.

MAIN FEATURES OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Maintaining an effective internal control system (Operational Level)

- Definite internal control policies and procedures are in place to enable clear segregation of responsibilities, authority and accountability of different departments and positions;

- Code of conducts have been formulated to promote integrity and ethical behaviours to the staff;

- Whistleblowing system is set up to encourage employees to report any misconduct or fraud;

- Appropriate IT system access restrictions have been set to avoid disclosure of price sensitive information;

- Policies regarding insider information disclosure are established, which involve reporting channels;

- The person in charge of the information disclosure will be responsible for answering external enquiries and seek consultation from professional financial consultants or Hong Kong Stock Exchange when necessary.

During the Year, the Board had reviewed the effectiveness of the internal control policies and procedures, including the procedures regarding financial reporting and those as stipulated under the Listing Rules. When carrying out the review on the risk management and internal control procedures, the Board had taken into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, training to be provided to the staff and the relevant budget.

Upon such review, the Board is of the view that the Company has complied with the risk management and internal control systems.

Ongoing monitoring of risks (Risk management level)

Based on the ERM framework and risk management policies as formulated by the Board, the management will communicate with different operational departments and collect information of significant risk factors which will affect the Group in a bottom-up approach and consistently monitor changes in risks. Risks which have been identified will be recorded in a risk register. Regular assessment will be carried out on the potential impact to the Group and the possibility of occurrence of each key risk so as to lay down appropriate internal control measures. The internal risk management and control system is regularly reviewed throughout the year to ensure adequacy and effectiveness of such system.

During the Year, the management had reviewed risk management structure and procedures and had submitted to the Board and the Audit Committee a risk assessment report and a three-year plan of internal control review, so that the Board and the Audit Committee can enable active monitoring of the Group's key risk and better understanding of how the management handle and mitigate the risks.

Independent review

The Group has outsourced its internal audit function to the Internal Control Advisers who are responsible for conducting independent review[1] on risk management and internal control systems of the Group so as to assess the effectiveness. A report of internal control review is submitted to the Audit Committee.

During 2017, the internal audit team had completed the review on internal control for the year, the period of reviews covered transactions carried out from 1 January 2017 to 31 December 2017 and covered the effectiveness of internal control initiatives in respect of enterprise level and operation level. The management had implemented rectifications and remediated internal control weaknesses identified. The internal audit team had reported the review results to the Audit Committee.

Nothing has come to the Audit Committee's or the Board's attention to believe that the risk management and internal control systems of the Group are inadequate or ineffective.

1 The internal control review conducted by the Internal Control Advisers engaged by the Group does not constitute the audit or review defined in Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Auditing Engagements issued by the Hong Kong Institute of Certified Public Accountants.

(e) Shareholders' Rights

Communications with Shareholders

The Board recognizes the importance of maintaining clear, timely and effective communication with Shareholders and investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure the investors and the Shareholders receiving accurate, clear, comprehensive and timely information of the Group by the publication of annual reports, announcements and circular. The Company also publishes the corporate correspondence on the Company's website www.sfcegroup.com. The Board maintains regular communications with institutional investors and analysts from time to time to keep them informed of the Group's strategy, operations, management and plans. Members of the Board and of the various board committees would attend the annual general meeting of the Company and answer questions raised during the meeting. Separate resolutions would be proposed at the general meeting on each substantially separate issue.

The chairman of the general meetings of the Company would explain the procedures for conducting poll before putting a resolution to vote. The results of the voting by poll would be declared at the meeting and published on the websites of the Hong Kong Stock Exchange and the Company respectively.

Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available through the following means:

By post: Portion C, 30/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong

By telephone: (852) 2363 9138

By email: ir@sfcegroup.com

In respect of code provision A.6.7 of the Corporate Governance Code, the following lists out the individual attendance of each Director to the annual general meeting of the Company which was held on 23 June 2017:

	Note	**Meeting**
No. of meetings held		1
No. of meetings attended		
Executive Directors		
Mr. Zhang Fubo	1	0/1
Mr. Wang Yu		1/1
Mr. Lu Bin		0/1
Mr.Chen Shi	2	0/1
Mr. Zhang Yi	3	0/1
Mr. Luo Xin	4	0/1
Independent non-executive Directors		
Mr. Tao Wenguan		0/1
Mr. Zhao Yuwen		0/1
Mr. Kwong Wai Sun Wilson		1/1

Notes:

1. Appointed on 9 September 2017

2. Appointed on 1 August 2017

3. Resigned on 9 September 2017

4. Resigned on 23 June 2017

Code provision A.6.7 of the Corporate Governance Code provides that the Independent Non-Executive Directors and Non-Executive Director should attend general meetings of the Company. Due to prior business engagements, certain Independent Non-Executive Directors and an Executive Director were not able to attend the annual general meeting of the Company held on 23 June 2017.

Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company ("EGM")

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company 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 secretary of the Company, to require an extraordinary general meeting 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 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

There are no provision allowing Shareholders to move new resolution at general meetings under the Cayman Islands Companies Law (2012 revision) or the articles of association of the Company. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding section headed "Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company".

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

Details of the procedures had been made available online in the website of the Company (http://www.sfcegroup. com).

(f) Constitutional Documents

Pursuant to the amended Listing Rules effective 1 April 2012, the Company had published online its Articles that was resolved and adopted by the Shareholders on 23 May 2011 in the websites of the Company and the Hong Kong Stock Exchange. During the Year, no amendment to the Articles was made therein.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Zhang Fubo (張伏波), aged 56, is an Executive Director of our Company, the Chairman of the Board, a member of the remuneration committee and a member and the chairman of the nomination committee. Mr. Zhang is currently the chairman of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. and Wuxi Suntech Power Co., Ltd., both of which are wholly-owned subsidiaries of the Company. Mr. Zhang has over 20 years of working experience. He was the deputy general manager of Shanghai Securities Company Limited from November 2006 to August 2012. He then served as the chairman of Hicend Futures Company Limited from January 2013 to November 2014. He currently also serves as an independent director of Wanjia Asset Management Company Limited since March 2016. Mr. Zhang was an independent non-executive director of Shanghai Jin Jiang International Hotels Development Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600754) from August 2003 to May 2009, and was later reappointed as an independent non-executive director since August 2015 till now. He is currently an independent non-executive director of Shanghai Shenhua Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600653) since December 2014, and a non-executive director of Ko Yo Chemical (Group) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0827) since May 2015.

Mr. Wang Yu (王宇), aged 47, is an Executive Director of our Company, the Chief Executive Officer of our Company. Mr. Wang has over 21 years of management experience. Mr. Wang worked as the general manager assistant of Treasury Department of Hong Kong CADTIC (Group) Co., Ltd., the general manager of investment and management department of Shenzhen Yangguang Fund Management Co., Ltd., the president of Shenzhen Fenghua Telecom Co., Ltd., a Director of Shenzhen New Top Founder Fund Management Co., Ltd., a vice general manager of Hong Kong Huangshan Company Anhui Co., Ltd. and a partner of Tianjin Jasmine Fund Management Co., Ltd. since July 2012. Mr. Wang studied in Renmin University of China majoring in economics from 1988 to 1990 and studied in Florida State University majoring in finance from 1991 to 1993 as well as obtained an EMBA degree from Hong Kong University of Science and Technology in 2003.

Mr. Lu Bin (盧斌), aged 48, is an Executive Director of our Company. Mr. Lu has over 21 years of working experience. Mr. Lu worked as a teacher of Shanghai International Studies University, an investigator of Inland Revenue Department of New Zealand and as a director of China Energy Oil Investment Limited. Mr. Lu obtained a bachelor degree in English and American literature from Shanghai International Studies University, a master degree in teaching English as a foreign language from Reading University and a master degree in business administration from Webster University. Mr. Lu also obtained a bachelor degree in commerce (double major in financing and accounting) from Auckland University and a graduate diploma in commerce from Auckland University. Mr. Lu is a chartered accountant of New Zealand Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chen Shi (陳實), aged 56, is an Executive Director of our Company. Mr. Chen has over 27 years of working experience. Mr. Chen worked as a deputy head and then the head of the Policy Division of Social and Economic Development Research Center of the People's Government of Hainan Province from July 1989 to November 1994. He was a deputy general manager of Yat Chau Holdings Limited from December 1994 to February 1998. He then served as a deputy general manager of Cityford Dyeing & Printing Industrial Limited from March 1998 to December 2001. From January 2002 to February 2013, Mr. Chen was the president of Caricom Limited. He was previously a director of Partners Financial Holdings Limited from November 2012 to July 2013 and a non-executive director of LDK Solar Co., Ltd. (a Company listed on the New York Stock Exchange Inc.) from March 2014 to May 2016. Mr. Chen also served as a non-executive director of the Company from March 2013 to September 2013. He is currently a director of Mountain China Resorts (Holdings) Limited (a company listed on the TSX Venture Exchange in Canada) since February 2012. Mr. Chen obtained a bachelor degree and a master degree in Economics from Wuhan University in August 1982 and July 1985, respectively. He later obtained his doctorate degree in Economics from the Graduate School of Chinese Academy of Social Sciences in July 1989.

Independent Non-Executive Directors

Mr. Tao Wenquan (陶文銓), aged 79, is an Independent Non-Executive Director of our Company and a member of the audit committee and the remuneration committee of our Company. Mr. Tao has been an academician of the Chinese Academy of Science since 2005. In addition, Mr. Tao is currently a member of the Advisory Board of Numerical Heat Transfer, an associate editor of International Journal of Heat & Mass Transfer and an Associate Editor of International Communications in Heat & Mass Transfer. Mr. Tao was an Independent Director of THT Heat Transfer Technology, Inc. (a company listed on the Nasdaq Stock Market). Mr. Tao is also an Independent Director of Beijing Shouhang Resources Saving Co., Ltd. (北京首航艾啟威節能技術股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 2665). Mr. Tao completed undergraduate studies in power machinery engineering from Xian Jiaotong University in 1962 and postgraduate studies in heat transfer science from Xian Jiaotong University in 1966.

Mr. Zhao Yuwen (趙玉文), aged 78, is an Independent Non-Executive Director of our Company and a member of the nomination committee, the remuneration committee and the audit committee of our Company. He is the vice president of Chinese Renewable Energy Society (formerly known as China Solar Energy Association), and director of its Photovoltaic Solar Committee. Mr. Zhao represented Beijing Solar Energy Research Institute to participate in the World Conference on Photovoltaic Energy Conversion as a member of the advisory committee. In 2005, Mr. Zhao was awarded the International Photovoltaic Science and Engineering Achievement Award at the 15th International Photovoltaic Conference. He was granted the State Council Special Allowance for Experts in recognition of his immense contribution to scientific research and development in China in 1998 and was certified as a qualified professional researcher in 1994. Mr. Zhao has been appointed independent director of JA Solar Holdings Co., Ltd. (晶澳太陽能有限公司) (a company listed on the Nasdaq Stock Market) since 2009. Mr. Zhao completed undergraduate studies in electrochemistry production engineering from the chemical engineering department of Tianjin University in 1964.

Mr. Kwong Wai Sun Wilson (鄺偉信), aged 52, is an Independent Non-Executive Director of our Company, a member of the nomination committee, and a member and the chairman of each of the audit committee and remuneration committee, respectively. Mr. Kwong obtained a bachelor degree in Arts from University of Cambridge, England in 1987, is currently an associate member of the Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries. Mr. Kwong previously worked at a number of investment banks in Hong Kong, having 12 years of experience in corporate finance and equity capital markets in Asia. From 2002 to 2003, Mr. Kwong was director and the head of equity capital markets for Cazenove Asia Limited, an investment bank. From 2004 to 2006, Mr. Kwong held the position as the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited, and was the managing director of investment banking. Mr. Kwong iscurrently an executive director of China Metal Resources Utilization Limited (中國金屬資源利用有限公司) (stock code:1636), an independent non-executive director of C.banner International Holdings Limited (千百度國際控股有限公司) (stock code: 1028) and China Outfitters Holdings Limited (中國服飾控股有限公司) (stock code: 1146), being companies listed on the Main Board of the Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. Tse Man Kit Keith (謝文傑), aged 44, is the Chief Financial Officer and Company Secretary of our Company. Mr. Tse has over 20 years of working experience in accounting and financial management. Prior to joining the Company, he was a qualified accountant of Fosun International Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 656). He is an independent non-executive director of Beijing Enterprises Medical And Health Industry Group Limited (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 2389) since September 2014 and an independent non-executive director of Beijing Sport and Entertainment Industry Group Ltd (formerly known as ASR Logistics Holdings Limited) (a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1803) since January 2016. Mr. Tse is a fellow of CPA Australia and a member of Hong Kong Institute of Certified Public Accountants. He graduated from the University of Wollongong, New South Wales, Australia, with a bachelor degree in commerce, majoring in accountancy and finance.

Mr. Mo Ji Cai (莫繼才), aged 53, joined the Company as a Vice President since 2013. He is responsible for finance, procurement and information technology matters of our Company. Mr. Mo obtained an MBA degree from the Fudan University. He served as an accountant of Finance Team and a vice manager of Audit Department at Jiangsu Provincial Electric Power Bureau (江蘇省電力工業局) in 1984. In 2005, he served as the general manager of China Electric Finance Company Limited (Eastern China branch) (中國電力財務有限公司華東分公司). In 2009, Mr. Mo served as the chief financial officer of Yingda Changan Insurance Brokers Group Co., Ltd. of State Grid Yingda Group (國家電網英大長安保險經紀集團有限公司).

Mr. David Hogg, aged 59, is the President of Europe of our Company. Mr. Hogg has over 32 years of experience in the clean energy sector and has over 21 years held senior executive positions at board level across three continents. Prior to joining our Company, Mr. Hogg was the chief executive officer of Innotech Solar AS, a Norwegian solar module manufacturer; Chief Executive Officer of ib Vogt GmbH, a UK solar PV project developer, EPC and financier; chief operating officer of Suntech Power Holdings, world's largest solar module producer at the time; chief executive officer of CSG Solar AG, a thin film solar module manufacturer in Germany and managing director of Pacific Solar Pty Limited, a thin film R&D company in Australia.

Report of the Directors

The Board is pleased to present its report together with the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES

The Company and its subsidiaries are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2017 are set out in note 57 to the consolidated financial statements.

BUSINESS REVIEW

Detailed business review of the Group's business during the Year, including the analysis of Group's performance during the year by using the key financial performance indicators, is set out in the section of Management Discussion and Analysis on pages 8 to 19 this annual report. Future development of the Company's business is set out in the section "Future Prospect" in this annual report on page 7. Other than the events set out in the note 56 to the consolidated financial statements, the Directors has not identified any important events affecting the Group that have occurred subsequent to the year under review.

KEY RISKS AND UNCERTAINTIES

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties.

Business risks

The Group's manufacturing and sales of solar products business is highly competitive in terms of price, quality and brand awareness. The pricing of similar products by competitors may adversely affect the pricing of the products and could result in keen competition in price, lower business revenue and profitability level or the Group suffering from loss of market share. Price fluctuations of materials used for production including polysilicon, glass, frame and rises of labour costs could increase the costs and may adversely affect the performance of the business.

The Group's solar power generation business is mainly operating in the PRC. Any addition or amendment to existing laws and regulations or any reduction of demand in the PRC may affect the Group's financial position and performance. In addition, power output restrictions and delay in the payment of feed-in-tariff subsidies will affect the profitability of the Group.

The Group will update and monitor the risks exposures of the Group's businesses to ensure appropriate measures are implemented in a timely manner.

Customer Concentration Risk

The Group had a strong reliance on existing customers, and any loss on the customers will have adverse impact on the future performance. The Group will broaden and diversify its customer bases to avoid this risk.

Market risk

The business operations of the Group are around the globe. Accordingly, the Group's operating results, financial position and prospects could be adversely affected by economic, political and legal developments in those territories. Any changes in the political and economic policies or environments of the those territories (including, but not limited to, government policies, political instability, expropriation, laws, labour activism, war, civil unrest, terrorism, and changes in interest rates, foreign exchange rates, taxation, environmental regulations and import and export duties and restrictions) may adversely affect the Group's business and results of operations as well as its ability to sustain its expansion strategies and thus future growth. The Group manages and monitors the market risks exposure to the Group's business to ensure appropriate measures are implemented in a timely manner.

Foreign exchange rates risk

The Group has asset and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange rate. The Group monitors the foreign exchange exposure and will consider to hedge significant foreign currency exposure should the need arise.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failure in internal processes, people and system, or from external events. In order to manage these risks, the Group had set a standard operational procedures, limits of authority and reporting framework and invested in human resources and equipments to manage and reduce the operational risks exposure.

Liquidity risk

Liquidity risk is the risk that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitor cash flows and maintain an adequate level of cash and credit facilities to ensure that the Group can meet its finance needs.

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

During the Year, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation.

In addition to the salaries, the Group had set up a mandatory provident fund scheme ("**MPF Scheme**") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for our staff in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Scheme Ordinance and is a defined contribution retirement plan administrated by independent trustees. The Group's staff in the PRC are entitled to national statutory social insurance under the statutory employment law of the PRC.

The Group understands the importance of maintaining a good relationship with our business partners, which include the Group's customers and suppliers. The Group believes that a healthy relationship can be built up by providing better products and enhancing services to the customers, maintaining an effective communication channel with its employees and collaborating with key suppliers.

The Group engages professional services on investor relations from third-party service provider for advising on and promoting professional communication with existing and potential investors.

ENVIRONMENTAL POLICY

The Group has evolved from a pure solar power business into a leading integrated clean energy provider in the PRC and around the globe. The Group encourages environmental protection, energy-saving and promote environmental awareness for our management and employees.

Our production lines in Changzhou have installed smart management system for air-conditioning and invested in three advanced waste gas filtration and absorption equipment, which may save electricity consumption and reduce emission of nitrogen oxide effectively.

Wuxi Suntech was awarded Geen (Excellent) Rating of Environmental Projection Credit Rating by Wuxi New District Construction And Environmental Protection Authority (無錫新區建設環保局) for recognition of its excellent performance of environmental protection during 2014.

The Group's solar power plants generated approximately 1,564,675 MWh in 2017, which saved the consumptions of coal and water for 566,256 tonne and 6,258,700 m^3 respectively, and reduced emissions of smoke and dust, carbon dioxide, sulfur dioxide for 27,406,785 tonne, 1,520,864 tonne and 100,737 tonne respectively, in comparison with the equivalent volume of electricity generated by traditional coal-fired power plants.

The Group regularly reviews its environmental practice to make further improvement.

SOCIAL RESPONSIBILITY

The Group recognises the importance of social responsibility and sustainability. The Group is committed to maintain a high standard of corporate social governance and contributing to the community by encouraging the employees to participate in volunteering events.

The Group strictly prohibits child labour (child labour means any employees under the minimum legal age for child labour, in any workplace). The Group prohibits discrimination based on race, colour, age, gender, sex orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in recruitment and employment practices.

Detailed information on the environmental, social and governance practices adopted by the Company is set out in the Environment, Social and Governance Report which will be presented in a separate report and published on the websites of the Company and the Hong Kong Stock Exchange no later than three months after the publication of this annual report.

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 62 to 202 of this annual report.

DIVIDENDS

The Board has resolved not to declare a final dividend for the Year.

RESERVES

Details of movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 65 to 66.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately RMB1,657,921,000. This amount represents the Company's share premium account of approximately RMB5,360,199,000, special reserve account of approximately RMB233,968,000 and accumulated deficits of approximately RMB3,936,246,000 as at 31 December 2017.

OPERATING RESULTS

The operating results of the Group is set out in the consolidated statement of profit or loss and other comprehensive income on page 62 of this annual report.

CHARITABLE DONATIONS

The Company did not make any charitable and other donations during the Year under review.

PROPERTY, PLANT AND EQUIPMENT AND SOLAR POWER PLANTS

Movements in property, plant and equipment and solar power plants of the Group during the Year are set out in note 15 and note 16 to the consolidated financial statements, respectively.

SHARE CAPITAL

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

DIRECTORS

The Directors during the Year and up to the date of this annual report were:

Executive Directors

Mr. Zhang Fubo *(Chairman)*
Mr. Wang Yu *(Chief Executive Officer)*
Mr. Lu Bin
Mr. Chen Shi
Mr. Zhang Yi *(resigned on 9 September 2017)*
Mr. Luo Xin *(resigned on 23 June 2017)*

Independent Non-executive Directors

Mr. Tao Wenquan
Mr. Zhao Yuwen
Mr. Kwong Wai Sun Wilson

The Company has received annual confirmations of independence from each of the existing Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

Pursuant to Article 83(3) of the Articles, Mr. Zhang Fubo, Mr. Chen Shi and Mr. Kwong Wai Sun Wilson will retire as Directors at the annual general meeting. All of them, being eligible, offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 38 to 40 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

During the Year, there was no contract of significance (as defined in Appendix 16 to the Listing Rules) to which the Company or any member of the Group was a party subsisting and in which a Director is or was materially interested, whether directly or indirectly.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

Name of Shareholders	**Capacity**	**Number of Shares held**	**Approximate percentage of interest in total issued share capital of the Company**
Mr. Wang Yu	Beneficial owner	18,691,588 (long position)	0.43%

Notes:

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2017, none of the Directors nor the Chief Executive Officer of the Company had or was deemed to have any interests and 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 (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

No arrangements to which the Company, its subsidiary, its holding company or a subsidiary of its holding company is or was a party to enable the Directors and the chief executive of the Company to acquire benefits by means of acquisitions of Shares in or debentures of the Company or any other body corporate subsisted at the end of the Year or at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors or Chief Executive Officer of the Company, the following persons (other than the Directors and the Chief Executive Officer of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO were as follows:

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Peace Link Services Limited	Beneficial owner (Note 1)	3,144,049,545 (long position)	72.88%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corporation (Note 2)	3,219,606,736 (long position)	74.63%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corporation (Note 3)	3,226,558,736 (long position)	74.79%
Coherent Gallery International Limited	Beneficial owner (Note 4)	268,223,960 (long position)	6.22%
Faithsmart Limited	Interest of controlled corporation (Note 5)	3,219,606,736 (long position)	74.63%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 6)	437,118,989 (long position)	10.13%

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 31 December 2017, 2,297,387,743 Shares will be allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreements dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company and the placing agreement dated 28 October 2014 entered into between the Company and the placing agent, Partners Capital Securities Limited.

2. Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and, therefore, Asia Pacific Resources Development Investment Limited is deemed to be interested in 3,144,049,545 Shares held by Peace Link Services Limited for the purpose of the SFO. Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.

3. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 3,219,606,736 Shares held by Asia Pacific Resources Investment Limited and Peace Link Services Limited for the purpose of the SFO, and Mr, Cheng Kin Ming held 3,452,000 Shares in his personal capacity.

4. Coherent Gallery International Limited is wholly owned by Mr. Tang Guoqiang.

5. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 3,219,606,736 Shares held by Asia Pacific Resources Development Investment Limited for the purpose of the SFO.

6. Mr. Tang Guoqiang is the beneficial owner of 100% shareholding in Coherent Gallery International Limited and, therefore, Mr. Tang Guoqiang is deemed to be interested in 268,223,960 Shares held by Coherent Gallery International Limited for the purposes of the SFO.

Save as the disclosed above, to the best knowledge of the Directors, as at 31 December 2017, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in the auditors' report.

On 2 March 2017, Bank of China (Hong Kong) Limited ("**Bank of China**") (as the landlord) entered into a property leasing agreement (the "**Property Leasing Agreement**") with Shunfeng Photovoltaic Holdings Limited ("**Shunfeng Holdings**"), a directly wholly–owned subsidiary of the Company, Tiancheng International Auctioneer Limited ("**Tiancheng International**") and Asia Pacific Resources Development Investment Limited ("**Asia Pacific Resources**") (collectively as the "**Tenants**"). Pursuant to the Property Leasing Agreement, (i) Bank of China shall lease to the Tenants the premises located on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term of 3 years commencing on 15 February 2017 and expiring on 14 February 2020 for the purpose of business administration of the Tenants; (ii) Bank of China shall let and Shunfeng Holdings shall take 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the Property Leasing Agreement; and (iii) Shunfeng Holdings shall pay to Tiancheng International the rent, government rates, service and utility charges on a monthly basis, and Tiancheng International shall pay the relevant fees to Bank of China (the "**Lease Transaction**"). The payment arrangement between Shunfeng Holdings and Tiancheng International is necessary for the administrative convenience in respect of the collection of the relevant fees by Bank of China.

The rental payable by Shunfeng Holdings to Tiancheng International is HK$293,873 per month, the government rates payable by Shunfeng Holdings to Tiancheng International is HK$12,029 per month, and the service charges payable by Shunfeng Holdings to Tiancheng International is HK$32,720 per month.

As Ms. Zheng Yan, being the wife of Mr. Lu Bin (an Executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company), holds 100% equity shares of Tiancheng International, Tiancheng International is a connected person of the Company under the Listing Rules. During the Year, the Lease Transaction is a continuing connected transaction for the Company under Chapter 14A of the Listing Rules exempted from the independent Shareholders' approval requirement but are subject to the annual reporting and announcement requirements under the Listing Rules.

The Independent Non-Executive Directors have reviewed the Lease Transaction and confirmed that the continuing connected transaction has been entered into:

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

(b) on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with the Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as disclosed above for the Year, the Company has not entered into any other connected transaction (as defined by Chapter 14A of the Listing Rules). The related party transactions as set out in note 56 to the consolidated financial statements (save as disclosed above) do not constitute connected transaction under the Listing Rules.

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

Neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

CONVERTIBLE BONDS RAISING ACTIVITIES

During the Year, no convertible bonds has been issued.

CONTRACTS WITH THE SINGLE LARGEST SHAREHOLDER

During the Year, no contract of significance has been entered into between the Company or any of its subsidiaries and the single largest Shareholder of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the Year and up to and including the date of this annual report.

MANAGEMENT CONTRACTS

There was no contract concerning the management or administration of the whole or any substantial part of the business of the Company which was entered into or existed during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of Cayman Islands where the Company is incorporated which oblige the Company to offer pre-emptive rights of new shares to existing shareholders on their shareholding proportion.

EMOLUMENT POLICY

The Group's emolument policies are based on the merit, qualifications and competence of individual employees and are reviewed by the remuneration committee periodically.

The emoluments of the Directors are recommended by the remuneration committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

Neither the chief executive nor any of the Directors has waived or agreed to waive any emoluments during the Year.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's largest and five largest customers were approximately 4% and approximately 15.2% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 4.5% and approximately 15.2% of the Group's total purchases, respectively.

At no time during the Year did a Director, his/her associate(s) or a Shareholder (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

AUDITOR

Deloitte Touche Tohmatsu will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

SUFFICIENCY OF 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 annual report, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the Year.

BORROWINGS

The details of borrowings of the Group for the Year are set out in note 37 to the consolidated financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save for Code Provision A.6.7 of the Corporate Governance Code, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Year. For further details, please refer to the section headed "(e) Shareholders' Rights" in Corporate Government Report.

COMPLIANCE WITH THE MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions during the Year.

AUDIT COMMITTEE

Details of the audit committee of the Company are set out in the Corporate Governance Report on page 28 of this annual report.

PRODUCTION CAPACITY

As at the date of this annual report, the annual production capacity of solar modules and solar cells, is approximately 2,400 MW and 3,000 MW respectively, solar power generation business has grid-connected annual designed installed capacity of 1,500 MW.

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2017 is set out on page 203 of this annual report.

EVENTS AFTER THE YEAR

There were no significant events which took place subsequent to 31 December 2017.

By order of the Board
Zhang Fubo
Chairman
Hong Kong

28 March 2018

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 202, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") 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 International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' 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 1(b) to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by RMB6,139,388,000. In addition, as at 31 December 2017, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB417,657,000 as disclosed in note 49 to the consolidated financial statements. As stated in note 1(b), these conditions along with other matters as set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 matter	How our audit addressed the key audit matter
Annual Impairment assessment on goodwill and interests in associates *Refer to notes 18, 20 and 21* We identified annual impairment assessment on goodwill and interests in associates as a key audit matter because the assessments and conclusions for those determined based on value-in-use calculation required significant management judgement with respect to the discount rates and assumptions adopted in the underlying cash flows of each cash-generating unit, in particular, business development plan and future revenue growth. As at 31 December 2017, the Group has goodwill arising from prior acquisition of Wuxi Suntech Group (as defined in note 4(ii)(a)) and Shanghai Everpower (as defined in note 21) included in its cost of investments in associates. During the year ended 31 December 2017, Wuxi Suntech Group is profit making, while certain associates incurred losses, indicating their related goodwill and assets maybe subject to impairment as at 31 December 2017. Hence, the directors of the Company, assessed the recoverable amounts of Wuxi Suntech Group (with the assistance of the independent professional valuer) and the relevant associates in relation to these cash-generating units determined based on a value-in-use calculation, were in excess of their respective carrying amounts and determined that no further impairment and no significant reversal of impairment previously recognised necessary for the year ended 31 December 2017.	Our audit procedures in relation to the management's impairment assessment included: • For those assessments involving an independent professional valuer, assessing its competence, capabilities and objectivity, and verifying its qualification; discussing the scope of work with the management and reviewing its terms of engagement to determine that there were no matters that affected its objectivity or imposed scope limitations upon it; • Assessing whether the projected cash flows forecasts, prepared by the management, adopted in the models are reasonable and supportable; • Understanding the projected cash flows, including the key assumptions such as revenue growth rates and market outlook and industry trend, and comparing operating margins and revenue growth against historical performance; and • Evaluating whether the methodology of the valuation are in compliance with the requirements of International Accounting Standard 36 ("IAS 36") Impairment of Assets, inputs used for the cash flows forecasts and factors considered in the discount rates and assess these rates.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
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Impairment of long-life assets (including property, plant and equipment and solar power plants)

Refer to notes 15 and 16

We identified impairment of long-life assets as a key audit matter because the amounts were significant and assessment of impairment involved significant estimation uncertainty.

The management of the Group reviews the recoverable amounts of those assets (which is the higher of its value-in-use and its fair value less costs of disposal) to determine whether there is any impairment loss.

The recoverable amount of those tangible assets was determined based on a value-in-use calculations required significant management judgement with respect to the discount rates and the assumptions adopted in the underlying cash flows of each asset or cash-generating unit. The recoverable amounts of those tangible assets determined based on fair values less costs of disposal, also required management judgement.

During the year ended 31 December 2017, the Group has recognised impairment loss of RMB15,509,000 in relation to solar power plants due to the delay of construction progress of a solar plant under construction and wrote off solar power plants under construction in the amount of RMB6,165,000 due to the damage as a result of unforeseeable natural disaster.

</td><td>

Our audit procedures in relation to management's impairment assessment included:

- Understanding the management's approach on identification of indicators on impairment of long-life assets and checking whether the management's approach is reasonable and supportable;

- Assessing whether the model used by the management to calculate the value-in-use calculations of the individual cash-generating units was in compliance with the requirements of IAS 36 Impairment of Assets;

- Understanding the projected cash flows, including the assumptions relating to revenue growth rates and market outlook and industry trend, and comparing operating margins and revenue growth against historical performance; and

- Understanding the management's estimation on fair value and costs of disposal, such as the disposal plan and market values of the assets, and assessing whether they are reasonable and supportable.

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</table>

Key audit matter	How our audit addressed the key audit matter
Impairment of other assets (including trade and other receivables, inventories, prepayments to suppliers and deposits paid for EPC of solar power plants included in other non-current assets) *Refer to notes 24, 26, 27 and 29* We identified impairment of other assets as a key audit matter because these amounts were significant and the assessment of which involved significant estimation uncertainty. During the year ended 31 December 2017, the Group has recognised impairment losses on both trade and other receivables and inventories of RMB221,642,000 and RMB29,897,000, respectively. No impairment loss has been recognised for prepayments to suppliers and deposits paid for EPC of solar power plants.	Our audit procedures in relation to management's impairment assessment on other assets included: • For trade and other receivables, understanding the Group's credit policy and the process that the management used to estimate allowance for doubtful debts, reviewing the credit quality of the counterparties, including any experience of default, delay in payments and the aging analysis, the historical settlement pattern (especially on those overdue but not impaired balances), and checking the reasonableness of recoverability and whether recognition of allowance for doubtful debts is appropriate; • Testing the aging analysis of the trade receivables, on a sample basis, to source documents; • For inventories, understanding the approach used by the management to determine net realisable value and assessing the management's calculation of the write-down whether appropriate and supportable; • Testing on sample basis whether any items of inventories have a market price lower than its carrying amount or are slow-moving or obsolete; and • For prepayments to suppliers and deposits paid for EPC of solar power plants, understanding the approach used by the management to assess the impairment, assessing the recoverability by reference to the future order plan of raw materials from suppliers and future solar power plants development plan and progress billings to be received from the EPC contractors, and assessing the financial conditions of its suppliers and EPC contractors to see whether the management's assessment on allowance is reasonable and supportable.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on tariff subsidy on sales of electricity *Refer to "Critical accounting judgments and key sources of estimation uncertainty" in note 4 (i)(a)* We identified the recognition of the Group's revenue on tariff adjustments on electricity sales as a key audit matter due to the significant management judgement involved in determining whether each of the Group's operating power plants had qualified for, and had met, all the requirements and conditions for the registration in the Reusable 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. Pursuant to the New Tariff Notice issued in August 2013 (the "New Tariff Notice") by the National Development and Reform Commission of the Peoples' Republic of China (the "PRC"), approvals for the registration in the Catalogue on a project-by-project basis are required for the settlement of the tariff adjustments. As described in note 4(i)(a) to the consolidated financial statements, revenue on tariff adjustments on electricity sales of RMB876,035,000 from the state grid companies in the PRC has been recognised for the year ended 31 December 2017 in which tariff adjustments amounting to RMB236,001,000 relating to certain of the on-grid solar power plants 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 adjustments on electricity sales included: • Obtaining an understanding of the policies and regulations set by the government authorities on tariff adjustments on sales of electricity in this industry; • Obtaining relevant supporting documents, including 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 power plants 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; • Assessing whether the previous registrations of the group entities operating the solar power plants to the Catalogue were successfully completed against the historical record of the Group; and • Discussing with the management and the Group's PRC legal adviser to assess if there are any factors and changes in the government policies which would affect the recognition and collection of tariff adjustments.

Key audit matter	How our audit addressed the key audit matter
Valuation of warrants liabilities arising from acquisition of Lattice Power Group *Refer to note 39* We have identified the valuation of Series E Warrants (as defined in note 39) as at 31 December 2017 as a key audit matter because the key inputs and assumptions on which the fair values of the Series E Warrants are based involved significant estimation uncertainty. As at 31 December 2017, the Group has outstanding warrants issued to the non-controlling shareholders and employees of Lattice Power Group. Series E Warrants are financial liabilities classified and designated as at fair value through profit or loss on initial recognition. The fair values of the Series E Warrants were RMB3,336,000 as at 31 December 2017, calculated using the Binomial model by an independent professional valuer. The Group engaged an independent professional valuer to assess the fair value as at 31 December 2017 and recognised gain of RMB4,397,000 on changes in fair value of Series E Warrants in profit or loss during the year ended 31 December 2017. Changes in the key inputs and assumptions on which the fair values of the Series E Warrants are based could significantly affect the Group's assessment resulting in a fair value loss being recognised.	Our audit procedures in relation to valuation of warrants liabilities included: • Assessing the competence, capabilities and objectivity of management's independent valuer, and verifying the qualifications of the valuer. In addition, discussing the scope of their work with the management and reviewing the terms of engagement to determine that there were no matters that affected their objectivity or imposed scope limitations upon them; and • Involving our internal valuation experts to evaluate management's judgments, including: – Assessing the valuation methodology; and – Assessing the reasonableness of key assumptions, including the applicable share value, exercise price, expected volatility, expected life, risk-free rate and expected dividend yield.

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 Corporate Information, Five-year Statistics, Corporate Governance Report, Biographical Details of Directors and Senior Management and Financial Summary, which is expected to be made available to us after the date of this auditor's report. The other information also 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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 IFRSs 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 of the Company 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 of the Company 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional 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 of the Company.

- 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 Kay Man Wo, Dick.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended 31 December 2017 RMB'000	2016 RMB'000
Revenue	5	**10,017,432**	8,276,499
Cost of sales		**(8,440,352)**	(6,774,443)
Gross profit		**1,577,080**	1,502,056
Other income	7	**235,851**	151,909
Other gains and losses and other expenses	8	**(67,212)**	(1,717,570)
Distribution and selling expenses		**(341,943)**	(377,036)
Administrative expenses		**(613,542)**	(664,949)
Research and development expenditure		**(138,434)**	(177,645)
Share of loss of associates		**(4,185)**	(6,473)
Share of gain (loss) of joint ventures		**8,044**	(82,575)
Finance costs	9	**(1,423,292)**	(1,031,825)
Loss before tax	10	**(767,633)**	(2,404,108)
Income tax (expense) credit	12	**(66,503)**	4,713
Loss for the year		**(834,136)**	(2,399,395)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**1,591**	22,221
Exchange differences on translating foreign operations		**40,312**	9,387
Other comprehensive income for the year		**41,903**	31,608
Total comprehensive expense for the year		**(792,233)**	(2,367,787)
Loss for the year attributable to:			
Owners of the Company		**(832,050)**	(2,109,843)
Non-controlling interests		**(2,086)**	(289,552)
		(834,136)	(2,399,395)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(789,730)**	(2,080,982)
Non-controlling interests		**(2,503)**	(286,805)
		(792,233)	(2,367,787)
		RMB cents	RMB cents
Loss per share			
— Basic	13	**(19.29)**	(49.72)
— Diluted		**(19.29)**	(49.72)

Consolidated Statement of Financial Position

	NOTES	As at 31 December 2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	15	**2,831,529**	3,028,112
Solar power plants	16	**12,226,635**	12,836,210
Prepaid lease payments — non-current	17	**423,800**	467,067
Goodwill	18	**6,237**	6,237
Intangible assets	19	**40,636**	46,357
Interests in associates	21	**140,377**	153,774
Interests in joint ventures	22	**13,908**	5,864
Available-for-sale investments — non-current	23	**3,096**	88,916
Other non-current assets	24	**997,950**	1,901,679
Deferred tax assets	25	**213,608**	261,010
Value-added tax recoverable – non-current		**720,000**	—
		17,617,776	18,795,226
Current assets			
Inventories	26	**792,630**	646,213
Trade and other receivables	27	**3,508,054**	3,698,219
Prepaid lease payments — current	17	**15,701**	16,871
Value-added tax recoverable		**315,155**	1,212,312
Tax recoverable		**3,544**	—
Prepayments to suppliers	29	**815,172**	554,794
Amounts due from associates	30	**5,744**	19,953
Amount due from a joint venture	30	**762**	652
Available-for-sale investments — current	23	**111,337**	—
Restricted bank deposits	31	**1,476,381**	2,156,556
Bank balances and cash	31	**663,686**	912,611
		7,708,166	9,218,181
Current liabilities			
Trade and other payables	32	**5,080,326**	5,740,695
Customers' deposits received	33	**178,184**	167,319
Amount due to a joint venture	34	**32,426**	10,275
Obligations under finance leases	35	**45,195**	41,597
Provisions	36	**1,051,770**	1,013,353
Tax liabilities		**4,553**	9,608
Bank and other borrowings	37	**5,964,579**	3,010,351
Deferred income	38	**12,755**	11,505
Derivative financial liabilities	39	**3,336**	7,733
Convertible bonds	40	**429,369**	1,165,695
Bond payables	41	**1,045,061**	—
		13,847,554	11,178,131

Consolidated Statement of Financial Position (Continued)

	NOTES	As at 31 December 2017 RMB'000	2016 RMB'000
Net current liabilities	1(b)	**(6,139,388)**	(1,959,950)
Total assets less current liabilities		**11,478,388**	16,835,276
Capital and reserves			
Share capital	42	**34,876**	34,876
Reserves		**4,006,318**	4,777,715
Equity attributable to owners of the Company		**4,041,194**	4,812,591
Non-controlling interests	43	**1,313,300**	1,278,691
Total equity		**5,354,494**	6,091,282
Non-current liabilities			
Deferred tax liabilities	25	**46,759**	46,311
Bank and other borrowings	37	**4,900,714**	8,414,876
Obligations under finance leases	35	**66,852**	105,170
Deferred income	38	**27,897**	52,056
Convertible bonds	40	**1,081,672**	1,113,486
Bond payables	41	**—**	1,012,095
		6,123,894	10,743,994
		11,478,388	16,835,276

The consolidated financial statements on pages 62 to 202 were approved and authorised for issue by the board of directors on 28 March 2018 and are signed on its behalf by:

DIRECTOR
Zhang Fubo

DIRECTOR
Lu Bin

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (note a)	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000 (note b)	Share-based payment reserve RMB'000 (note c)	Statutory surplus reserve RMB'000 (note d)	Accumulated deficits RMB'000 (note f)	Total RMB'000	Non-controlling interests RMB'000	Total
At 1 January 2016	32,930	5,108,206	(1,070,422)	(22,929)	3,075,369	14,574	30,744	(540,295)	6,628,177	1,543,861	8,172,038
Loss for the year	–	–	–	–	–	–	–	(2,109,843)	(2,109,843)	(289,552)	(2,399,395)
Other comprehensive income for the year	–	–	–	28,861	–	–	–	–	28,861	2,747	31,608
Total comprehensive income (expense) for the year	–	–	–	28,861	–	–	–	(2,109,843)	(2,080,982)	(286,805)	(2,367,787)
Recognition of share-based payments of Lattice Power Group	–	–	–	–	–	34,724	–	–	34,724	23,655	58,379
Issue of shares upon conversion of convertible bonds	916	96,547	–	–	(25,287)	–	–	–	72,176	–	72,176
Issue of Total Consideration Shares (as defined in note 22) for the acquisition of Suniva completed in 2015	1,030	155,446	–	–	–	–	–	–	156,476	–	156,476
Transfer of loss for the year in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in note 32 (iii)) to Non-controlling interests (note e)	–	–	–	–	–	–	–	2,020	2,020	(2,020)	–
At 31 December 2016	34,876	5,360,199	(1,070,422)	5,932	3,050,082	49,298	30,744	(2,648,118)	4,812,591	1,278,691	6,091,282
Loss for the year	–	–	–	–	–	–	–	(832,050)	(832,050)	(2,086)	(834,136)
Other comprehensive income (expense) for the year	–	–	–	42,320	–	–	–	–	42,320	(417)	41,903
Total comprehensive income (expense) for the year	–	–	–	42,320	–	–	–	(832,050)	(789,730)	(2,503)	(792,233)
Recognition of share-based payment of Lattice Power Group	–	–	–	–	–	34,317	–	–	34,317	23,378	57,695
Impact upon maturity of the Fifth CB (as defined in note 40(e)) (note f)	–	–	–	–	(345,292)	–	–	345,292	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(2,250)	(2,250)
Transfer of gain for the year in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in note 32 (iii)) to Non-controlling interests (note e)	–	–	–	–	–	–	–	(15,984)	(15,984)	15,984	–
At 31 December 2017	34,876	5,360,199	(1,070,422)	48,252	2,704,790	83,615	30,744	(3,150,860)	4,041,194	1,313,300	5,354,494

Notes:

a. Special reserves mainly include:

i. the special reserve arose on a group reorganisation ("Group Reorganisation") in preparation for listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") in year 2011. The shareholders of the Company made a contribution of an aggregate amount of approximately RMB233,968,000 to the Company for the purpose to acquire the entire equity interests of Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. ("Jiangsu Shunfeng"). The difference between the acquisition consideration paid and the paid-in capital and capital reserve of Jiangsu Shunfeng acquired of approximately RMB30,004,000 is regarded as special reserve arising on group reorganisation; and

Notes: (Continued)

a. (Continued)

ii. the carrying amount of the Group's interest in relation to Jiangsu Changshun and Nine Disposal Entities in respect of the Group's 2015 Proposed Disposal transaction as detailed in notes 4(i)(b) and 32(iii) as at 18 December 2015 to non-controlling interests as to reflect the transfer of their equity interests to Chongqing Future completed on 18 December 2015.

As set out in notes 4(i)(b) and 32(iii), a Termination Agreement was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 31 December 2016, the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities kept being accounted for as non-controlling interests.

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in note 40.

c. On 20 May 2015, the Company entered into share purchase agreements with the existing shareholders of and individuals holding options in Lattice Power Corporation (collectively referred to as the "Sellers") in relation to the acquisition of 59% of the equity interest in Lattice Power Corporation (together with its subsidiaries collectively referred to as the "Lattice Power Group"), for a consideration which shall be satisfied in full by the Company allotting and issuing 392,307,045 new Shares to the Sellers. Lattice Power Corporation is a company incorporated in Cayman Islands and is principally engaged in manufacturing and sales of LED products. The acquisition was completed on 6 August 2015 and Lattice Power Corporation has become an indirectly held subsidiary of the Company. The acquisition of Lattice Power Corporation has been accounted for as business combination.

One of the Sellers, Asia Pacific Resources Development Investment Limited ("AP Resources"), a limited company incorporated in the British Virgin Islands, is indirectly wholly owned by a substantial shareholder of the Company. The 9,453,921 shares acquired by the Group from AP Resources account for 11.46% of the equity interest in Lattice Power Group.

On 18 April 2006, Lattice Power Corporation approved the 2006 Global Share Plan (the "2006 ESOP") and common shares of Lattice Power Corporation were reserved to grant to its employees, directors and consultants in certain years. As of 5 August 2015, a total number of 28,000,00 options have been granted to the employees, directors and consultants of Lattice Power Group.

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP option holders (the "ESOP Sellers"), the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion").The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options"). Please refer to note 48 of the 2016 annual report for details.

Share-based payment reserve represents the recognition of share-based payments of Lattice Power Group, being the remuneration cost for post-combination service.

The Group recognised total share-based payment expense of RMB57,695,000 for the year ended 31 December 2017 (2016: RMB:58,379,000) in relation to the options granted by Lattice Power Corporation.

d. In accordance with relevant laws and regulations for foreign investment enterprises in the People's Republic of China (the "PRC"), the PRC subsidiaries are required to transfer 10% of their profit after taxation reported in their statutory financial statements prepared under relevant accounting principles and financial regulations applicable to enterprises established in the PRC (the "PRC GAAP") to the statutory surplus reserve. Appropriation to statutory surplus reserve shall be approved by the shareholders and may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital.

The PRC subsidiaries may, upon the approval by a resolution, convert their surplus reserve into capital in proportion to their then existing shareholdings. However, when converting the PRC subsidiaries' statutory surplus reserve into capital, the balance of such reserve remaining unconverted must not be less than 25% of the registered capital.

e. Loss for the year related to Jiangsu Changshun and the Nine Disposed Entities consolidated to the Group was transferred from the Group's accumulated losses to non-controlling interests. Although the 2015 Proposed Disposed had been terminated during the year, the legal ownership of Jiangsu Changshun and the Nine Disposed Entities still kept by Chongqing Future (as defined in note 32(iii)) had not yet been transferred back to the Group as at 31 December 2017 and in the opinion of the directors of the Company, the related profit for the current year should also be accounted for as "non-controlling interests" as at 31 December 2017, accordingly.

f. The Fifth CB has been matured on 27 November 2017, the outstanding principal balance and interest payable totalling RMB1,500,292,000 had become immediately repayable, with the corresponding convertible bonds equity reserve of RMB345,292,000 had been reclassified to the accumulated deficits upon maturity. Details of the Fifth CB were set out in note 40(e).

Consolidated Statement of Cash Flows

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Operating activities		
Loss before tax	**(767,633)**	(2,404,108)
Adjustments for:		
Interest income	**(13,052)**	(40,024)
Interest income arising from advances to third parties	**(44,265)**	(3,156)
Gain from change in fair value of available-for-sale investment	**(7,278)**	—
Finance costs	**1,423,292**	1,031,825
Warranty provision	**39,660**	12,560
Gain on change in fair value of derivative financial liabilities	**(4,397)**	(350,330)
Share of (gain) loss of joint ventures	**(8,044)**	82,575
Share of loss of associates	**4,185**	6,473
Foreign exchange gain	**(126,799)**	(3)
Depreciation of property, plant and equipment	**411,206**	482,007
Depreciation of completed solar plants	**690,800**	575,908
Amortisation of intangible assets	**7,546**	19,521
Release of prepaid lease payments	**19,036**	20,847
Release of deferred income related to government grants	**(14,120)**	(12,894)
Gain on release of financial guarantee contracts	**(36,651)**	—
Loss on disposal of property, plant and equipment	**11,948**	14,601
Loss on write-off of intangible assets	**2,430**	—
Loss on write-off of solar power plants	**6,165**	—
Allowance for inventories	**29,897**	7,165
Gain on disposal of available-for-sale investments	**—**	(23,445)
Impairment loss on trade and other receivables, net	**221,642**	483,781
Impairment loss of property, plant and equipment	**—**	248,895
Impairment loss on goodwill	**—**	520,027
Impairment loss on intangible assets	**—**	196,487
Impairment loss on investment in a joint venture	**—**	259,888
Impairment loss on investment in associates	**—**	18,944
Impairment loss on prepayment to suppliers	**—**	6,790
Impairment loss on solar power plants	**15,509**	221,540
Gain on derecognition of trade and other payables upon deregistration of a subsidiary (note 8)	**(40,302)**	—
Gain on disposal of subsidiaries (note 47)	**(10,878)**	(41,023)
Gain on disposal of associates	**(340)**	—
Net gain on Compensation Arrangement (as defined in note 15(ii))	**(14,787)**	—
Provision of financial guarantee expense	**51,469**	228,250
Recognition of share-based payments of Lattice Power Group	**57,695**	58,379
Operating cash flows before movements in working capital	**1,903,934**	1,621,480
(Increase) decrease in inventories	**(176,485)**	131,371
Increase in trade and other receivables	**(384,358)**	(444,993)
Increase in prepayments to suppliers	**(260,885)**	(71,040)
Decrease in amount due from associates	**8,778**	7,335
Increase in amount due from a joint venture	**(110)**	(652)
Increase in amount due to a joint venture	**22,151**	10,275
Increase in trade and other payables	**87,871**	175,158
Increase (decrease) in customers' deposits received	**32,348**	(207,345)
Increase in provisions	**6,575**	9,085
Decrease in value-added tax recoverable	**169,683**	—
Cash generated from operations	**1,409,502**	1,230,674
Income taxes paid	**(30,409)**	(46,962)
Net cash from operating activities	**1,379,093**	1,183,712

Consolidated Statement of Cash Flows (Continued)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Investing activities		
Withdrawal of restricted bank deposits	**1,682,814**	1,409,945
Withdrawal of pledged bank deposits	**—**	600,000
Receipt from government grants	**859**	2,972
Interest income received	**13,052**	43,180
Payments of prepaid lease payment	**(2,670)**	(14,152)
Placement of restricted bank deposits	**(1,002,639)**	(2,691,635)
Payments of property, plant and equipment	**(450,942)**	(287,764)
Payment for construction cost in respect of solar power plants	**(637,506)**	(1,734,471)
Proceeds on disposal of property, plant and equipment	**27,991**	15,881
Proceeds on disposal of available-for-sale investments previously disposed of	**11,000**	—
Proceeds on disposal of available-for-sale investments	**8,820**	20,486
Capital contribution to a newly established associate	**(10,000)**	—
Capital contribution to a joint venture	**—**	(4,900)
Purchases of available-for-sale investments	**(30,000)**	(77,000)
Purchases of intangible assets	**(3,384)**	(8,169)
Net cash outflows arising from acquisition of other subsidiaries (note 45)	**—**	(19,702)
Loan advanced to independent third parties	**(431,204)**	(248,319)
Loan repayment from independent third parties	**67,680**	3,769
Repayment of consideration payable in respect of the prior acquisition of subsidiaries	**(8,733)**	(12,410)
Repayment of consideration payable in respect of the prior acquisition of Suniva (note 22)	**—**	(6,495)
Proceeds on disposal of subsidiaries (note 47)	**36,030**	30,497
Proceeds on disposal of interest in associates	**9,362**	—
Cash distribution from available-for-sale investments	**2,941**	—
Dividend received from associates	**2,450**	—
Receipt of consideration receivable in respect of subsidiaries previously disposed of	**232,004**	—
Settlement received from amounts due from disposed subsidiaries	**600,289**	—
Net cash from (used in) investing activities	**118,214**	(2,978,287)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Financing activities		
New bank and other borrowings raised (note)	**2,570,761**	6,026,802
Repayment of bank and other borrowings	**(2,970,206)**	(4,494,989)
Interest paid for convertible bonds	**(72,596)**	(112,383)
Repayment of the outstanding principal balance of Fifth CB	**(8,458)**	—
Interest paid	**(947,389)**	(793,411)
Issue of bond payable	**—**	450,000
Transfer of corporate bond	**—**	30,000
Issue cost for bond payable	**—**	(7,075)
Repayment of obligations under finance leases	**(45,692)**	(51,653)
Interest paid for consideration received in advance in respect of the 2015 Proposed Disposal	**(21,306)**	(42,689)
Repayment of consideration received in advance and related interest in respect of the termination of the 2015 Proposed Disposal	**(229,442)**	(377,074)
Acquisition of additional interest in a subsidiary	**(2,250)**	—
Advance from independent third parties	**163,551**	227,904
Repayment to independent third parties	**(236,012)**	—
Transfer of corporate bond previously issued and partly subscribed by the group entity to an independent third party	**20,000**	—
Net cash (used in) from financing activities	**(1,779,039)**	855,432
Net decrease in cash and cash equivalents	**(281,732)**	(939,143)
Cash and cash equivalents at beginning of the year	**912,611**	1,854,409
Effect of foreign exchange rate changes	**32,807**	(2,655)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**663,686**	912,611

Note: Included in the new borrowings raised during the year ended 31 December 2016 was a net receipt of HKD1,797,422,000 (equivalent to RMB1,607,839,000) from Sino Alliance Capital Ltd. ("Sino Alliance"), an independent third party and one of the convertible bondholders of the Fifth CB.

During the year ended 31 December 2016, the Group entered into a loan agreement with Sino Alliance, pursuant to which the Group borrowed HKD2,500,000,000 (equivalent to RMB2,236,250,000) from Sino Alliance, while the Group was obliged to place HKD702,528,000 (equivalent to RMB628,411,000) to Sino Alliance as a secured deposit, which also carried a fixed interest rate of 5%.

Agreed between both parties, Sino Alliance made the net amount of HKD1,797,422,000 (equivalent to RMB1,607,839,000) to the Group. Since the settlement of which would be on a gross basis, respective amount of the loan balance of HKD2,500,000,000 (equivalent to RMB2,236,250,000) and secured deposits of HKD702,528,000 (equivalent to RMB628,411,000) was accounted for as other borrowings and other non-current asset in notes 37 and 24, respectively as at 31 December 2016.

Upon Maturity Date (as defined in note 40(e)), the secured deposits had been offset with the outstanding principal amount of the Fifth CB partially with no cash impact. See details in note 24(e).

Notes to the Consolidated Financial Statements

1. GENERAL AND BASIS OF PREPARATION

(a) General Information

Shunfeng International Clean Energy Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of Hong Kong Stock Exchange. The addresses of registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Portion C, 30/F., Bank of China Tower, 1 Garden Road, Central, Hong Kong, respectively. The Company and its subsidiaries (together with the Company hereinafter referred to as the "Group") are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

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

(b) Basis of preparation

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported as at 31 December 2017 and as of that date, the current liabilities exceeded its current assets by RMB6,139,388,000. In addition, as at 31 December 2017, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB417,657,000 disclosed in note 49 to the consolidated financial statements.

As at 31 December 2017, the available unconditional banking facilities amounted to RMB149,218,000, and the unutilised conditional facilities which was subject to approval on a project-by-project basis amounted to RMB20,000,000,000 ("Conditional Facilities"). The management of the Group has currently commenced negotiation with other banks and financial institutions to obtain additional facilities subsequent to the year ended 31 December 2017. Up to date of this report, the Group has obtained additional conditional facilities totalling RMB1,004,747,000 ("Additional Conditional Facilities"). The directors are confident that the Group would be successful in obtaining approval in respect of the Conditional Facilities and Additional Conditional Facilities. In addition, in respect of the bank and other borrowings and finance lease obligations with respective carrying amount of RMB4,811,122,000 and RMB45,195,000 as at 31 December 2017, which will be matured in the coming next 12 months after the end of the reporting period in accordance with the scheduled repayment date of the borrowing agreements. The management has currently commenced negotiation with the financial institutions and counterparties for renewal of the borrowings or extension of the maturity date. The directors are confident that, for the majority of them, the Group would be able to renew the borrowings or extend their maturity date. Lastly, in respect of the bank borrowings with the carrying amount of RMB1,153,457,000 as at 31 December 2017, which originally will be matured in year 2029, but currently classified as current liabilities as at 31 December 2017 due to certain financial covenants had been breached, the directors are confident that the banks will not exercise their right to demand immediate repayment from the Group, since the Group has pledged adequate amount of assets as securities for such borrowings. Taking into account the above factors, the directors are of the opinion that, together with the presently available banking facilities, and the internal financial resources of the Group, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months commencing from the date of the consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements to IFRSs 2014-2016 Cycle

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

Amendments to IAS7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 51. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 51, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Amendments to IFRSs As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The Group has applied the amendments to IFRSs included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The amendments to IAS 28 Investments in Associates and Joint Ventures included in the annual improvements are not yet mandatorily effective and they have not been early applied by the Group.

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that except for summarised financial information, all other disclosure requirements under IFRS 12 are applicable.

The application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

New and revised IFRSs issued but not yet effective (Continued)

Except for the new and amendments to IFRSs and interpretation mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs and Interpretation will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 9 Financial Instruments

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

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

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 Financial Instruments (Continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company have assessed the potential impact on initial application of IFRS 9 as follows:

Classification and measurement:

- Loan and other receivables carried at amortised cost as disclosed in notes 27, 30 and 31 respectively:these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- Certain amount of the trade receivables and bills receivables in relation to the Group's manufacturing and sales of Solar Products and LED Products in the PRC carried at amortised cost as disclosed in note 27: these are held by the Group whose objective is achieved by both collecting contractual cash flows and discounting the bank issued bills to banks and endorsing the bank issued bills receivables to suppliers. Accordingly, the corresponding trade receivables and bills receivables will be subsequently measured at FVTOCI under IFRS 9 and the fair value gains and losses accumulated in the revaluation reserve will be subsequently reclassified to profit or loss when the related trade receivables and bills receivables are derecognised. Upon application of IFRS 9, fair value gains and losses representing the difference between the amortised cost and fair value will be adjusted to revaluation reserve as at 1 January 2018 unless the accounting impact is assessed to be immaterial;

- Equity instruments classified as available-for-sale investments carried at cost less impairment as disclosed in note 23: these instruments qualified for designation as measured at FVTOCI under IFRS 9, however, the Group did not elect the option for designating these instruments to be measured at FVTOCI and would measure these instruments at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of IFRS 9, fair value gains related to these instruments, representing the differences between cost less impairment and fair value, would be adjusted to accumulated deficits as at 1 January 2018;

- All other financial assets and financial liabilities have been measured on the same bases as are currently measured under IAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of IFRS 9 by the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

Impairment (Continued)

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables, amounts due from associates, amount due from a joint venture, restricted bank deposits, bank balances and cash and financial guarantee contracts. Such further impairment recognised under expected credit loss model would increase the opening accumulated deficits at 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

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

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

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

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Group currently recognised revenue from the sales of electricity upon electricity is generated and transmitted. In addition, tariff subsidy is recognised as revenue based on the management judgement that all of the Group's operating power plants have qualified and met all the requirements and conditions as required based on the prevailing nationwide government policies on renewable energy for solar power plants. Tariff receivables are discounted to present values based on the expected timing of the respective receipt unless the discounting effects are considered immaterial.

The directors of the Company have assessed the impact on application of IFRS 15 in respect of the Group's electricity sales contracts, particularly, on the determination and timing of recognition of consideration from customers, and the applicability of significant financing component; and anticipated that the application of IFRS 15 in the future may result in more disclosures and change in presentation, but its application is not likely to have a material impact on the timing and amounts recognised in respective periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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 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. 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 have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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 the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group.

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.

In contrast to lessee accounting 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 2017, the Group has non-cancellable operating lease commitments of RMB149,284,000 as disclosed in note 48. 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 they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 16 Leases (Continued)

In addition, the Group currently considers refundable rental deposits paid of RMB2,437,000 as rights 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 and such adjustments are considered as additional lease payments.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The directors of the Company do not anticipate that the application of IFRIC 22 will have a material impact on the foreign currency transactions and advance consideration of the Group.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The directors of the Company do not anticipate that the application of IFRIC 23 will have a material impact on the determination of the accounting tax position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statement include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("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, 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 *Leases*, 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing 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 interests (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 other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). 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 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 to the Group, liabilities assumed by the Group 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.

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 replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

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 acquisition-date amounts of the identifiable assets acquired and liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition-date amounts 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 either at fair value or at the non- controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. 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 the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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 the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses.

For the purpose 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 (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit (or group of cash-generating units) may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the 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 cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of associates and joint ventures is described below.

Interests 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 or 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 other comprehensive income of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

Changes in net assets of the associates/joint ventures other than profit or loss and other comprehensive income 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 joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest 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 requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 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 in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part 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 other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

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 other comprehensive income 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 (such as a sale or contribution of assets), 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.

Revenue recognition

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

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 arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted. Tariff subsidy represents subsidy received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidy is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Service income is recognised when services are provided.

Deposits received from customers prior to meeting the above criteria on revenue recognition are included in the consolidated statement of financial position as liabilities.

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

Property, plant and equipment

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

Freehold land is carried at cost less subsequent accumulated impairment loss, 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 items of property, plant and equipment (other than construction in progress and freehold land) 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.

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 assets and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Solar power plants

Completed solar power plants, being solar power plants held for the generation of electricity income, are stated at in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Solar power plants in the course of construction for generation of electricity income are carried at cost, less any recognised impairment loss. Costs include costs of solar modules, permits applied, professional fee and, for qualifying assets, borrowing costs and other costs capitalised in the course of construction. Solar power plants under construction are stated in the consolidated statement of financial position at cost less subsequent impairment losses, if any. Such solar power plants under construction are reclassified to completed solar power plants upon completion and are ready for intended use. Depreciation of these solar power plants commences when the solar power plants are successfully connected to grids and completed trial operation.

Depreciation is recognised so as to write off the cost of assets (other than solar power plants 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.

Completed solar power plants are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on the disposal of completed solar power plants is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Internally-generated intangible assets: research 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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Internally-generated intangible assets: research expenditure (Continued)

- 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 asset 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, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and 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.

Leasing

Leases are classified as finance leases wherever 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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 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.

Prepaid lease payments

Upfront prepayments made for the land use rights and leasehold land are initially recognised on the consolidated statement of financial position as "prepaid lease payments" and are amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currency) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not 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) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

3. 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.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and annual leave) after deducting any amount already paid.

Share-based payment arrangements

Share-based payment transactions of the acquiree in a business combination

At the acquisition date, when the outstanding equity-settled share-based payment transactions held by the employees of an acquiree are not exchanged by the Group for its share-based payment transactions, the acquiree share-based payment transactions are measured at their market-based measure at the acquisition date. If the share-based payment transactions have vested by the acquisition date, they are included as part of the non-controlling interest in the acquiree. However, if the share-based payment transactions have not vested by the acquisition date, the market-based measure of the unvested share-based payment transactions on the acquisition date is allocated to the non-controlling interest in the acquiree based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance is recognised as remuneration cost for post-combination service.

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 "loss before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have 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 differences 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interest in a joint venture, 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 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.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit 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.

Current and deferred tax is recognised in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

Recoverable amount is the higher of fair value less costs 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 cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) 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 a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) 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. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Warranties

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

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

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available for sale or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. The Group designated certain equity investments as available-for-sale financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as available-for-sale are measured at fair value at the end of each reporting period except for unquoted equity instruments whose fair value cannot be reliably measured. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method are recognised in profit or loss. Dividends on available-for-sale investments are recognised in profit or loss when the Group's right to receive the dividend is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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 restricted deposits, trade and other receivables, amounts due from associates, amount due from a joint venture 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

Financial assets are assessed for indicators of impairment at the end of the 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 available-for-sale 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.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 of the Group, as well as observable changes in national or local economic conditions that with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 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 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.

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

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that from an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis, other than those financial liabilities classified as FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, (ii) it is designated as at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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.

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 IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities at amortised cost

Other financial liabilities including trade and other payables, amount due to a joint venture, bank and other borrowings, liability component of convertible bonds and bond payables are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds

The component parts of the convertible loan notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated deficits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 contracts issued by the Group are initially measured at their fair values and, if not

- designated as at FVTPL, are subsequently measured at the higher of: the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management is 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) 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.

(a) Revenue recognition on tariff subsidy on sales of electricity

Tariff subsidy represents subsidy received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidy is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

In August 2013, the National Development and Reform Commission of the PRC ("NDRC") released the New Tariff Notice (the "New Tariff Notice") to launch a new subsidizing policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants (which is known as the ground solar plants). In particular, according to the New Tariff Notice, (i) for the centralised solar plants, which will obtain on-grid approval and commence in generating electricity on or after 1 January 2014, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zones I, II and III respectively which are categorised based on local solar energy resources and generating plant construction costs; and (ii) the new standards will apply to the power stations registered after 1 September 2013 and those registered before 1 September 2013 but which did not commence in generating electricity until after 1 January 2014.

According to the New Tariff Notice, for centralised solar power plants, which obtained on-grid approval and commence in generating electricity prior to 31 December 2013, the prevailing on-grid tariff of RMB1.0/KWh still applied.

In December 2015, NDRC released another updated tariff notice (the "2015 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2016 and those registered before 1 January 2016 but which did not commence in generating electricity until 30 June 2016 (the "New Solar Power Plants"). According to 2015 Tariff Notice, the benchmark on-grid price will be set at RMB0.8/KWh, RMB0.88/KWh and RMB0.98/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(a) Revenue recognition on tariff subsidy on sales of electricity (Continued)

In December 2016, NDRC released another updated tariff notice (the "2016 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2017 and those registered before 1 January 2017 but which did not commence in generating electricity until 30June 2017 (the "New Solar Power Plants"). According to 2016 Tariff Notice, the benchmark on-grid price will be set at RMB0.65/KWh, RMB0.75/KWh and RMB0.85/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In December 2017, NDRC released another updated tariff notice (the "2017 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 1 January 2018 and those registered before 1 January 2018 but which did not commence in generating electricity until 30 June 2018 (the "New Solar Power Plants"). According to 2017 Tariff Notice, the benchmark on-grid price will be set at RMB0.55/KWh, RMB0.65/KWh and RMB0.75/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

Pursuant to the New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (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. Registrations to the Catalogue is an ongoing process and the Catalogue is opened for registrations on a batch by batch basis. Revenue on tariff adjustments on electricity sales of RMB876,035,000 (2016: RMB713,391,000) from the state grid companies in the PRC has been recognised for the year ended 31 December 2017 in which tariff adjustments amounting to RMB236,001,000 (2016: RMB156,999,000) relating to certain of the on-grid solar power plants of the Group are still pending for registration to the Catalogue.

In making their judgment, the directors, taking into account the legal opinion as advised by the Group's legal advisor and the fact that all previous registrations of the group entities operating the solar power plants to the Catalogue were successfully completed with reference to the requirements and conditions for the registration in the Catalogue, considered that all of the Group's solar power plants currently in operation had met the requirements and conditions as stipulated in the New Tariff Notice for the entitlement of the tariff subsidy when the electricity was delivered on grid.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(a) Revenue recognition on tariff subsidy on sales of electricity (Continued)

In the opinion of the directors of the Company, the recognition of accrued revenue on tariff subsidy is proper based on their judgement and by reference to those previous successful registrations of the Group's operating solar power plants to the Catalogue, as well as taking into account the opinion from the Group's legal advisor, that all of the Group's operating power plants had been qualified for, and had met, all the requirements and conditions as required according to the requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that all of the Group's operating power plants were 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 government, after considering that there are no bad debt experiences with the state grid companies in the past and the tariff subsidy is fully funded by the PRC government.

(b) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (as defined in note 32(iii))

As set out in note 32(iii), on 18 December 2015, the Group transferred the entire equity interest of Jiangsu Changshun (as defined in note 32(iii)) and the Nine Disposal Entities to Chongqing Future (as defined in note 32(iii)). However, pursuant to the sales and purchase agreement, the Group was required to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities in respect of the solar power plant development projects held by the Nine Disposal Entities. In addition, if a fellow subsidiary of Chongqing Future fails to obtain the consent of the relevant government authorities in respect of the 2015 Proposed Disposal and/or raise relevant funds for Chongqing Future to pay outstanding consideration to the Group by 30 September 2016, Chongqing Future would have the option to choose not to pay the second instalment of the cash consideration in the amount of RMB499,600,000, the sale and purchase agreement could be cancelled by either the Group or Chongqing Future and the legal ownership in respect of the equity interests of Jiangsu Changshun and the Nine Disposal Entities will be returned to the Group and the Group's received first installment of RMB650,000,000 would be refunded to Chongqing Future plus interest carried at People's Bank of China ("PBOC") rate in accordance with the sale and purchase agreement.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(i) Critical judgements in applying accounting policies (Continued)

(b) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (as defined in note 32(iii)) (Continued)

In the opinion of the Directors, the Directors considered that the eventual completion of the 2015 Proposed Disposal was subject to the fulfilment of certain conditions precedent prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015. In addition, the Directors considered that the Group was able to exercise control over Jiangsu Changshun and the Nine Disposal Entities as at 31 December 2015 due to the Management Contract (as defined and detailed in note 32(iii) entered into between the Group and Chongqing Future, hence, the carrying amounts of net assets of Jiangsu Changqing and the Nine Disposal Entities were consolidated to the Group. However, since the Group has already transferred the legal ownership in respect of the entire equity interests of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future on 18 December 2015, in the opinion of the Directors, the Group's entire interests in them should be accounted for as non-controlling interests since then and will be subject to re-assessment upon progress of the development of the above-mentioned proposed transactions.

As at 31 December 2015, the Group received cash consideration of RMB650,000,000 from Chongqing Future, which was accounted for as consideration received in advance and included in other payables, accordingly.

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 30 June 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group after the return of the entire amount of RMB650,000,000 together with the relevant interest by the Group to Chongqing Future, and the repayment of the borrowings of RMB500,000,000 together with the relevant interest by the Group to Chongqing Trust (as defined in note 32(iii)).

Details of the developments of the consideration received in advance from Chongqing Future and the borrowings from Chongqing Trust are set out in note 32(iii).

As at 31 December 2017, the legal ownership in respect of the entire equity interest of Jiangsu Changshu has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related gain for the current year amounting to RMB15,984,000 (2016: Loss for 2016 amounting to RMB2,020,000) has been transferred from accumulated deficits to non-controlling interests as at 31 December 2017.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) 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 year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the end of the reporting year.

(a) Provision

Wuxi Suntech Power Co., Ltd ("Wuxi Suntech") and its subsidiaries (collectively referred to as the "Wuxi Suntech Group") provides warranty in terms of replacement and repairing service for defects in materials and workmanship for a period ranging from 5 to 25 years for the items sold to customers. The management of the Group has based on its best estimate of both future costs and the probability of incurring warranty claims, made the provision for warranty. When the future costs and the probability of incurring warranty claims are higher or lower than expected and where events or changes in circumstances indicate that the amount of warranty provision may not be adequate or may be excessive, such difference will impact the carrying values and warranty provision expenses in the years in which such estimate has been changed.

As at 31 December 2017, the carrying amount of warranty provision was RMB682,970,000 (2016: RMB643,944,000).

(b) Recognition of deferred tax assets

The Group recognised deferred tax assets for all unused tax losses and other deductible temporary differences to the extent that taxable profit would be available against which the unused tax losses and other deductible temporary difference can be utilised.

In cases where the actual future profits generated are less than expected, a material reversal or further recognition of deferred tax assets may arise, which would be adjusted to the amount of goodwill during the measurement year or charged to profit or loss after the measurement year in which such a reversal takes place.

As at 31 December 2017, the Group has recognised deferred tax asset arising from unused tax losses and other deductible temporary differences in the amount of RMB213,608,000 (2016: RMB261,010,000) as set out in note 25.

(c) Useful lives and residual values of property, plant and equipment and solar power plants

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment and solar power plants. These estimates are based on the historical experience of the actual residual values and useful lives of plant and equipment and solar power plants of similar nature and functions. As at 31 December 2017, the total carrying amount of the Group's property, plant and equipment and solar power plants was RMB15,058,164,000 (2016: RMB15,864,322,000).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(d) Impairment of property, plant and equipment, solar power plants

In assessing the impairment of property, plant and equipment and solar power plants, the Group is required to estimate the recoverable amount of the cash-generating units or the relevant assets. The recoverable amount, which is determined by the higher of the value-in-use calculation and fair value less cost of disposal requires the Group to estimate the future cash flows expected to arise from the cash-generating units or the relevant assets 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 result in downward revision of future cash flows, further impairment loss may arise. As at 31 December 2017, the carrying amount of the property, plant and equipment was RMB2,831,529,000 (net of impairment of RMB223,060,000 (2016: RMB3,028,112,000 (net of impairment of RMB248,895,000)), the carrying amount of solar power plants was RMB12,226,635,000 (net of impairment of RMB237,049,000) (2016: RMB12,836,210,000 (net of impairment of RMB221,540,000)).

(e) Impairment of trade and other receivables

When there is an objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, further impairment loss and/or reversal of impaired receivables may arise. As at 31 December 2017, the carrying amount of trade and other receivables was RMB3,539,782,000 (net of allowance for doubtful debts of RMB664,966,000) (2016: RMB3,698,219,000 (net of allowance for doubtful debts of RMB540,173,000)).

(f) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down inventories in that period. As at 31 December 2017, the carrying amount of the Group's inventories was approximately RMB792,630,000 (net of allowance for inventories of RMB101,486,000) (2016: RMB646,213,000 (net of allowance for inventories of RMB73,463,000)).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(g) Impairment of prepayments to suppliers and deposits paid for engineering, procurement and construction ("EPC") of solar power plants

The Group makes prepayments and deposits to suppliers and EPC contractors in accordance with the purchase contracts and EPC contracts entered into with the suppliers and EPC contractors, respectively. These prepayments and deposits are to be offset against future purchases from suppliers and future progress billings received from EPC contractors, respectively.

The Group does not require collateral or other security against its prepayments to suppliers and deposits paid to EPC contractors. The Group performs ongoing evaluation of impairment of prepayments to suppliers and deposits to EPC contractors due to a change of market conditions and the financial conditions of its suppliers and EPC contractors. The evaluation also takes into account the quality, timeframe of the products and status and progress of the EPC of solar power plants to be delivered to the Group. When the prepayments and deposits would not be recovered as expected and the credit quality of the suppliers or the EPC contractors changed, the Group would impair the prepayments to suppliers and deposits paid to EPC contractors.

As at 31 December 2017, the carrying amount of prepayments to suppliers was RMB815,172,000 (net of allowance for doubtful debts of RMB12,896,000) (2016: RMB554,794,000 (net of allowance of doubtful debts of RMB12,896,000)) and the carrying amount of deposits paid for EPC of solar power plants included in other non-current assets were RMB609,781,000 without allowance for doubtful debts) (2016: RMB1,002,499,000 (without allowance for doubtful debts)).

(h) Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Chief Financial Officer ("CFO") of the Company determines the appropriate valuation techniques and inputs for fair value measurements.

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

The CFO works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The CFO reports the findings to the board of directors at the end of each reporting year to explain the cause of fluctuations in the fair value of the assets and liabilities.

5. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of goods (comprising Solar Products (as defined in note 6) and LED Products (as defined in note 6))	**8,569,238**	7,091,849
Revenue from plant operation and services	**127,457**	110,026
Revenue from solar power generation (comprising sales of electricity and tariff subsidy)	**1,320,737**	1,074,624
	10,017,432	8,276,499

6. SEGMENT INFORMATION

Information reported to the Chief Executive Officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance. The Group's reportable and operating segments were presented for the both years as follows:

(1) Manufacturing and sales of solar cells, solar modules, photovoltaic systems ("PV systems") and related products (collectively known as "Solar Products");

(2) Solar power generation;

(3) Solar plant operation and services, representing the operation of an internet monitoring portal which enables the generation of yield reports, solar energy forecasts, system ratings, satellite-controlled historic and current solar irradiation data, solutions for network management as well as services covering all aspects of plant operation, plant monitoring and plant optimisation, and in the long-term, the repowering, dismantling and recycling of plants ("Plant operation and services"); and

(4) Manufacturing and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products").

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

	Manufacturing and sales of Solar Products		Solar power generation		Plant operation and services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue														
External sales	8,249,220	6,811,875	444,702	361,233	127,457	110,026	320,018	279,974	9,141,397	7,563,108	–	–	9,141,397	7,563,108
Tariff subsidy	–	–	876,035	713,391	–	–	–	–	876,035	713,391	–	–	876,035	713,391
	8,249,220	6,811,875	1,320,737	1,074,624	127,457	110,026	320,018	279,974	10,017,432	8,276,499	–	–	10,017,432	8,276,499
Inter-segment revenue	115,573	873,294	–	–	–	–	–	–	115,573	873,294	(115,573)	(873,294)	–	–
	8,364,793	7,685,169	1,320,737	1,074,624	127,457	110,026	320,018	279,974	10,133,005	9,149,793	(115,573)	(873,294)	10,017,432	8,276,499
Segment profit (loss)	427,347	482,128	336,019	(247,723)	(2,305)	(157,587)	4,616	(1,106,111)	765,677	(1,029,293)	–	–	765,677	(1,029,293)
Unallocated income														
– Bank interest income													13,052	40,024
– Change in fair value of derivative financial liabilities													4,397	350,330
Unallocated expenses														
– Central administration costs													(73,902)	(128,129)
– Finance costs													(1,423,292)	(1,031,825)
Financial guarantee expenses provided for a joint venture													(50,849)	(228,250)
Share of loss of associates													(4,185)	(6,473)
Impairment loss on interests in associates													–	(18,944)
Share of gain (loss) of joint ventures													8,044	(82,575)
Impairment loss on interest in a joint venture													–	(259,888)
Other expenses													(6,575)	(9,085)
Loss before tax													(767,633)	(2,404,108)

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Amounts included in the measure of segment profit (loss):

	Manufacturing and sales of Solar Products		Solar power generation		Plant operation and services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Impairment loss on solar power plants	–	–	(15,509)	(221,540)	–	–	–	–	(15,509)	(221,540)	–	–	(15,509)	(221,540)
Recognition of doubtful debts for trade and other receivables, net	(40,468)	(51,369)	(74,477)	(199,000)	–	–	(14,594)	(143,840)	(129,539)	(394,209)	–	–	(129,539)	(394,209)
Impairment loss on property, plant and equipment	–	(4,004)	–	–	–	–	–	(244,891)	–	(248,895)	–	–	–	(248,895)
Impairment loss on goodwill	–	–	–	–	–	(107,856)	–	(412,171)	–	(520,027)	–	–	–	(520,027)
Impairment loss on intangible assets	–	–	–	–	–	(35,623)	–	(160,864)	–	(196,487)	–	–	–	(196,487)
Impairment loss on prepayment to suppliers	–	–	–	–	–	–	–	(6,790)	–	(6,790)	–	–	–	(6,790)
Write-down of inventory	(4,450)	(7,165)	–	–	–	–	(25,447)	–	(29,897)	(7,165)	–	–	(29,897)	(7,165)

Other Information:

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of bank interest income, change in fair value of derivative financial liabilities, central administration cost, finance costs, financial guarantee expenses provided for a joint venture, share of results of associates and joint ventures, impairment loss on interests in associates and a joint venture, and other expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2017 RMB'000	2016 RMB'000
Segment assets		
Manufacturing and sales of Solar Products	**6,905,972**	7,296,613
Solar power generation	**15,393,314**	16,841,321
Plant operation and services	**49,934**	49,312
Manufacturing and sales of LED Products	**561,431**	487,835
Total segment assets	**22,910,651**	24,675,081
Other unallocated assets	**2,415,291**	3,338,326
Consolidated assets	**25,325,942**	28,013,407
Segment liabilities		
Manufacturing and sales of Solar Products	**6,809,205**	6,861,411
Solar power generation	**9,827,221**	11,019,166
Plant operation and services	**48,747**	47,294
Manufacturing and sales of LED Products	**318,168**	309,953
Total segment liabilities	**17,003,341**	18,237,824
Other unallocated liabilities	**2,968,107**	3,684,301
Consolidated liabilities	**19,971,448**	21,922,125

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

- All assets are allocated to operating segments other than bank balances and cash, restricted bank deposits, available-for-sale investments, interests in associates, interests in joint ventures and amounts due from associates, amount due from a joint venture; and

- All liabilities are allocated to operating segments other than obligations under finance leases, liability component of the Group's convertible bonds, financial guarantee provision for a joint venture, derivative financial liabilities, amount due to a joint venture and bonds payable liable for centralised financing of the Group.

Entity-wide disclosures

Revenue analysed by major products

The following table sets forth a breakdown of the Group's revenue for the years ended 31 December 2017 and 2016:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of solar wafers	**21,936**	62,488
Sales of solar cells	**2,011,181**	2,490,233
Sales of solar modules	**5,916,655**	4,131,357
Sales of PV systems	**269,302**	100,073
Other solar products	**30,146**	27,724
	8,249,220	6,811,875
Sales of electricity	**444,702**	361,233
Tariff subsidy (note)	**876,035**	713,391
	1,320,737	1,074,624
Plant operation and services	**127,457**	110,026
Sales of LED Products	**320,018**	279,974
Total	**10,017,432**	8,276,499

Note: The amount represents the tariff subsidy which were approximately 36% to 84% (2016: 54% to 84%) of the total electricity sales in the PRC. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

6. SEGMENT INFORMATION (Continued)

Geographical information

Revenue from external customers, based on locations of customers, and information about the Group's non-current assets attributable to the Group by geographic areas are as follows:

	Year ended 31 December			
	Revenue from external customers		Non-current assets	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Mainland China	**7,501,130**	5,611,442	**16,647,765**	16,937,832
Japan	**730,299**	890,982	**422,135**	271,118
India	**707,521**	309,801	**—**	—
Germany	**334,867**	441,499	**29,751**	34,570
Switzerland	**136,706**	74,313	**11,260**	13,072
Korea	**63,379**	147,185	**—**	—
Russia	**46,467**	—	**—**	—
Netherlands	**44,093**	35,928	**—**	—
Arab Republic of Egypt	**37,921**	34,849	**—**	—
Slovenia	**37,889**	6,866	**—**	—
Republic of Chile	**24,012**	13,629	**—**	—
Czech Republic	**20,679**	18,706	**129,390**	122,354
Lithuania	**20,307**	2,709	**—**	—
United Kingdom	**20,008**	175,688	**—**	269,583
Jordan	**17,450**	14,611	**—**	—
Canada	**16,978**	37,059	**—**	—
Thailand	**16,532**	22,061	**—**	—
Hong Kong	**14,473**	28,237	**249**	629,881
United Arab Emirates	**14,283**	131,563	**—**	—
United States ("US")	**13,863**	8,406	**—**	—
Portuguese Republic	**13,349**	10,697	**—**	—
Republic of Yemen	**9,203**	11,090	**—**	—
Republic of Croatia	**7,477**	9,162	**—**	—
Israel	**5,892**	18,175	**—**	—
Other countries (note)	**162,654**	221,841	**—**	1,015
Total	**10,017,432**	8,276,499	**17,240,550**	18,279,425

Note: The customers located in other countries are mainly from certain Asian, North America and European countries in both years.

All the Group's non-current assets presented above, excluded those related to goodwill, interests in associates and joint ventures, available-for-sale investments and deferred tax assets.

6. SEGMENT INFORMATION (Continued)

Information about major customers

During the years ended 31 December 2017 and 2016, there were no single customers from which the Group derived revenue accounting for 10% or more of the Group's total revenue.

7. OTHER INCOME

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Bank interest income	**13,052**	40,024
Gain from change in fair value of available-for-sale investments	**7,278**	–
Interest income arising from advances to independent third parties	**44,265**	3,156
Government grants (notes i and 27(iii))	**140,438**	99,278
Gain on sales of raw and other materials	**22,900**	5,811
Technical advisory income (note ii)	**7,788**	3,097
Others	**130**	543
	235,851	151,909

Notes:

(i) The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB126,318,000 (2016: RMB86,384,000) represents unconditional incentive received and recognised, in relation to activities carried out by the Group and (b) RMB14,120,000 (2016: RMB12,894,000) represents subsidy on acquisition of land use rights and machineries amortised to profit or loss.

(ii) Technical advisory income represents the consultancy and advisory service on the design and implementation of the development of solar power plants provided to independent third parties.

8. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Other gains and losses		
Gain on change in fair value of derivative financial liabilities (notes (iii) and 39)	**4,397**	350,330
Gain on disposal of subsidiaries (note 47)	**10,878**	41,023
Gain on disposal of available-for-sale investments	**—**	23,445
Gain on disposal of associates	**340**	—
Impairment loss on interest in a joint venture (note 22)	**—**	(259,888)
Impairment loss on solar power plants (note 16)	**(15,509)**	(221,540)
Recognition of doubtful debts for trade and other receivables, net (note i)	**(129,539)**	(394,209)
Net foreign exchange gain (loss)	**35,264**	(34,945)
Impairment loss on property, plant and equipment	**—**	(248,895)
Loss on disposal of property, plant and equipment	**(11,948)**	(14,601)
Net gain on Compensation Arrangement	**14,787**	—
Impairment loss on goodwill (note 18)	**—**	(520,027)
Impairment loss on intangible assets (note 19)	**—**	(196,487)
Impairment loss on interests in associates (note 21)	**—**	(18,944)
Impairment loss on prepayment to suppliers (note 29)	**—**	(6,790)
Provision of financial guarantee expense (note 36(b))	**(51,469)**	(228,250)
Gain on release of financial guarantee contracts (note 36(b))	**36,651**	—
Loss on write-off of intangible assets (note 19(ii))	**(2,430)**	—
Loss on write-off of solar power plants (note 16(ii))	**(6,165)**	—
Gain on derecognition of other payable upon deregistration of a subsidiary (note ii)	**40,302**	—
Others	**13,804**	21,293
	(60,637)	(1,708,485)
Other expenses		
Provision on legal claims, net (note 36)	**(6,575)**	(9,085)
	(67,212)	(1,717,570)

8. OTHER GAINS AND LOSSES AND OTHER EXPENSES (Continued)

Notes:

(i) Included in the amounts was a gain on reversal of bad debts previously written off amounting to RMB14,389,000 for Wuxi Suntech Group (2016: RMB13,670,000 for Wuxi Suntech Group and Lattice Power Group). On the date of acquisition of Wuxi Suntech Group and Lattice Power Group, these receivables due from certain independent third parties amounting to RMB704,368,000 and RMB54,894,000 respectively were regarded as unrecoverable and fully written off at initial recognition. Nevertheless, the management and lawyers of the Group have made relentless efforts to collect the above impaired bad debts subsequent to the acquisition. During the year ended 31 December 2017, RMB14,389,000 for Wuxi Suntech Group (2016: RMB13,670,000 for Wuxi Suntech Group and Lattice Power Group) in respect of these impaired bad debts prior to the Group's acquisition were collected in the form of cash, resulting in the reversal of doubtful debts.

(ii) The amount represented the environment protection expense previously provided in respect of a subsidiary, which was previously engaged in the research and development of chemical products and became inactive in recent years. The amount has been fully reversed, after obtaining approval from the relevant government authority that such subsidiary was not subject to any such payment, upon its deregistration completed during the year ended 31 December 2017.

(iii) Amount for the year ended 31 December 2017 included only the gain of change in fair value in respect of the warrants liabilities arising from previous acquisition of Lattice Power Group of RMB4,397,000 (2016: RMB254,929,000), which such for the year ended 31 December 2016 also included the gain from the derivative instrument arising from the previous acquisition of Suniva of RMB95,401,000, representing the Total Consideration Shares (as defined in note 22(a)) to be issued arising from the Adjustment Mechanism (as defined in note 22(a)). Further details were set out in note 22(a).

On 11 March 2016, a total number of 123,138,889 new ordinary shares of the Company were allotted and issued by the Company in respect of the Total Consideration Shares. The fair value of the ordinary shares of the Company, determined using the market price as published by the Hong Kong Stock Exchange on 11 March 2016, amounted to HKD1.52 (equivalent to RMB1.27) each, totalling HKD187,171,000 (equivalent to RMB156,476,000). Upon the issue of total consideration shares on 11 March 2016, gain on changes in fair value of RMB95,401,000 during the year ended 31 December 2016 was recognised in "other gains and losses and other expenses" while the corresponding share capital and share premium was credited by RMB1,030,000 and RMB155,446,000, totalling RMB156,476,000 accordingly.

9. FINANCE COSTS

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest on bank and other borrowings	**896,883**	777,525
Finance charges on discounting of bills receivable	**1,437**	6,586
Interest on finance leases	**10,972**	14,198
Effective interest on convertible bonds	**444,178**	407,445
Effective interest on bonds payable	**88,187**	58,446
Interest on consideration received in advance in respect of the termination of the 2015 Proposed Disposal (note 32(iii))	**19,662**	44,463
Total borrowing costs	**1,461,319**	1,308,663
Less: amounts capitalised	**(38,027)**	(276,838)
	1,423,292	1,031,825

10. LOSS BEFORE TAX

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Loss before tax has been arrived at after charging:		
Directors' remuneration (note 11)	**8,102**	9,886
Other staff costs	**644,117**	645,493
Other staff's retirement benefits scheme contributions	**53,791**	54,124
Share-based payment expenses in relation to the share option scheme of Lattice Power Group	**57,695**	58,379
Less: amount capitalised	**—**	—
Total staff costs	**763,705**	767,882
Capitalised in inventories	**(35,189)**	(35,628)
	728,516	732,254
Auditor's remuneration	**9,955**	18,498
Warranty provided (included in cost of sales)	**55,528**	44,960
Cost of inventories recognised as expense (note)	**7,694,024**	6,153,575
Release of prepaid lease payments	**19,036**	20,847
Operating lease rentals in respect of rented premises	**23,387**	27,014
Depreciation of property, plant and equipment	**411,206**	482,007
Depreciation of completed solar power plants	**690,800**	575,908
Amortisation of intangible assets	**7,546**	19,521
Total depreciation and amortisation	**1,109,552**	1,077,436
Capitalised in inventories	**(37,983)**	(37,590)
	1,071,569	1,039,846

Note: Included in cost of inventories recognised as expense were write-down of inventories to net realisable values of approximately RMB29,897,000 (2016: RMB7,165,000).

11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2016: 9) directors of the Company were as follows:

	Fees RMB'000	Basic Salaries and allowance RMB'000	Retirement benefit scheme contribution RMB'000	Performance related bonus RMB'000 (note i)	Total RMB'000
For the year ended 31 December 2017					
Executive and non-executive directors: (note (a))					
Mr. Zhang Fubo (note ii)	—	333	—	—	333
Mr. Zhang Yi (note iii)	—	1,304	27	—	1,331
Mr. Shi Jianmin (note iv)	—	586	8	—	594
Mr. Luo Xin (note iv)	—	1,007	41	—	1,048
Mr. Wang Yu	—	1,733	16	—	1,749
Mr. Lu Bin	—	1,733	16	—	1,749
Mr. Chen Shi (note v)	—	600	6	—	606
Independent non-executive directors: (note (b))					
Mr. Tao Wenquan	173	—	—	—	173
Mr. Zhao Yuwen	173	—	—	—	173
Mr. Kwong Wai Sun Wilson	346	—	—	—	346
	692	7,296	114	—	8,102

Notes: (i) The performance related bonus is determined having regard to the performance of individuals and market trends.

(ii) Mr. Zhang Fubo was appointed as Executive Director with effect from 9 September 2017.

(iii) This director resigned with effect from 9 September 2017.

(iv) Both directors resigned with effect from 23 June 2017.

(v) Mr. Chen Shi was appointed as Executive Director with effect from 1 August 2017.

11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

	Fees RMB'000	Basic Salaries and allowance RMB'000	Retirement benefit scheme contribution RMB'000	Performance related bonus RMB'000 (note i)	Total RMB'000
For the year ended 31 December 2016					
Executive and non-executive directors: (note (a))					
Mr. Zhang Yi	—	1,720	39	—	1,759
Mr. Shi Jianmin	—	1,537	29	—	1,566
Mr. Luo Xin (note ii)	—	1,821	74	—	1,895
Mr. Wang Yu	—	1,711	15	—	1,726
Mr. Lei Ting (note iii)	—	238	9	283	530
Mr. Lu Bin	—	1,711	15	—	1,726
Independent non-executive directors: (note (b))					
Mr. Tao Wenquan	171	—	—	—	171
Mr. Zhao Yuwen	171	—	—	—	171
Mr. Kwong Wai Sun Wilson	342	—	—	—	342
	684	8,738	181	283	9,886

Notes: (i) The performance related bonus is determined having regard to the performance of individuals and market trends.

(ii) Mr. Luo Xin was appointed as Executive Director with effect from 16 July 2014 and was appointed as Chief Executive Officer with effect from 1 January 2015. His emolument during the year ended 31 December 2016 disclosed above included those for services rendered by him as Chief Executive Officer.

(iii) This director retired with effect from 1 April 2016.

11. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Neither the Chief Executive Officer nor any of the Directors waived any emoluments, compensation loss and inducement to join or upon joining the Group during the years ended 31 December 2017 and 2016.

(a) The executive and non-executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group and as directors of the Company on its subsidiaries, respectively.

(b) The independent non-executive directors' emoluments shown above were paid for the services as directors of the Company.

(b) Employees' emoluments

The five highest paid individuals of the Group included three (2016: four) directors of the Company during the year ended 31 December 2017. Details of whose emoluments are set out above. The emoluments of the remaining two (2016: one) individual during the year ended 31 December 2017 were as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Employee		
— basic salaries and allowances	**3,885**	2,231
— performance-related incentive bonuses	**1,545**	682
— retirement benefit scheme contributions	**16**	—
	5,446	2,913

Their emoluments of the five highest paid individuals (including directors of the Company) were within the following bands:

	Year ended 31 December	
	2017	2016
HKD1,500,001 to HKD2,000,000	**2**	—
HKD2,000,001 to HKD2,500,000	**2**	4
HKD2,500,001 to HKD3,000,000	**—**	—
HKD3,000,001 to HKD3,500,000	**—**	1
HKD3,500,001 to HKD4,000,000	**—**	—
HKD4,000,001 to HKD4,500,000	**—**	—
HKD4,500,001 to HKD5,000,000	**1**	—

During the year ended 31 December 2017 and 2016, no emoluments were paid by the Group to the five highest paid individuals and Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**19,988**	40,241
Other jurisdictions	**4,665**	607
	24,653	40,848
Over provision in prior year:		
PRC Enterprise Income Tax	**(2,843)**	(1,805)
	21,810	39,043
Deferred tax expense (credit) (note 25):	**44,693**	(43,756)
Income tax expense (credit)	**66,503**	(4,713)

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

Certain subsidiaries of the Group, being enterprises engaged in solar power generation 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. Certain subsidiaries of the Company which were engaged in the public infrastructure project had their first year with operating incomes in 2014.

On 17 November 2017, Jiangsu Shunfeng and certain subsidiaries of the Wuxi Suntech Group renewed the "High Technology Enterprise" status for 3 years that entitles them a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax law.

On 23 August 2017, the Lattice Power Group renewed the "High Technology Enterprise" status for 3 years that entitles them a preferential tax rate of 15% for a period of three years starting from 2017 to 2019 according to PRC Tax Law.

For those subsidiaries of the Company located in Japan, the corporate tax rate is 30.86%. Certain subsidiaries of the S.A.G. Interests (as defined in note 45 in the annual report of 2016) were located in Switzerland, Austria, Germany and Czech Republic, of which the corporate tax rate is approximately 23%, 25%, 30% and 20%, respectively.

12. INCOME TAX EXPENSE (CREDIT) (Continued)

The remaining subsidiaries of the Company established in the PRC are subject to PRC Enterprise Income Tax rate of 25% for the both years.

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

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Loss before tax	**(767,633)**	(2,404,108)
Tax credit at the PRC tax rate of 25% (2016: 25%)	**(191,908)**	(601,027)
Tax effect of share of loss of associates	**1,046**	1,618
Tax effect of share of gain (loss) of joint ventures	**(2,011)**	20,644
Tax effect of expenses not deductible for tax purpose	**245,459**	426,895
Tax effect of income not taxable for tax purpose	**(29,397)**	(117,225)
Tax effect of deductible temporary differences not recognised	**21,529**	266,543
Over provision in prior year	**(2,843)**	(1,805)
Effect of tax losses not recognised	**59,737**	164,456
Utilisation of temporary differences or tax losses previously not recognised	**(29,039)**	(73,966)
Tax effect of concessions granted to PRC subsidiaries	**(33,835)**	(36,373)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,765**	5,527
Recognition of tax loss previously not recognised	**—**	(60,000)
Derecognition of tax loss previously recognised	**25,000**	—
Income tax expense (credit) for the year	**66,503**	(4,713)

13. LOSS PER SHARE — BASIC AND DILUTED

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

	Year ended 31 December 2017 RMB'000	2016 RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(832,050)**	(2,109,843)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (note)	**—**	—
Loss for the purposes of diluted loss per share	**(832,050)**	(2,109,843)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,314,151,191**	4,243,778,563
Effect of dilutive potential ordinary shares: — convertible bonds (note)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,314,151,191**	4,243,778,563

Note: The computation of diluted loss per share for both years does not assume the conversion of convertible bonds, because this would result in a decrease in loss per share.

14. DIVIDENDS

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

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2016	7,154	1,489,704	2,963,773	19,261	127,447	228,693	4,836,032
Additions	–	3,800	39,289	4,259	6,516	137,788	191,652
Transfers	–	78,895	66,950	–	12,390	(158,235)	–
Disposal	–	(5,680)	(109,418)	(3,777)	(13,760)	–	(132,635)
Exchange adjustment	756	3,590	1,839	68	1,152	175	7,580
At 31 December 2016	7,910	1,570,309	2,962,433	19,811	133,745	208,421	4,902,629
Additions	–	444	54,526	1,171	6,162	212,632	274,935
Transfers	–	460	97,860	407	18,876	(117,603)	–
Disposal	–	(17,132)	(135,932)	(3,916)	(14,487)	–	(171,467)
Disposal due to Compensation Arrangement (note ii)	–	(22,042)	(25,277)	–	(1,382)	–	(48,701)
Exchange adjustment	(212)	(750)	(516)	(1)	361	–	(1,118)
At 31 December 2017	7,698	1,531,289	2,953,094	17,472	143,275	303,450	4,956,278
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2016	–	292,753	873,965	5,681	36,025	35,214	1,243,638
Provided for the year	–	87,438	373,016	4,442	17,111	–	482,007
Eliminated on disposals	–	(1,691)	(88,055)	(3,199)	(9,208)	–	(102,153)
Impairment loss recognised (note i)	–	1,135	247,419	44	297	–	248,895
Exchange adjustment	–	2,283	(906)	68	685	–	2,130
At 31 December 2016	–	381,918	1,405,439	7,036	44,910	35,214	1,874,517
Provided for the year	–	94,936	296,228	3,915	16,127	–	411,206
Eliminated on disposals	–	(2,146)	(115,602)	(1,743)	(12,037)	–	(131,528)
Eliminated on disposals due to Compensation Arrangement (note ii)	–	(2,258)	(25,277)	–	(1,095)	–	(28,630)
Exchange adjustment	–	(655)	(466)	(2)	307	–	(816)
At 31 December 2017	–	471,795	1,560,322	9,206	48,212	35,214	2,124,749
CARRYING VALUES							
At 31 December 2017	7,698	1,059,494	1,392,772	8,266	95,063	268,236	2,831,529
At 31 December 2016	7,910	1,188,391	1,556,994	12,775	88,835	173,207	3,028,112

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (i) During the year ended 31 December 2016, in light of loss incurred by Lattice Power Group during the year and adverse change of market conditions, in the opinion of the directors, the recoverable amount of the machinery and equipment is estimated to be less than its carrying amount, and the carrying amount of the relevant machinery and equipment are reduced to the extent of its recoverable amount, with an impairment loss of RMB244,891,000 recognised, accordingly.

The recoverable amounts are determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a 4-year period and a discount rate of 18.5% per annum.

In addition, amount of RMB4,004,000 was recognised as impairment due to the closure of a Solar Products manufacturing plant in Japan during the year ended 31 December 2016.

No further impairment loss was provided and no significant reversal of impairment loss previously provided was necessary for the year ended 31 December 2017.

(ii): On 31 May 2017, the Group entered into a compensation arrangement ("Compensation Arrangement") with local government authority in Changzhou City, Jiangsu Province, the PRC, pursuant to which the Group was required to terminate a lease contract in respect of a piece of land and remove its property, plant and equipment located on such piece of land for the purpose of city planning and redevelopment. In accordance with the Compensation Arrangement, the local government authority agreed to compensate for a total sum of RMB34,858,000 to the Group, to be satisfied by the following:

- exemption of the conditions attached to the conditional asset-related government grant of the remaining balance of RMB9,648,000;
- waiver of RMB16,500,000 of amounts due to government authorities (included in other payables); and
- waiver of RMB8,710,000 of unpaid rental charges on the land.

In this regard, the Group has fully de-recognised the above liabilities and, after taking into account the carrying amount of the property, plant and equipment of RMB20,071,000 being disposed of, recognised a net gain on Compensation Arrangement of RMB14,787,000 (included in note 8), accordingly.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account the residual values:

Freehold land	0%
Buildings	Over the shorter of the period of the respective lease or 20 years
Plant and machinery	10 years
Motor vehicles	4–5 years
Furniture, fixtures and equipment	3–5 years

The freehold land is located in Japan arising from the acquisition of Wuxi Suntech Group during the year 2014.

As at 31 December 2017, the net book value of buildings of RMB1,059,494,000 (2016: RMB1,188,391,000) included an amount of RMB153,283,000 (2016: RMB166,558,000) in respect of assets held under finance leases.

Certain property, plant and equipment of the Group has been pledged as securities for securing loans and general credit facilities granted to the Group in both years as detailed in note 53.

16. SOLAR POWER PLANTS

	Solar power plants under construction RMB'000	Completed solar power plants RMB'000	Total RMB'000
COST			
At 1 January 2016	4,364,985	9,661,839	14,026,824
Acquired on acquisition of other subsidiaries (note 45)	—	42,901	42,901
Additions	2,195,138	—	2,195,138
Disposal of subsidiaries (note 47)	(1,420,554)	(574,362)	(1,994,916)
Transfer	(3,527,618)	3,527,618	—
Exchange adjustment	974	(10,480)	(9,506)
At 31 December 2016	1,612,925	12,647,516	14,260,441
Additions	466,779	—	466,779
Disposal of subsidiaries (note 47)	(98,196)	(297,011)	(395,207)
Transfer	(659,701)	659,701	—
Exchange adjustment	32	7,978	8,010
At 31 December 2017	1,321,839	13,018,184	14,340,023
ACCUMULATED DEPRECIATION			
At 1 January 2016	—	653,323	653,323
Depreciation for the year	—	575,908	575,908
Eliminated on disposal of subsidiaries (note 47)	—	(17,716)	(17,716)
Impairment loss recognised (note i)	221,540	—	221,540
Exchange adjustment	—	(8,824)	(8,824)
At 31 December 2016	221,540	1,202,691	1,424,231
Depreciation for the year	—	690,800	690,800
Eliminated on disposal of subsidiaries (note 47)	—	(23,110)	(23,110)
Impairment loss recognised (note i)	15,509	—	15,509
Write-off (note ii)	6,165	—	6,165
Exchange adjustment	—	(207)	(207)
At 31 December 2017	243,214	1,870,174	2,113,388
CARRYING AMOUNT			
At 31 December 2017	1,078,625	11,148,010	12,226,635
At 31 December 2016	1,391,385	11,444,825	12,836,210

16. SOLAR POWER PLANTS (Continued)

Notes:

(i) Due to the delay of construction progress of a solar plant under construction, in the opinion of the directors, the recoverable amount of the solar power plant is estimated to be less than its carrying amount, and the carrying amount of the relevant solar power plant was reduced to the extent of its recoverable amount, and an impairment loss of RMB15,509,000 (2016: RMB167,113,000) was recognised during the year ended 31 December 2017, accordingly.

The recoverable amounts are determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by management covering a 20-year period (2016: 20-year period) and a discount rate of 7.52% (2016: 7.52%) per annum.

During the year ended 31 December 2016, amount of RMB54,427,000 was recognised as impairment due to termination of construction of two incompleted solar power plants as a result of the power output restrictions in certain regions of the PRC which may significantly lower the return of the Group's investment. No significant reversal of impairment loss previously recognised was necessary for the year ended 31 December 2017.

(ii) Furthermore, during the year ended 31 December 2017, amounting to RMB6,165,000 of solar power plants under construction was written off due to the damage as a result of unforeseeable natural disaster.

The solar power plants under construction would be transferred to completed solar power plants when the solar power plants complete trial operation and are successfully connected to grids and generate electricity.

Depreciation of completed solar power plants was calculated, after taken into account the estimated residual value, using the straight-line method over the estimated useful lives of 20 years for completed solar power plants.

Certain solar power plants of the Group has been pledged as securing loans and general credit facilities granted to the Group in both years as detailed in note 53.

17. PREPAID LEASE PAYMENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed for reporting purpose as:		
Non-current assets	**423,800**	467,067
Current assets	**15,701**	16,871
	439,501	483,938

Certain prepaid lease payment, of the Group has been pledged as securities for securing loans and general credit facilities granted to the Group in both years as detailed in note 53.

The land use rights in the PRC are under medium-term lease.

18. GOODWILL

	RMB'000
COST	
At 1 January 2016	523,142
Exchange adjustment	3,122
At 31 December 2016	526,264
Exchange adjustment	7,311
At 31 December 2017	533,575
IMPAIRMENT	
At 1 January 2016	—
Impairment loss recognised (note)	520,027
At 31 December 2016	520,027
Exchange adjustment	7,311
As 31 December 2017	527,338
CARRYING VALUE	
At 31 December 2017	6,237
At 31 December 2016	6,237

Note: For the amount of impairment of goodwill relating of S.A.G and Lattice Power Group, please refer to note 20 of 2016 Annual Report.

19. INTANGIBLE ASSETS

	Computer Software RMB'000	Technical know-how RMB'000	Trademarks RMB'000	Others RMB'000 (note i)	Total RMB'000
COST					
At 1 January 2016	32,027	120,517	77,786	48,161	278,491
Additions	4,766	—	—	2,653	7,419
Exchange adjustment	79	234	645	2,546	3,504
At 31 December 2016	36,872	120,751	78,431	53,360	289,414
Additions	2,066	—	—	1,318	3,384
Write-off (note ii)	(3,513)	—	—	—	(3,513)
Disposal of subsidiaries (note 47)	(20)	—	—	—	(20)
Exchange adjustment	(41)	25	—	1,010	994
At 31 December 2017	35,364	120,776	78,431	55,688	290,259
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2016	13,313	2,080	—	11,494	26,887
Amortisation for the year	7,608	10,068	—	1,845	19,521
Impairment loss recognised (note iii)	—	108,099	78,431	9,957	196,487
Exchange adjustment	65	—	—	97	162
At 31 December 2016	20,986	120,247	78,431	23,393	243,057
Amortisation for the year	4,785	—	—	2,761	7,546
Write-off	(1,083)	—	—	—	(1,083)
Eliminated on disposal of subsidiaries (note 47)	(12)	—	—	—	(12)
Exchange adjustment	(27)	2	—	140	115
At 31 December 2017	24,649	120,249	78,431	26,294	249,623
CARRYING VALUES					
At 31 December 2017	10,715	527	—	29,394	40,636
At 31 December 2016	15,886	504	—	29,967	46,357

Notes: (i) As at 31 December 2017 and 2016, others include mainly the development costs and monitoring and other related service contracts arising from the Group's acquisition of S.A.G. interests during the year of 2014 and 2015.

(ii) The management of the Group had written off certain computer software as they assessed that there were no future economic benefits expected from it.

(iii) As Lattice Power Group incurred loss for the year of 2016, in the opinion of the directors, the carrying amount of technical know-how and trademark in relation to manufacturing and sales of LED Products was estimated to be unrecoverable, therefore the carrying amount of the relevant technical know-how and trademark was fully impaired by RMB160,864,000 during the year ended 31 December 2016, accordingly. No significant reversal of impairment loss previously recognised was necessary for the year ended 31 December 2017.

19. INTANGIBLE ASSETS (Continued)

(iv) The Group's trademarks have a legal life of 10 years but is renewable every 10 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the trademark continuously and has the ability to do so. Various studies including product life cycle studies, market, competitive and environmental trends, and brand extension opportunities have been performed by management of the Group, which supports that the trademark has no foreseeable limit to the period over the trademarked products are expected to generate net cash flow for the Group.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life and will not be amortised. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Particulars regarding impairment testing on trademarks are disclosed in note 20 in the annual report of 2016.

In addition, due to the losses incurred by S.A.G. interests in the year of 2016, in the opinion of the directors, the recoverable amount of the technical knowhow, trademark and other intangible assets in relation to solar plant operation and services was estimated to be less than its carrying amount, and the carrying amount of the relevant technical knowhow, trademark and other intangible assets was reduced to the extent of its recoverable amount, and an impairment loss of RMB35,623,000 was recognised during the year ended 31 December 2016, accordingly.

The above items of intangible assets other than trademark have finite useful lives and are amortised on a straight-line basis over the following periods:

Computer software	3 years
Technical know-how	10 years
Others	Over the shorter of the contracted period or 3-5 years

20. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in note 18 relating to Wuxi Suntech Group in manufacturing and sales of Solar Products. The carrying amounts of goodwill (with no impairment losses recognised) as at 31 December 2017 is as follows:

	Goodwill As at 31 December	
	2017	2016
	RMB'000	RMB'000
Wuxi Suntech Group		
Manufacturing and sales of Solar Products	**6,237**	6,237

During the year ended 31 December 2017, management of the Group determines that there is no impairment of its CGU containing goodwill in relation to Wuxi Suntech Group in manufacturing and sales of Solar Products.

Wuxi Suntech Group

The recoverable amounts of Wuxi Suntech Group are determined based on value-in-use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year (2016: five-year) period and a discount rate of 15% (2016: 16%) per annum. The cash flows beyond the five-year period are extrapolated using a 3% (2016: 3%) growth rate per annum. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the industry.

20. IMPAIRMENT TESTING ON GOODWILL (Continued)

Cash flow projection during the budget period for the cash-generating unit is based on reasonable expected gross margins and considering the inflation in raw materials price during the budget period. The directors of the Company believe that any reasonably possible change in these key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of this CGU.

21. INTERESTS IN ASSOCIATES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Cost of investments, unlisted	**221,537**	240,567
Share of post-acquisition results and other comprehensive income	**(60,932)**	(67,849)
	160,605	172,718
Less: impairment loss recognised (note a)	**(20,228)**	(18,944)
	140,377	153,774

During the year ended 31 December 2017, the Group disposed of certain associates for total cash consideration of EUR1,200,000 (equivalent to RMB9,362,000). On the date of disposal, the carrying amount of these associates was amounted to EUR1,155,000 (equivalent to RMB8,818,000), resulting in a gain on disposal of EUR45,000 (equivalent to RMB340,000 credited to "other gain and losses and other expenses" in note 8).

21. INTERESTS IN ASSOCIATES (Continued)

As 31 December 2017 and 2016, the Group had interests in the following major associates:

Name of associates	Registered capital	Place of establishment/ principal place of operation	Attributable interest to the Group At 31 December 2017	2016	Principal activities
Jiangsu Guoxin Suntech Co., Ltd. ("Guoxin Suntech") (江蘇國信尚德太陽能發電有限公司)	RMB20,000,000 (2016: RMB20,000,000)	The PRC	**49.0%**	49.0%	Operation of rooftop solar power
Huadian Ningxia Suntech Ningdong Co., Ltd. ("Ningxia Suntech") (華電寧夏寧東尚德太陽有限公司)	RMB38,000,000 (2016: RMB38,000,000)	The PRC	**40.0%**	40.0%	Operation of a power station
Shanghai Everpower Technology Co., Ltd ("Shanghai Everpower") (上海恒勁動力科技有限公司)	RMB140,000,000 (2016: RMB140,000,000)	The PRC	**21.9%**	21.9%	Research, design and development of fuel cell technology and related new energy product and sales and provision of technical advisory services
SSP Gut Erlasee GmbH & Co. KG	EUR5,376,000 (2016: EUR5,376,000)	Germany	**30.7%**	30.7%	Operation of a roof-top power station
Orosolar ZWEI GmbH & Co. KG	EUR5,400,000 (2016: EUR5,400,000)	France	**29.6%**	29.6%	Operation of a roof-top power station
Changzhou Shunfeng Suntech Photovoltaic Systems Integration Co., Ltd. ("Shunfeng Suntech") (常州順風尚德光電系統集成有限公司) (note (b))	RMB50,000,000 (2016: N/A)	The PRC	**20.0%**	N/A	Trading of solar products, integration of solar power generation system, investment, design and construction of solar power station and related consulting services

21. INTERESTS IN ASSOCIATES (Continued)

Notes:

(a) During the year ended 31 December 2016, due to the financial difficulty of certain associates held by S.A.G. Interests, in the opinion of the directors, the recoverable amount of the interests in these associates was estimated to be less than its carrying amount, and the carrying amount of the interests in these associates was reduced to the extent of its estimated recoverable amount, and an impairment loss of EUR2,700,000 (equivalent to RMB18,944,000) was recognised accordingly.

(b) Shunfeng Suntech is a company mainly engaged in trading of solar products, integration of solar power generation system, investment, design and construction of solar power station and related consulting services. It was newly established by the Group and another three independent third parties during the year. The Group during the year ended 31 December 2017 contributed RMB10,000,000 by cash to Shunfeng Suntech as its capital for its 20% equity interest. As the voting power of decisions about all relevant activities of Shunfeng Suntech is in proportion to equity interest.

The summarised financial information in respect of each of the Group's material associates is set out below, representing amounts shown in the associate's financial statements prepared in accordance with IFRSs.

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

Guoxin Suntech

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	**1,467**	2,788
Non-current assets	**34,325**	36,226
Current liabilities	**(364)**	(245)

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	**5,501**	4,833
Profit for the year	**1,659**	1,233
Dividend received from the associate during the year	**2,450**	—

21. INTERESTS IN ASSOCIATES (Continued)

Guoxin Suntech (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guoxin Suntech recognised in the consolidated financial statements:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Net assets of the associate	**35,428**	38,769
Proportion of the Group's ownership interest in the associate	**49.0%**	49.0%
Carrying amount of the Group's interest in the associate	**17,360**	18,997

Ningxia Suntech

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	**18,773**	10,739
Non-current assets	**109,440**	117,952
Current liabilities	**(16,726)**	(15,883)
Non-current liabilities	**(74,500)**	(77,000)

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	**14,806**	15,529
Profit for the year	**1,179**	2,156

21. INTERESTS IN ASSOCIATES (Continued)

Ningxia Suntech (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Ningxia Suntech recognised in the consolidated financial statements:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Net assets of the associate	**36,987**	35,808
Proportion of the Group's ownership interest in the associate	**40.0%**	40.0%
Carrying amount of the Group's interest in the associate	**14,795**	14,323

Shanghai Everpower

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	**84,536**	77,965
Non-current assets	**71,302**	72,040
Current liabilities	**(34,141)**	(1,814)
Non-current liabilities	**(1,960)**	(1,960)

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	**200**	661
Loss for the year	**(26,494)**	(16,886)

21. INTERESTS IN ASSOCIATES (Continued)

Shanghai Everpower (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shanghai Everpower recognised in the consolidated financial statements:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Net assets of the associate	**119,737**	146,231
Proportion of the Group's ownership interest in the associate	**21.9%**	21.9%
Goodwill	**26,271**	26,271
Carrying amount of the Group's interest in the associate	**52,493**	58,295

Shunfeng Suntech (newly established in year 2017)

	At 31 December 2017 RMB'000
Current assets	**89,572**
Non-current assets	**1,391**
Current liabilities	**(39,297)**

	From date of establishment to 31 December 2017 RMB'000
Revenue	**212,885**
Profit for the period	**1,666**

21. INTERESTS IN ASSOCIATES (Continued)

Shunfeng Suntech (newly established in year 2017) (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shunfeng Suntech recognised in the consolidated financial statements:

	At 31 December 2017 RMB'000
Net assets of the associate	**51,666**
Proportion of the Group's ownership interest in the associate	**20.0%**
Carrying amount of the Group's interest in the associate	**10,333**

Aggregate information of associates that are not individually material

	2017 RMB'000	2016 RMB'000
The Group's share of result	**(1)**	(380)
Cumulative impairment loss recognised (note (a))	**(20,228)**	(18,944)
Aggregate carrying amount of the Group's interests in these associates	**45,396**	62,159

22. INTERESTS IN JOINT VENTURES

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Cost of investment in joint ventures	**332,391**	347,482
Share of post-acquisition losses and other comprehensive expense	**(73,686)**	(81,730)
	258,705	265,752
Less: Impairment loss recognised (note (a))	**(244,797)**	(259,888)
	13,908	5,864

Details of each of the Group's joint ventures as at 31 December 2016 and 2017 are as follow:

Name of entry	Paid-in capital/ registered capital	Country of incorporation/ establishment Principal place of business	Proportion of ownership interest held by the Group 2017	Proportion of ownership interest held by the Group 2016	Proportion of voting rights held by the Group	Principal activity
Suniva (note (a))	USD12,531,219 (2016: USD12,531,219)	US	**63.13%**	63.13%	57.14% (note (b))	Manufacturing and sales of Solar Products
meteocontrol Electric Power Development Co., Ltd ("meteocontrol Electric Power") ("昊投電力發展有限公司") (2016: Nanjing meteocontrol Electric Power Development Co., Ltd ("Nanjing meteocontrol")	RMB10,000,000 (2016: RMB5,800,000)	The PRC	**49%**	49%	50% (note (c))	Provision of operation and maintenance service for solar power plants

22. INTERESTS IN JOINT VENTURES (Continued)

Notes:

(a) On 12 August 2015, the Company and its subsidiaries, Success Win Global Investments Limited and Sunflower Merger Sub, Inc. ("Merger") entered into an agreement with Suniva Inc. ("Suniva"), an independent third party. Suniva was the leading American manufacturer of high-efficiency, cost-competitive photovoltaics solar cells and modules.

Pursuant to the agreement, the parties conditionally agreed that Merger would merge with Suniva, and Suniva would be the surviving entity. The Group would be interested in 63.13% of the entire issued share capital of Suniva upon completion of the merge and acquisition ("Completion").

The consideration was to be settled as follows:

(i) the Company shall make the cash contribution of USD12,000,000 upon completion of the acquisition ("Cash Contribution);

(ii) for the remaining portion of the consideration, the Company shall allot and issue 70,928,000 new shares to the existing shareholders and management of Suniva (or their nominees) ("Fixed Consideration Shares"); and

(iii) if the 60-day weighted-average closing price per share of the Company as quoted on the Hong Kong Stock Exchange calculated beginning on the date of Completion (excluding any day on which trading of the shares of the Company on the Hong Kong Stock Exchange is suspended) ("Average Price") is less than HKD5.00 per Share, then the total number of consideration shares shall be increased to the product of (i) 70,928,000 multiplied by (ii) a fraction, the numerator of which is HKD5.00 and the denominator of which is the Average Price, subject to a minimum price of HKD2.88 ("Adjustment Mechanism") (together with the Fixed Consideration Shares collectively referred to as the "Total Consideration Shares").

Cash Contribution of USD11,000,000 (equivalent to RMB67,512,000) was injected to Suniva as at 31 December 2015 and the remaining balance of USD1,000,000 (equivalent to RMB6,495,000) was included in consideration payable as at 31 December 2015 in note 32 of annual report of, which was subsequently settled and paid by the Group during the year ended 31 December 2016. The Total Consideration Shares were accounted for as contingent consideration containing derivative financial liabilities which was measured on acquisition date and remeasured subsequently at the end of each reporting year with change in fair value recognised in profit or loss. The issue of Total Consideration Shares had been completed on 11 March 2016. Details of the issue of Total Consideration Shares were set out in notes 44 of 2016 Annual Report.

Details of the valuation of the derivative instrument arising from the Adjustment Mechanism were set out in note 39.

The transaction was completed on 19 October 2015. Although the Group acquired 63.13% equity interest of Suniva, as decisions about the relevant activities of Suniva require the unanimous consent of both the Group and the original shareholders of Suniva, Suniva is accounted for as a joint venture of the Group, accordingly.

However, in light of loss incurred, severe financial difficulty experienced by Suniva, and certain unfavourable factors expected by the management, the directors of the Company recognised impairment loss in full of RMB259,888,000 in relation to the Group's interest in Suniva as a joint venture during the year ended 31 December 2016.

(b) The voting power of the Group in respective joint venture is determined by the proportion of the Group's representatives in the board of directors.

(c) meteocontrol Electric Power (2016: Nanjing meteocontrol) is a company mainly engaged in solar plant operation and services established by the Group and one of its senior management during the year 2016. The Group injected RMB4,900,000 by cash into meteocontrol Electric Power for the 49% equity interest of meteocontrol Electric Power, while as decisions about all relevant activities of meteocontrol Electric Power require the unanimous consent of both the Group and the other shareholder of meteocontrol Electric Power, the voting power of the Group in meteocontrol Electric Power was regarded as 50% and meteocontrol Electric Power was accounted for as a joint venture of the Group, accordingly.

The joint ventures are accounted for using the equity method in these consolidated financial statements, and the summarised financial information of Suniva and meteocontrol Electric Power prepared in accordance with IFRS was set forth below:

22. INTERESTS IN JOINT VENTURES (Continued)

Suniva

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	246,271	312,028
Non-current assets	425,579	471,882
Current liabilities	(309,375)	(332,199)
Non-current liabilities	(431,211)	(491,244)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	3,437	51,493
Current financial liabilities (excluding trade and other payables)	—	—
Non-current financial liabilities	—	—

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	39,014	448,816
Loss for the year	(38,534)	(188,272)
Other comprehensive income for the year	9,331	21,807
Dividend received from the joint venture during the year	—	—

The above loss for the year includes the following:

	RMB'000	RMB'000
Depreciation and amortisation	(3,460)	(20,399)
Interest income	7	152
Interest expense	(9,399)	(48,836)
Income tax expense	—	—

22. INTERESTS IN JOINT VENTURES (Continued)

Suniva (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Suniva recognised in the consolidation financial statements:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Net liabilities of Suniva	**(68,736)**	(39,533)
Proportion of the Group's ownership interest in Suniva	**63.13%**	63.13%
Goodwill	**—**	236,271
Effect of fair value adjustment at acquisition	**—**	23,617
Impairment loss recognised (notes (a) and 8)	**—**	(259,888)
Carrying amount of the Group's interest in Suniva	**—**	—

Unrecognised share of loss of Suniva

	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
The unrecognised share of loss of Suniva for the year	**(24,327)**	(35,316)
The unrecognised other comprehensive income for the year	**5,891**	10,359
Cumulative unrecognised share of loss and other comprehensive expense of Suniva	**(43,393)**	(24,957)

meteocontrol Electric Power

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	**47,037**	16,961
Non-current assets	**22,203**	629
Current liabilities	**(32,856)**	(5,624)
Non-current liabilities	**(8,000)**	—

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**14,303**	4,089

22. INTERESTS IN JOINT VENTURES (Continued)

meteocontrol Electric Power (Continued)

	Year ended 31 December 2017 RMB'000	From date of establishment to 31 December 2016 RMB'000
Revenue	**96,569**	15,948
Profit for the year/period	**16,417**	1,967

The above profit for the year/period includes the following:

	RMB'000	RMB'000
Depreciation and amortisation	**238**	29
Interest income	**—**	—
Interest expense	**(10)**	(5)
Income tax expense	**(3,824)**	(9)

Reconciliation of the above summarised financial information to the carrying amount of the interest in meteocontrol Electric Power recognised in the consolidation financial statements:

	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Net assets of meteocontrol Electric Power	**28,384**	11,966
Proportion of the Group's ownership interest in meteocontrol Electric Power	**49.0%**	49.0%
Carrying amount of the Group's interest in meteocontrol Electric Power	**13,908**	5,864

23. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Unlisted investments:		
Equity investments, at cost (note (i))	**3,096**	3,096
Managed investment fund, at fair value (note (ii))	**111,337**	85,820
	114,433	88,916
Analysed for reporting purpose as:		
Current assets	**111,337**	–
Non-current assets	**3,096**	88,916
	114,433	88,916

During the year ended 31 December 2017, the Group disposed of certain available-for-sale investments to independent third parties for total cash consideration of RMB8,820,000 (2016: RMB31,486,000). On the date of disposal, the carrying amount of these investments was amounted to RMB8,820,000 (2016: RMB8,041,000), resulting in no gain or loss on disposal of available-for-sale investments (2016: a gain on disposal of RMB23,445,000 credited to "other gain and losses and other expenses" in profit or loss).

Notes:

(i) The unlisted equity instruments were held for long-term purpose and were carried at cost less impairment because the range of reasonable fair value estimates was so significant that could not be measured reliably.

(ii) The unlisted managed investment represents funds advanced to a licensed financial institution in the PRC with fixed maturity and a variable yield based on underlying investments. The investments are short-term in nature and all will be matured in 2018, while the principal and the return of these investments are not guaranteed.

24. OTHER NON-CURRENT ASSETS

	2017 RMB'000	2016 RMB'000
Deposits paid for:		
Acquisition of property, plant and equipment (note (a))	**279,340**	122,288
EPC of solar power plants (note (b))	**609,781**	1,002,499
Retention receivables	**64,448**	88,095
Acquisition of land use right (note (c))	**—**	1,832
Finance lease arrangement (note (d))	**12,843**	12,843
Consideration receivable for disposal of subsidiaries (note 47)	**15,000**	15,000
Secured deposit (notes (e) and 40(e))	**—**	628,411
Other deposits	**16,538**	30,711
	997,950	1,901,679

Notes:

(a) The amount represents the partial payments made by the Group for the acquisition of property, plant and equipment. Such amount would be transferred to property, plant and equipment upon receipt by the Group.

(b) The amount represents the deposits paid to the EPC contractors for the solar power plants. Such amount would be utilised upon receipt of the progress billings issued to the Group.

(c) The amount represents the partial payment made by the Group for the acquisition of prepaid lease payment of certain land situated in the PRC. Such amount would be transferred to prepaid lease payment when the title of land is obtained and ready for use by the Group.

(d) The amount represents the deposit paid to independent third parties for the arrangement of plant and machineries and certain equipment and assets that are used for the operation of solar power plants under finance lease and was refundable to the Group at the expiry of the lease term.

(e) During the year ended 31 December 2016, the Group entered into a loan agreement with Sino Alliance, pursuant to which the Group borrowed HKD2,500,000,000 (equivalent to RMB2,236,250,000) from Sino Alliance, while the Group was obliged to place HKD702,528,000 (equivalent to RMB628,411,000) to Sino Alliance as a secured deposit, which also carried interest rate of 5% pursuant to the loan agreement. In addition, pursuant to the loan agreement, the Group has the option to offset the secured deposit upon the Maturity Date of the Fifth CB. During the year ended 31 December 2017, additional interest income of HKD32,472,000 (equivalent to RMB27,399,000) was accrued in respect of secured deposit, and together with HKD702,528,000 (equivalent to RMB594,264,000) were used to offset with the outstanding Fifth CB partially upon the Maturity Date of the Fifth CB.

25. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 RMB'000	2016 RMB'000
Deferred tax assets	**213,608**	261,010
Deferred tax liabilities	**(46,759)**	(46,311)
	166,849	214,699

The following are the major deferred tax assets and liabilities recognised and movements thereon for the year ended 31 December 2017 and 2016:

	Write-down of inventories RMB'000	Allowance for receivables RMB'000	Deferred Income RMB'000	Valuation of long-term assets and available-for-sale investments RMB'000	Provision for warranty costs RMB'000	Tax losses RMB'000	Accelerated depreciation RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2016	13,792	9,930	12,858	(77,586)	42,986	57,941	78,541	33,318	171,780
Exchange adjustments	–	–	–	(978)	–	–	–	141	(837)
(Debit) credit to profit or loss	(8,538)	(8,704)	(3,766)	33,445	1,970	53,669	(14,297)	(10,023)	43,756
At 31 December 2016	**5,254**	**1,226**	**9,092**	**(45,119)**	**44,956**	**111,610**	**64,244**	**23,436**	**214,699**
Exchange adjustments	–	–	–	(2,163)	–	–	–	(1,735)	(3,898)
Eliminated on disposal of subsidiaries (note 47)	–	–	–	741	–	–	–	–	741
Credit (debit) to profit or loss	58	–	(1,253)	860	5,556	(42,376)	(11,889)	4,351	(44,693)
At 31 December 2017	**5,312**	**1,226**	**7,839**	**(45,681)**	**50,512**	**69,234**	**52,355**	**26,052**	**166,849**

Note: The amount included in others mainly represented the deferred tax assets recognised for the future deductible temporary difference arising from accrued expenses and finance leases.

25. DEFERRED TAX (Continued)

At the end of the reporting year, the Group has unrecognised tax losses of RMB3,749,881,000 (2016: RMB3,571,205,000) available for offset against future profits. No deferred tax asset has been recognised in respect of above tax losses due to the unpredictability of future profit streams. As at 31 December 2017, unrecognised tax losses of RMB1,814,440,000, RMB1,024,453,000, RMB672,040,000, RMB238,948,000 (2016: RMB65,169,000, RMB1,769,780,000, RMB1,024,453,000, RMB711,803,000) will expire from each of the year 2019 to 2022 (2016: 2018 to 2021), respectively.

At the end of the reporting year, the Group has deductible temporary differences of RMB1,383,688,000 (2016: RMB1,297,573,000) not been recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the Law of the People's Republic of China on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB650,767,000 (2016: RMB687,260,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

26. INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Raw materials	**148,667**	122,014
Work-in-progress	**64,429**	47,054
Finished goods	**579,534**	477,145
	792,630	646,213

During the year, there was a write-down of inventories amounting to RMB29,897,000 (2016: RMB7,165,000) and was recognised in cost of sales.

27. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade receivables	**1,649,041**	1,376,710
Less: Allowance for doubtful debts	**(229,300)**	(157,804)
	1,419,741	1,218,906
Accrued revenue on tariff subsidy	**1,178,427**	1,244,513
Total trade receivables and accrued revenue on tariff subsidy	**2,598,168**	2,463,419
Bills receivables	**224,900**	131,973
	2,823,068	2,595,392
Other receivables		
Prepaid expenses	**49,425**	29,790
Retention receivables	**15,518**	21,495
Amounts due from independent third parties (notes (i) and 40(e))	**438,109**	336,746
Consideration receivable for disposal of available-for-sale investments	**—**	11,000
Consideration receivable for disposal of subsidiaries (note 47)	**43,388**	255,772
Amounts due from disposed subsidiaries (notes (ii) and 47)	**40,990**	386,782
Government subsidy receivable arising from the sales of LED Products (note iii)	**62,153**	—
Others (note iv)	**35,403**	61,242
	684,986	1,102,827
	3,508,054	3,698,219

Notes:

(i) The amounts were non-trade in nature as at 31 December 2017, except for the amounts of RMB39,800,000 (2016: RMB254,256,000) which are unsecured, carried interest being 10% (2016: ranging from 5% to 10%) per annum, and repayable within one year, all other balances were unsecured, interest-free and repayable on demand. The management of the Group expects the balances would be settled within the next 12 months after the end of the reporting period.

In addition, included in the balance as at 31 December 2016, was a loan of HKD232,000,000 (equivalent to RMB207,519,000) advanced to one of the convertible bondholders of the Fifth CB. Pursuant to the loan agreement, the Group had the option to offset the loan receivables with the Group's outstanding balance of the Fifth CB upon the Maturity Date. During the year ended 31 December 2017, additional interest income of HKD10,550,000 (equivalent to RMB8,906,000) was accrued in respect of the loan receivables, together with the principal balance of HKD232,000,000 (equivalent to RMB196,243,000) offset with the outstanding Fifth CB partially upon the Maturity Date.

(ii) As at 31 December 2017, the amount included RMB40,990,000 (2016: RMB386,782,000), representing the current accounts with the disposed subsidiaries of which was disposed to independent third parties during the current year. The amounts were unsecured, interest-free, and repayable within one year. RMB600,289,000 due from these disposed subsidiaries (including subsidiaries being disposed of in the current and prior years) had been received during the current year ended 31 December 2017.

27. TRADE AND OTHER RECEIVABLES (Continued)

(iii) Amount represented the receivable balance in respect of the incentive provided by and confirmed with the local government of Nanchang City, Jiangxi Province, PRC as to support the business development of LED industry in the PRC.

(iv) The amount includes interest receivables arising from advances to third parties, custom deposits and advances to staff for operational purpose.

The following is an age analysis of trade receivables and accrued revenue of tariff subsidy net of allowance for doubtful debts presented based on the goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date.

	As at 31 December	
Age	**2017**	2016
	RMB'000	RMB'000
0 to 30 days	**615,656**	556,210
31 to 60 days	**285,758**	251,727
61 to 90 days	**318,121**	169,730
91 to 180 days	**485,780**	420,707
Over 180 days	**892,853**	1,065,045
	2,598,168	2,463,419

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2016: 180 days) to certain trade customers on a case by case basis.

The Group's trade receivables and accrued revenue on tariff subsidy from the sales of electricity are mainly receivables from the state grid companies. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidy, representing 36% to 84% in 2017 (2016: 54% to 84%) of total electricity sales, which is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant government authorities to the state grid companies.

Pursuant to the New Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidy has come into force since 2013 and approvals for the registration in the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (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.

The directors of the Company are of the opinion that the recognition of accrued revenue on tariff subsidy is proper based on their judgement and taken into account the opinion from Group's legal advisor, that all of the Group's operating power plants had been qualified for, and had met, all the requirements and conditions as required according to the requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that all of the Group's operating power plants would be able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy would become fully recoverable, after considering that there are no bad debt experiences with the state grid companies in the past and the tariff subsidy is fully funded by the PRC government.

27. TRADE AND OTHER RECEIVABLES (Continued)

The following is an age analysis of trade receivables (which with a defined credit policy), net of allowance for doubtful debts, presented based on goods delivery and electricity transmitted dates, which approximated the respective revenue recognition date.

Age	As at 31 December	
	2017	2016
	RMB'000	RMB'000
0 to 30 days	**548,647**	515,771
31 to 60 days	**203,903**	136,747
61 to 90 days	**231,778**	72,814
91 to 180 days	**175,186**	192,598
Over 180 days	**260,227**	300,976
	1,419,741	1,218,906

The following is an age analysis of the Group's bills receivable presented based on issue date at the end of the reporting period:

Age	As at 31 December	
	2017	2016
	RMB'000	RMB'000
0 to 30 days	**68,223**	45,432
31 to 60 days	**41,079**	35,629
61 to 90 days	**37,359**	16,727
91 to 180 days	**77,265**	34,185
Over 180 days	**974**	—
	224,900	131,973

No interest is charged on the Group's trade receivables and bills receivable. The Group did not hold any collateral over these balances. Before accepting any new customers, the Group assesses the potential customers' credit quality and defines credit limits by customer.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB501,110,000 (2016: RMB380,297,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors of the Company have considered the credit quality of the relevant customers and subsequent settlements and concluded that the Group is not required to provide for an impairment loss.

27. TRADE AND OTHER RECEIVABLES (Continued)

Age analysis of trade receivables which are past due but not impaired

	2017 RMB'000	2016 RMB'000
0 to 30 days	**8,809**	9,228
31 to 60 days	**3,873**	21,793
61 to 90 days	**215,594**	39,310
91 to 180 days	**168,461**	186,693
181 to 365 days	**44,859**	78,953
1 to 2 years	**59,514**	44,320
	501,110	380,297

Movement in the allowance for doubtful debts of trade receivables

	2017 RMB'000	2016 RMB'000
1 January	**157,804**	81,354
Impairment loss recognised on trade receivables	**128,172**	137,866
Reversal of impairment loss recognised on trade receivables	**(47,375)**	(47,837)
Write-off as uncollectible	**(6,560)**	(13,636)
Exchange adjustment	**(2,741)**	57
31 December	**229,300**	157,804

Movement in the allowance for doubtful of other receivables

	2017 RMB'000	2016 RMB'000
1 January	**382,369**	64,519
Impairment loss recognised on other receivables	**93,470**	345,915
Reversal of impairment loss recognised on other receivables (note)	**(30,339)**	(28,065)
Write-off as uncollectible	**(3,748)**	—
Exchange adjustment	**(6,086)**	—
31 December	**435,666**	382,369

Note: Amount represented cash received during the year in respect of the other receivables previously provided for impairment losses.

27. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful of other receivables (Continued)

Included in the allowance for doubtful debts are individually fully impaired trade receivables and other receivables with an aggregate balance of RMB132,886,000 (2016: RMB101,084,000) and RMB426,462,000 (2016: RMB367,693,000), respectively which have been placed in severe financial difficulties.

Trade and other receivables that were denominated in United States Dollar ("USD"), Hong Kong Dollar ("HKD"), EURO ("EUR") and Japanese Yen ("JPY"), foreign currencies other than functional currencies of the relevant group entities, were retranslated to RMB and stated for reporting purpose as:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
USD	**164,947**	114,405
HKD	**1,122**	1,757
EUR	**62,653**	108,027
JPY	**124,230**	10,737

28. TRANSFERS OF FINANCIAL ASSETS

The Group has discounted certain bills receivables to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse basis. The Group has derecognised these bills receivables and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is not probable.

As at 31 December 2017, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the bank issued bills discounted and bank issued bills endorsed, should the issuing banks fail to settle the bills on maturity date, of which amounted to RMB21,360,000 and RMB2,297,821,000 (2016: RMB31,251,000 and RMB1,398,018,000), respectively.

All the bills receivables discounted to banks or endorsed to suppliers of the Group have a maturity date of less than six months from the end of the reporting period in both years.

29. PREPAYMENTS TO SUPPLIERS

As at 31 December 2017, prepayments to suppliers included advance of RMB815,172,000 (net of allowance for doubtful debts of RMB12,896,000) (2016: RMB554,794,000 (net of allowance of doubtful debt of RMB12,896,000)) to certain suppliers as deposits for raw material purchases. The entire amount is expected by the management of the Group to be utilised within the next twelve months after the end of the reporting year.

30. AMOUNTS DUE FROM ASSOCIATES AND A JOINT VENTURE

The amount dues from associates and a joint venture were trade related, and the credit period granted by the Group to the associates and the joint venture was 90–180 (2016: 90–180) days. Balances as at 31 December 2017 were all aged within 90 (2016: 90) days based on the invoice date and the balance as at 31 December 2016 was subsequently fully settled during the year ended 31 December 2017.

31. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

The restricted bank deposits represents deposits pledged to banks to secure short-term banking facilities granted to the Group and are therefore classified as current assets.

The ranges of interest rate of the Group's restricted bank deposits are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Interest rate:		
Fixed rate	**1.50%-2.00%**	1.50%-2.00%
Variable rate	**0.00%-0.35%**	0.00%-0.35%

The restricted bank deposits will be released upon the settlement of relevant bank borrowings and short-term banking facilities.

Bank balances carry interest at market rates ranging from 0.00% to 0.35% (2016: 0.00% to 0.35%) per annum.

31. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH (Continued)

Bank balances and cash and restricted bank deposits that were denominated in USD, HKD, EUR, GBP and JPY, foreign currencies other than functional currencies of the relevant group entities, were re-translated to RMB and stated for reporting purpose as:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
USD	**62,781**	64,080
HKD	**416,296**	1,352,811
EUR	**100,538**	56,862
JPY	**137,109**	157,316
GBP	**140,290**	16,450

Certain bank balances and cash and restricted bank deposits of the Group of approximately RMB1,230,902,000 (2016: RMB1,406,139,000) were denominated in RMB which is not freely convertible currency in the international market. The exchange of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restriction imposed by the Government of the PRC.

32. TRADE AND OTHER PAYABLES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Trade payables	**1,198,808**	1,079,427
Bills payables	**649,525**	720,898
Payables for acquisition of property, plant and equipment	**101,116**	120,071
Payables for EPC of solar power plants (note i)	**1,749,173**	2,359,083
Other tax payables	**30,444**	22,390
Amounts due to independent third parties (notes ii and 40(e))	**762,182**	566,714
Tendering deposits received	**49,617**	59,266
Interest payable	**129,528**	103,246
Accrued expense	**221,238**	236,205
Accrued payroll and welfare	**102,563**	98,216
Consideration received in advance and related accrued interest (note iii)	**—**	274,700
Consideration payable for previous acquisition of subsidiaries (notes (iv) and 45)	**46,979**	55,712
Others	**39,153**	44,767
	5,080,326	5,740,695

32. TRADE AND OTHER PAYABLES (Continued)

Notes:

(i) Amount represented payables incurred for EPC of solar power plants. The amounts would be repayable within 12 months after the end of the reporting year and such amounts were therefore classified as current liabilities at the end of the reporting year.

(ii) Amount included an aggregate outstanding principal balance of the Fifth CB totalling HKD445,000,000 (equivalent to RMB376,381,000) due to two independent convertible bondholders (including True Bold Global Limited ("True Bold") and Eagle Best Limited ("Eagle Best")) and the related unpaid interest totalling HKD3,500,000 (equivalent to RMB2,926,000), being reclassified from convertible bonds since the Maturity Date of the Fifth CB, which was unsecured, interest-bearing and immediately repayable.

The Company issued the Fifth CB on 28 November 2014, and True Bold subscribed for an aggregate principal amount of HKD385,000,000. True Bold has received an aggregate settlement amounts of HKD29,250,000 (including the principal sum of HKD10,000,000 and interest of HKD19,250,000) from the Company on the Maturity Date. The Company had not yet fully repaid the outstanding balance as at 31 December 2017, and, instead, entered into a "Standstill and Forbearance Agreement" (the "Agreement") with True Bold with respect of the outstanding principal amount of HKD375,000,000. True Bold agreed to standstill and forbear from exercising its acceleration or enforcement rights and remedies under the Fifth CB from the Maturity Date to 31 March 2018 (the "Standstill Period").

Subsequent to the end of the reporting period in February 2018, an outstanding principal balance of HKD177,896,000 and accrued interest expense of HKD2,697,000 totalling HKD180,593,000 has been settled in cash by the Group to True Bold. The management of the Group currently is in the process to negotiate with True Bold to convert the outstanding unsettled balances to a loan, which is unsecured, carried at a fixed interest rate of 10% per annum and with scheduled repayment in year 2018 and 2019.

In respect of the outstanding principal balance of the Fifth CB due to Eagle Best of HKD70,000,000 (equivalent to RMB59,206,000), the amount was unsecured, carried at a fixed interest rate of 5% per annum and was immediately repayable. The related accrued interest included in amounts due to independent third parties as at 31 December 2017 amounted to HKD3,500,000 (equivalent to RMB2,926,000).

Subsequent to the end of the reporting period in March 2018, a total outstanding balance of HKD70,000,000 and the related accrued interest expense of HKD4,666,667, totalling HKD74,666,667 has been fully settled in cash by the Group to Eagle Best.

Lastly, except for the balance of RMB580,946,000 (2016: RMB206,000,000) carried at fixed interest rates ranging from 4.35% to 10% (2016:4.35%) per annum, the amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) On 16 December 2015, the wholly-owned subsidiaries of the Company, including Jiangxi Shunfeng Photovoltaic Investment Co. Ltd. ("Jiangxi Shunfeng"), Shanghai Shunneng Investment Co., Ltd. ("Shanghai Shunneng") Jiangsu Changshun Xinhe New Energy Co., Ltd. ("Jiangsu Changshun") and Chongqing Future Investment Co., Ltd. ("Chongqing Future"), an independent third party, entered into a sale and purchase agreement, pursuant to which the Group agreed to dispose of its entire equity interest in Jiangsu Changshun and nine subsidiaries (the "Nine Disposal Entities"), which were engaged in the construction, development and operation of different photovoltaic projects and power plants in different provinces in the PRC, to Chongqing Future for a total cash consideration of RMB1,199,600,000 to be settled in three instalments and subject to certain conditions precedent and price adjustment mechanism (the "2015 Proposed Disposal").

Further details of the Repurchase Undertaking and Profit Guarantee were set out in the Company's announcement published on 17 December 2015.

As part of the transaction, the Group also entered into a management contract with Chongqing Future ("Management Contract"), pursuant to which the management team of the Nine Disposal Entities, which continued to be appointed by the Group for a period of four years till the end of the Profit Guarantee Period, is responsible for the management and operation of the nine solar power plant projects held by the Nine Disposal Entities, (including all the decisions of their relevant activities), and the Group in return would receive a fixed amount of management fee and entitled to certain variable amount of return, determined based on the performance of the Nine Disposal Entities. In the opinion of the directors, the Group is still able to control the Nine Disposal Entities. In addition, the 2015 Proposed Disposal was also subject to the fulfilment of certain conditions precedent (including to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities) prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015.

Therefore, taking into account that the Group still retain the power to control Jiangsu Changshun and the Nine Disposal Entities via the Management Contract, the carrying value of the net assets of Jiangsu Changshun and the Nine Disposal Entities were still consolidated by the Group. However, since the Group has already transferred the legal ownership in respect of the entire equity interests of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future on 18 December 2015, in the opinion of the directors, the Group's entire interests in them should be accounted for as non-controlling interests since then.

32. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(iii) (Continued)

As at 31 December 2015, the Group received the first instalment of RMB650,000,000 and was accounted as consideration received in advance, accordingly.

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 31 December 2016. Pursuant to the Termination Agreement, the Group shall return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The Profit Guarantee Period as stated in the abovementioned Management Contract has been lapsed and the Group was no longer entitled to the management fee payable by Chongqing Future since then. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group after the repayment of

(a) the entire amount of the consideration received in advance of RMB650,000,000 together with the relevant interest calculated at 9% per annum by the Group to Chongqing Future; and

(b) the outstanding balance of the borrowings of RMB500,000,000 as at 31 December 2016, together with the relevant interest calculated at 10% per annum by the Group to Chongqing International Trust Inc. (重慶國際信託股份有限公司) ("Chongqing Trust"), a fellow subsidiary of Chongqing Future.

Consideration Received in Advance

RMB250,748,000 (2016: RMB419,760,000) including the related accumulated interest of RMB21,306,000 (2016: RMB42,689,000) was returned during the year ended 31 December 2017, and on 30 September 2017, the Group entered into a loan agreement with Chongqing Future and agreed to convert the remaining outstanding balance of RMB43,484,000 to other borrowing in note 37, of which was secured, carried a fixed interest of 9% per annum and repayable prior to 29 September 2019.

As at 31 December 2016, the Group had not yet returned the outstanding balance of RMB272,926,000 and the related accumulated interest of RMB1,774,000.

As at 31 December 2017, the Group had not yet returned the outstanding balance of RMB43,484,000, which was reclassified to other borrowings due by 29 September 2019 upon a loan agreement entered into with the counterparties during the year.

Chongqing Trust Loan (recorded in bank and other borrowings in note 37)

In respect of the balance of Chongqing Trust Loan of RMB500,000,000, the Company, certain of its subsidiaries and a substantial shareholder of the Company provided joint guarantee in favour of Chongqing Trust and the Group's equity interests in certain subsidiaries had also been pledged to Chongqing Trust as to secure these borrowings. The original term of such borrowings was due on 30 September 2016, and was extended by a supplementary agreement entered into during the year ended 2017 to 29 September 2019.

In addition, as at 31 December 2017, the legal ownership in respect of the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related gain for the current year amounting to RMB15,984,000 (2016: Loss of RMB2,020,000) had been transferred from accumulated losses to non-controlling interests as at 31 December 2017.

(iv) The amounts mainly resulted from the Group's acquisition of solar power plants and were unsecured, interest-free and repayable upon completion of the development of solar power plants.

32. TRADE AND OTHER PAYABLES (Continued)

The credit period on purchases of goods is 0 to 180 days (2016: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis.

The following is an age analysis of the trade payable presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Age		
0 to 30 days	**609,275**	157,834
31 to 60 days	**139,198**	465,352
61 to 90 days	**130,463**	103,403
91 to 180 days	**40,177**	65,381
Over 180 days	**279,695**	287,457
	1,198,808	1,079,427

The following is an age analysis of bills payable presented based on issue date at the end of the reporting period:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Age		
0 to 30 days	**214,153**	139,859
31 to 60 days	**96,981**	151,000
61 to 90 days	**138,934**	141,690
91 to 180 days	**199,457**	288,349
	649,525	720,898

32. TRADE AND OTHER PAYABLES (Continued)

The trade and other payables denominated in USD, HKD, JPY, EUR and GBP the foreign currencies other than functional currency of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
USD	**103,722**	91,644
HKD	**376,652**	7,914
JPY	**193,955**	103,128
EUR	**17,515**	31,475
GBP	**1,406**	27,488

33. CUSTOMERS' DEPOSITS RECEIVED

Customers' deposits received are unsecured, interest-free and will be settled by the delivery of products by the Group. At the end of the reporting year, the directors of the Company estimate that the amount of customers' deposits received that is expected to be settled by the delivery of products of the agreed contract quantity in the next twelve months and therefore such amount is classified as current liabilities at the end of the reporting year.

34. AMOUNT DUE TO A JOINT VENTURE

The amount due to a joint venture was trade related, unsecured and interest-free, and the credit period on provision of solar power plant operation and maintenance services is 30 days. Balance as at 31 December 2016 and 2017 was all aged within 90 days based on the invoice date.

35. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current liabilities	**45,195**	41,597
Non-current liabilities	**66,852**	105,170
	112,047	146,767

It is the Group's policy to lease certain of its buildings and machineries under finance leases. The original lease terms ranged from 4 to 12 years (2016: 4 to 12 years) and the corresponding interest rate is ranging from 4.62% to 9.15% (2016: 4.62% to 9.15%) per annum.

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Repayable on demand or within one year	**53,089**	52,308	**45,195**	41,597
In more than one year but not more than two years	**43,505**	43,647	**38,943**	35,752
In more than two years but not more than five years	**29,004**	75,074	**27,909**	69,418
	125,598	171,029	**112,047**	146,767
Less: future finance charges	**(13,551)**	(24,262)	**N/A**	N/A
Present value of lease obligations	**112,047**	146,767	**112,047**	146,767
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(45,195)**	(41,597)
Amount due for settlement after 12 months (shown under non-current liabilities)			**66,852**	105,170

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

36. PROVISIONS

	Warranty provision RMB'000 (note a)	Financial guarantee RMB'000 (note b)	Provision on legal claims RMB'000 (note c)	Total RMB'000
At 1 January 2016	628,684	79,405	52,669	760,758
Provision for the year	44,960	228,250	9,085	282,295
Utilisation	(32,400)	—	—	(32,400)
Exchange adjustment	2,700	—	—	2,700
At 31 December 2016	643,944	307,655	61,754	1,013,353
Provision for the year	55,528	51,469	9,061	116,058
Adjustment for the year	—	(36,651)	—	(36,651)
Reversal for the year	—	—	(2,486)	(2,486)
Utilisation	(15,868)	—	(7,100)	(22,968)
Exchange adjustments	(634)	(14,902)	—	(15,536)
At 31 December 2017	682,970	307,571	61,229	1,051,770

Notes:

(a) The Wuxi Suntech Group's standard PV modules (excluding the standard PV modules produced by Suntech Power Japan Power Co., Ltd ("Suntech Japan"), were typically sold with a five-year warranty in terms of replacement and ten years in terms of defects in materials and workmanship. The Wuxi Suntech Group's standard PV modules also contain a 5, 12, 18 and 25-year standard warranty against declines of more than 5.0%, 10.0%, 15.0% and 20.0% of initial power generation capacity, respectively. Suntech Japan's standard PV modules sold in Japan are typically sold with a 10-year warranty in terms of replacement and repairing service for defects in materials and workmanship and a 25-year warranty against declines of more than 10.0% of initial peak power.

The warranty periods of Suntech Japan's building integrated photovoltaic ("BIPV") products vary depending on the nature and specification of each BIPV product. Additionally, a few of the customers have requested post-sales obligations. These obligations primarily consisted of (i) guaranteeing minimum system output for a certain period of time, normally less than five years, which requires Wuxi Suntech to compensate the customer for losses if the system output is lower than the minimum requirement; and (ii) providing certain post-sales system quality warranty in terms of replacement and repairing service for a certain period of time, normally less than five years. The Wuxi Suntech Group accrues warranty costs when recognising revenue and recognises such costs as a component of cost of sales. Warranty costs primarily consist of replacement costs for parts and materials and labor costs for maintenance personnel. Based on its best estimates of both future costs and the probability of incurring warranty claims, the Wuxi Suntech Group accrues for product warranties at approximately 1% of solar module sales and BIPV products. The Wuxi Suntech Group derives its estimates from a number of factors, including (1) an analysis of actual historical costs incurred in connection with its warranty claims, (2) an assessment of competitors' accrual and claim history, (3) changes in the market price of products required to be incurred to provide the warranty service, (i.e. the PV products) and (4) results from academic research, including industry-standard accelerated testing, and other assumptions that Wuxi Suntech believes to be reasonable under the circumstances.

The Wuxi Suntech Group's warranty provision is classified as current liabilities.

36. PROVISIONS (Continued)

Notes: (Continued)

(b) Prior to 1 January 2016, the amounts represented financial guarantee contracts provided by the Wuxi Suntech Group to its former related parties and independent third parties. During the year ended 31 December 2016, the Group provided financial guarantee for Suniva and in light of loss incurred, severe financial difficulty experienced by Suniva, and certain unfavourable factors expected by the management, the Company made full provision on the financial guarantee in respect of Suniva's additional bank borrowing raised during last year amounting to USD31,925,000 (equivalent to RMB221,466,000) and accounts payable amounting to USD1,000,000 (equivalent to RMB6,784,000) respectively.

During the year ended 31 December 2017, the Group made a downward adjustment of RMB36,651,000 according to the actual outstanding liability to be borne by the Group with reference to the terms of the financial guarantee contracts and amount of outstanding liability as confirmed by the financial institution. Provision amount has been reduced since the counterparty had repaid certain amount of bank borrowings prior to its bankruptcy during the current year.

In addition, there are additional provision of RMB51,469,000 during the current year, which comprised mainly the actual guaranteed amount of USD7,531,000 (equivalent to RMB50,849,000) to be borned by the Group upon declaration of bankruptcy of Sunvia.

(c) On 1 September 2014, an independent third party, lodged a litigation against Wuxi Suntech. On 20 July 2015, court order for the first instance was made by the Jiangsu High People's Court that Wuxi Suntech is obliged to return the vendor payment of RMB206,000,000 and estimated penalty interest and termination fee totalling RMB43,083,000. The vendor payment of RMB206,000,000 was included in other payables as at 31 December 2017. During the year ended 31 December 2017, pursuant to the court order, additional provision on legal claims of RMB9,061,000 (2016: RMB9,085,000) was made in respect of the penalties and interests on the principal amount. The Group was currently in the process of making a final appeal.

37. BANK AND OTHER BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Bank loans	**4,826,827**	5,949,017
Other borrowings (note (a))	**6,038,466**	5,476,210
	10,865,293	11,425,227
Secured	**10,825,599**	11,333,093
Unsecured	**39,694**	92,134
	10,865,293	11,425,227
Fixed-rate borrowings	**5,840,119**	6,536,468
Variable-rate borrowings	**5,025,174**	4,888,759
	10,865,293	11,425,227
Carrying amount repayable (note (b)):		
Within one year	**4,811,122**	3,010,351
More than one year, but not exceeding two years	**2,305,850**	4,237,953
More than two years, but not exceeding five years	**2,327,834**	2,427,835
More than five years	**1,420,487**	1,749,088
	10,865,293	11,425,227
The carrying amount of bank loans that are repayable on demand due to breach of loan convenants (note (c)) (shown under current liabilities)	**1,153,457**	—
Less: amounts due within one year shown under current liabilities	**(5,964,579)**	(3,010,351)
Amounts shown under non-current liabilities	**4,900,714**	8,414,876

37. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 31 December 2017, the Group had other borrowings from eighteen (2016: seventeen) independent third parties totalling RMB6,038,466,000 (2016: RMB5,476,210,000) which were secured, carried interest at fixed interest rate ranging from 5.0% to 10.5% (2016: 5.4% to 11.0%) per annum. Other borrowings as at 31 December 2017 also included the amount due to Chongqing Future, of which was reclassified from other payables as detained in note 32(iii).

Specifically, as at 31 December 2016, included in the other borrowings was a borrowing of HKD2,500,000,000 (equivalent to RMB2,236,250,000) advanced from Sino Alliance, which was carried interest at 8.5% per annum and repayable on 21 December 2018. The Group has pledged its 100% equity interests in certain of its subsidiaries including Wuxi Suntech Power Co. Ltd., Jiangsu Shunfeng Photovoltaic Technology Co., Ltd., and Shunfeng Photovoltaic Holdings Limited, and properties, plant and equipments of Wuxi Suntech Power Co., Ltd with carrying amounts of RMB987,611,000 as to obtain this advance.

(b) The amounts due are based on scheduled repayment dates set out in the loan agreements.

(c) During the current year, in respect of a bank borrowing with a carrying amount of RMB1,153,457,000 as at 31 December 2017, the Group breached certain of the terms of the bank borrowing, which are primarily related to the debt-equity ratio of the Group. On discovery of the breach, the directors of the Company informed the lender and commenced a renegotiation of the terms of the borrowing with the relevant banker. As at 31 December 2017, those negotiations had not been concluded. Since the lender has not yet agreed to waive its right to demand immediate payment as at the end of the reporting period, the respective borrowing has been classified as current liability, accordingly.

The ranges of effective interest rate of the Group's interest-bearing borrowings are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Effective interest rate:		
Fixed rate borrowings	**3.50% to 11.00%**	3.50% to 11.00%
Variable rate borrowings	**0.50% to 8.20%**	2.90% to 8.20%

At 31 December 2017 and 2016, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the People's Bank of China ("PBOC"). Interest was reset every one month, three months or one year.

The unsecured bank borrowings of approximately RMB39,694,000 (2016: RMB92,134,000) at 31 December 2017 were guaranteed by independent third parties.

The borrowings denominated in HKD, EUR and JPY, the foreign currency other then functional currency of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
HKD	**2,896,899**	3,100,071
EUR	**97,360**	103,836
JPY	**317,810**	231,145

38. DEFERRED INCOME

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Government grants (note (a))	**40,652**	63,561
	40,652	63,561
Analysed for reporting purpose as:		
Current liabilities	**12,755**	11,505
Non-current liabilities	**27,897**	52,056
	40,652	63,561

Note:

(a) During the year, the Group received a government subsidy of approximately RMB859,000 (2016: RMB2,972,000) mainly related to compensation for acquisition of plant and equipment. The amount was treated as deferred income and amortised to income over the useful lives of related assets upon the machineries are ready for their intended use and depreciation commences. In addition, as part of the Compensation Arrangement, the conditions attached to the conditional asset-related government grant of RMB9,648,000 previously received become exempted, resulting in a de-recognition of such liability when calculating the net gain on the Compensation Arrangement for the year ended 31 December 2017.

39. DERIVATIVE FINANCIAL LIABILITIES

	2017	2016
	RMB'000	RMB'000
Warrants liabilities arising from previous acquisition of Lattice Power Group	**3,336**	7,733

Warrants liabilities arising from acquisition of Lattice Power Group

In connection with the acquisition of Lattice Power Group by the Group, the Company and certain existing shareholders of Lattice Power Corporation entered into a warrants subscription agreement pursuant to which Lattice Power Group agreed to issue, and the Company and certain existing shareholders of Lattice Power Corporation agreed to subscribe for the Series E Warrants convertible into 84,149,220 and 21,980,142 shares of Lattice Power Corporation at a nominal consideration of USD0.001 per share respectively, exercisable at the discretion of the Company and certain existing shareholders of Lattice Power Corporation.

39. DERIVATIVE FINANCIAL LIABILITIES (Continued)

Warrants liabilities arising from acquisition of Lattice Power Group (Continued)

The exercise price for the Series E Warrants shall be HKD41.56 (equivalent to RMB35.04 (2016: RMB37.18)) per share, subject to adjustment in the event of changes in the number of shares of Lattice Power Corporation by reason of share dividends, splits, recapitalisations, reclassifications, combinations or exchanges of shares, separations, reorganisations or liquidations. The Series E Warrants shall be exercisable, in whole or in part, during the term from 6 August 2015 to 5 August 2025 and was therefore classified as current liabilities, accordingly.

Series E Warrants are financial liabilities classified and designated as at fair value through profit or loss ("FVTPL") on initial recognition. The fair values of the Series E Warrants were calculated using the Binomial model. The inputs into the model on 31 December 2017 and 31 December 2016 were as follows:

Valuation date	31 December 2017	31 December 2016
Applicable share value (RMB)	**18.38**	21.72
Exercise price (RMB)	**35.04**	37.18
Expected volatility	**49.70%**	53.54%
Expected life	**7.6 years**	8.6 years
Risk-free rate	**3.80%**	2.99%
Expected dividend yield	**0.00%**	0.00%

The applicable share value was estimated based on the estimated share value of Lattice Power Corporation.

Expected volatility was determined by using the average annualised historical stock price volatilities of comparable companies as of the valuation date.

For the year ended 31 December 2017, gain on changes in fair value of RMB4,397,000 (2016: RMB254,929,000) in respect of these warrants liabilities was credited to "other gain and losses and other expenses" in profit or loss.

40. CONVERTIBLE BONDS

(a) First CB (as defined below)

On 28 February 2013, the Company issued convertible bonds at par to Peace Link Services Limited ("Peace Link"), with principal amount of HKD449,400,000 (equivalent to RMB356,660,000) ("First CB"). The First CB bears no interest and is denominated in HKD with a conversion period of 20 years from the issue date and can be converted into ordinary shares of the Company at HKD0.214 per share, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues.

The holder(s) has the right to require the Company to redeem the outstanding convertible bond at an amount equals to the principal amount of the First CB prior to the twentieth anniversary of the date of issue of the First CB (the "First CB Maturity Date") in the following manner:

(i) up to 5% of the aggregate amount of the First CB, i.e. HKD22,470,000, during the period from the first anniversary of the date of issue of the First CB to the fifth anniversary of the date of issue of the First CB;

(ii) subject to (i) above, up to 10% of the aggregate amount of the First CB, i.e. HKD44,940,000, during the period from the fifth anniversary of the date of issue of the First CB to the tenth anniversary of the date of issue of the First CB; and

(iii) up to 100% of the aggregate amount of the First CB during the period from the date after the tenth anniversary of the date of issue of the First CB to the First CB Maturity Date.

The Company has the right to redeem the outstanding First CB at an amount equals to the principal amount of the First CB prior to the First CB Maturity Date in the following manner:

(i) up to 5% of the aggregate amount of the First CB, i.e. HKD22,470,000, during the period from the first anniversary of the date of issue of the First CB to the fifth anniversary of the date of issue of the First CB;

(ii) subject to (I) above, up to 10% of the aggregate amount of the First CB, i.e. HKD44,940,000, during the period from the fifth anniversary of the date of issue of the First CB to the tenth anniversary of the date of issue of the First CB; and

(iii) up to 100% of the aggregate amount of the First CB during the period from the date after the tenth anniversary of the date of issue of the First CB to the First CB Maturity Date.

On 19 September 2013, the Company signed a supplementary agreement ("Supplementary Agreement") with the holders of the First CB, which modified the original terms of the First CB as follows:

(i) the outstanding of the First CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26; and

40. CONVERTIBLE BONDS (Continued)

(a) First CB (as defined below) (Continued)

(ii) the First CB can be converted into ordinary shares of the Company at HKD0.214 using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26 while the principal extinguished upon conversion would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The First CB was designated as financial liabilities at FVTPL upon initial recognition on 28 February 2013. The First CB was subsequently measured at fair value with changes in fair value recognised in profit or loss up to 19 September 2013. Upon the modification on 19 September 2013 as mentioned above, the original financial liability was extinguished and the fair value of the First CB on 19 September 2013 had been split into liability component and equity conversion component. At modification, the fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond while the equity conversion component was estimated using binomial option pricing model and was included in equity as "convertible bonds equity reserve". The liability component after modification was subsequently measured at amortised costs using the effective interest rate method while the equity conversion component remains in equity until the conversion option is exercised. The effective interest rate of the liability component which was measured at amortised costs was 26.31% per annum.

During the year ended 31 December 2015, principal sum of HKD350,000,000 of the First CB was converted by the bondholder to 371,028,037 ordinary shares of the Company.

The movements of the components of First CB during the current year are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds option reserve RMB'000	Total RMB'000
At 1 January 2016	56,616	1,351,428	1,408,044
Effective interest expense charged for the year	11,939	—	11,939
At 1 January 2017	68,555	1,351,428	1,419,983
Effective interest expense charged for the year	15,045	—	15,045
At 31 December 2017	83,600	1,351,428	1,435,028

As at 31 December 2017, RMB35,666,000 (2016: RMB17,833,000) of the First CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 10% (2016: 5%) of the First CB on demand.

40. CONVERTIBLE BONDS (Continued)

(b) Second CB (as defined below)

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HKD930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Second CB"). The Second CB bears fixed interest rate on 8% per annum with interest to be paid annually in arrears at RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26. The Second CB is with a conversion period of 10 years from the issue date and can be converted into ordinary shares of the Company at HKD0.922 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The holder(s) of the Second CB has the right to require the Company to redeem the outstanding Second CB at an amount equals to the principal amount of the Second CB prior to the tenth anniversary of the date of issue of the Second CB (the "Second CB Maturity Date") in the following manner:

(i) up to 20% of the aggregate amount of the Second CB, i.e. HKD186,100,000, during the period from the first anniversary of the date of issue of the Second CB to the fifth anniversary of the date of issue of the Second CB; and

(ii) up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

The Company has the right to redeem the outstanding Second CB at an amount equals to the principal amount of the Second CB prior to the Second CB Maturity Date in the following manner:

(i) up to 20% of the aggregate amount of the Second CB, i.e. HKD186,100,000, during the period from the first anniversary of the date of issue of the Second CB to the fifth anniversary of the date of issue of the Second CB; and

(ii) up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

The outstanding Second CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

40. CONVERTIBLE BONDS (Continued)

(b) Second CB (as defined below) (Continued)

The Second CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds equity reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the Second CB is 20.67% per annum.

During the year ended 31 December 2016, principal sum of HKD100,000,000 (2015: HKD362,000,000) of the second CB was converted by the bondholder to 108,459,869 (2015: 392,624,726) ordinary shares of the Company.

The movement of the components of the Second CB during the current year are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2016	382,498	143,756	526,254
Effective interest expense charged for the year	57,821	—	57,821
Converted during the year	(72,176)	(25,287)	(97,463)
Coupon interest paid during the year	(29,811)	—	(29,811)
At 31 December 2016	338,332	118,469	456,801
Effective interest expense charged for the year	57,545	—	57,545
Coupon interest paid during the year	(29,746)	—	(29,746)
At 31 December 2017	366,131	118,469	484,600

As at 31 December 2016, RMB147,699,000 of the Second CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 20% of the Second CB on demand.

As at 31 December 2017, RMB366,131,000 of the Second CB was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

40. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below)

On 16 April 2014, the Company issued convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HKD3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Third CB"). The Third CB bears no interest with a conversion period of 10 years from the issue date and can be converted into ordinary shares of the Company at HKD3.58 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The holder(s) of the Third CB has the right to require the Company to redeem the outstanding Third CB at an amount equals to the principal amount of the Third CB prior to the tenth anniversary of the date of issue of the Third CB (the "Third CB Maturity Date") in the following manner:

(i) up to 20% of the aggregate amount of the Third CB, i.e. HKD716,000,000, during the period from the first anniversary of the date of issue of the Third CB to the fifth anniversary of the date of issue of the Third CB; and

(ii) up to 100% of the aggregate amount of the Third CB during the period from the date after the fifth anniversary of the date of issue of the Third CB to the Third CB Maturity Date.

The Company has the right to redeem the outstanding Third CB at an amount equals to the principal amount of the Third CB prior to the Third CB Maturity Date in the following manner:

(i) up to 20% of the aggregate amount of the Third CB, i.e. HKD716,000,000, during the period from the first anniversary of the date of issue of the Third CB to the fifth anniversary of the date of issue of the Third CB; and

(ii) up to 100% of the aggregate amount of the Third CB during the period from the date after the fifth anniversary of the date of issue of the Third CB to the Third CB Maturity Date.

The outstanding Third CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

40. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below) (Continued)

The Third CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds option reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the Third CB is 21.31% per annum.

The movements of components of the Third CB during the current year are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds equity reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2016	342,998	904,971	1,247,969
Effective interest expense charged for the year	73,330	—	73,330
At 31 December 2016	416,328	904,971	1,321,299
Effective interest expense charged for the year	88,739	—	88,739
At 31 December 2017	505,067	904,971	1,410,038

Note: Subsequently on 1 September 2014, each of the Third CB holders issued a commitment confirmation letter to the Company individually and confirmed that they would not exercise the early redemption right but retain the share conversion right till the Third CB Maturity Date. A deed of undertaking had also been subsequently drawn up and entered into by each of the Third CB holders confirming that all of them hereby irrevocably undertook to the Company that they would comply with the terms of the commitment confirmation letter, with effect from 1 September 2014.

Upon receipt of the commitment confirmation letter and the deed of undertaking from each of the Third CB holders on 1 September 2014, the directors of the Company considered that the expected future cash flows of the Third CB had been changed and the original estimate of the amortisation period on the basis of the earliest date on which the entity can be required to pay (i.e., for a shorter period of 1 year and 5 years for the 20% and the remaining 80% of the aggregate amount of the Third CB, respectively) was no longer appropriate, and revised the estimate of the amortisation period till Third CB Maturity Date (i.e., for a period of 10 years) accordingly.

The liability component of the Third CB was therefore re-measured on 1 September 2014 by discounting the revised estimated cash flows at the Third CB's original effective interest rate, and resulted in a change in carrying amount of the liability component of the Third CB by RMB992,024,000, which required the adjustment to be recognised in the profit or loss for the year ended 31 December 2014 in accordance with IAS39.

40. CONVERTIBLE BONDS (Continued)

(d) Fourth CB (as defined below)

On 16 June 2014, the Company issued convertible bonds at par to independent third parties with aggregate principal amount of HKD2,137,230,000 (equivalent to RMB1,696,214,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Forth CB"). The Forth CB bears interest rate of 4% per annum with interest to be paid semi-annually in arrears at RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26. The Forth CB is with a conversion period of 5 years from the issue date and can be converted into ordinary shares of the Company at HKD10.0 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as consolidation, share subdivision, capitalisation issue, capital distribution, right issue and other equity or equity derivative issues.

The holders of the Fourth CB has the right to require the Company and the Company has the right to redeem the Fourth CB at an amount equals to the principal amount of the Fourth CB on the fifth anniversary of the date of issue of the Fourth CB.

The Forth CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The Fourth CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on the net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non- convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds equity reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the Fourth CB is 19.72% per annum.

During the year ended 31 December 2015, principal sum of HKD842,000,000 of the Fourth CB was converted by the bondholder to 84,200,000 ordinary shares of the Company.

The movements of component of the Fourth CB during the current year are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds equity reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2016	422,988	329,922	752,910
Effective interest expense charged for the year	87,959	—	87,959
Coupon interest paid during the year	(27,572)	—	(27,572)
At 31 December 2016	483,375	329,922	813,297
Effective interest expense charged for the year	100,440	—	100,440
Coupon interest paid during the year	(27,572)	—	(27,572)
At 31 December 2017	556,243	329,922	886,165

As at 31 December 2017, RMB27,572,000 (2016: RMB27,572,000) of the Fourth CB due within 12 months was classified as current liability.

40. CONVERTIBLE BONDS (Continued)

(e) Fifth CB (as defined below)

On 28 November 2014, the Company issued convertible bonds at par to certain independent third parties with principal amount of HKD1,386,000,000 (equivalent to RMB1,100,000,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) and on 27 January 2015, the Company issued second tranche of this convertible bonds, apart from the maturity date, with the same terms to another independent third party with principal amount of HKD350,000,000 (equivalent to RMB277,777,778 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) (collectively referred to "Fifth CB"). The Fifth CB bears interest rate of 5% per annum with interest to be paid annually in arrears in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26. The Fifth CB is with a conversion period of 3 years from the issue date and can be converted into ordinary shares of the Company at HKD7.0 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as consolidation, share subdivision, capitalisation issue, capital distribution, right issue and other equity or equity derivative issues.

The holders of the Fifth CB has the right to require the Company and the Company has the right to redeem the Fifth CB at an amount equals to the principal amount of the Fifth CB on the third anniversary of the date of issue of the Fifth CB.

The Fifth CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The Fifth CB contained two components, relating to liability and equity. The initial fair value of the liability component and the equity conversion component was determined based on the net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds equity reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the liability component of first tranche of the Fifth CB was 20.83%, while that of second tranche was 25.12%. Their respective maturity date was 27 November 2017 and 26 January 2018.

During the year ended 31 December 2015, principal sum of HKD350,000,000, representing the whole balance of the second tranche of the Fifth CB, was fully converted by the bondholder to 50,000,000 ordinary shares of the Company.

40. CONVERTIBLE BONDS (Continued)

(e) Fifth CB (as defined below) (Continued)

The movements of components of the Fifth CB during the current year are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds equity reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2016	851,195	345,292	1,196,487
Effective interest expense charged for the year	176,396	—	176,396
Coupon interest paid during the year	(55,000)	—	(55,000)
At 31 December 2016	972,591	345,292	1,317,883
Effective interest expense charged for the year	182,409	—	182,409
Principal and coupon interest payable upon maturity during the year (note)	(1,155,000)	(345,292)	(1,500,292)
At 31 December 2017	—	—	—

Note: During the year ended 31 December 2017, the outstanding principal sum of HKD1,386,000,000 (equivalent to RMB1,100,000,000) of the Fifth CB, together with the unpaid interest of HKD69,300,000 (equivalent to RMB55,000,000), totalling HKD1,455,300,000 (equivalent to RMB1,155,000,000) was matured on 27 November 2017 ("Maturity Date"). However, the bondholders did not exercise the conversion right and the Group has agreed with the individual bondholders the following ways of settlement:–

	Principal		Coupon interest payable		Total	
	HKD'000	RMB'000	HKD'000	RMB'000	HKD'000	RMB'000
Total amount outstanding on Maturity Date	1,386,000	1,100,000	69,300	55,000	1,455,300	1,155,000
Less: amount paid to True Bold (as defined in note 32(ii)) from Maturity Date to 31 December 2017	(10,000)	(8,458)	(19,250)	(15,278)	(29,250)	(23,736)
Less: offset with other receivables (note 27(i))	(231,000)	(195,380)	(11,550)	(9,769)	(242,550)	(205,149)
Less: offset with secured deposit (included in other non-current assets (note 24))	(700,000)	(592,060)	(35,000)	(29,603)	(735,000)	(621,663)
Exchange realignment	—	72,279	—	2,610	—	74,889
Reclassify to amounts due to independent third parties included in other payables (note 32(ii))	(445,000)	(376,381)	(3,500)	(2,960)	(448,500)	(379,341)
	—	—	—	—	—	—

40. CONVERTIBLE BONDS (Continued)

Liability component of the convertible bonds analysed for reporting purpose as:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
within one year classified as current liabilities	**429,369**	1,165,695
in more than one year but not more than two years	**528,671**	220,414
in more than two one year but not more than five years	**—**	428,232
more than five years	**553,001**	464,840
Total non-current liabilities	**1,081,672**	1,113,486
	1,511,041	2,279,181

41. BOND PAYABLES

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Analysed for reporting purpose:		
Current liabilities	**1,045,061**	—
Non-current liabilities	**—**	1,012,095
	1,045,061	1,012,095

On 10 November 2015, Shunfeng Investment, a subsidiary of the Group, issued a 3-year corporate bond at par to certain independent third parties in the principal amount of RMB550,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.8% (2016: 7.8%) per annum, and with the maturity date on 10 November 2018.

In addition, on 22 June 2016, Shunfeng Investment issued a 2-year corporate bond at par to certain independent third parties in the principal amount of RMB450,000,000 and to Wuxi Suntech Power Co., Ltd, another subsidiary of the Group, in the principal amount of RMB50,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.7% per annum, and with the maturity date on 22 June 2018. During the year ended 31 December 2016, principal amount of RMB30,000,000 of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

As at 31 December 2017, an aggregate amount of arrangement fee totalling RMB4,939,000 (2016: RMB17,905,000) was included in the balance of bonds payable, and will be released to profit or loss as finance cost using the effective interest method over the bond period.

The proceeds from the bonds payable issued was used to finance the acquisition of property, plant and equipment, capital expenditure on solar power plants, and to fund working capital for general operation.

42. SHARE CAPITAL

Ordinary shares of HKD0.01 each.

Authorised:

	Number of shares	Amount
		HKD
At 1 January 2015, 31 December 2015 and 31 December 2016	10,000,000,000	100,000,000

Issued and fully paid:

	Number of shares	Amount
		HKD
At 1 January 2016	4,082,552,433	40,825,524
Issue of new shares upon conversion of convertible bonds (note i)	108,459,869	1,084,599
Issue of Total Consideration Shares for the acquisition of Suniva completed in 2015 (note ii)	123,138,889	1,231,389
At 31 December 2016 and 2017	4,314,151,191	43,141,512

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Presented in the consolidated financial statements as	**34,876**	34,876

Notes:

(i) During the year ended 31 December 2016, the Company issued and allotted : 108,459,869 ordinary shares of HK$0.01 each upon conversion of convertible bonds. The new ordinary shares issued upon conversion of convertible bonds ranked pari passu with the then existing shareholders in all aspects.

(ii) For the acquisition of 63.13% equity interest in Suniva completed in 2015, the Company issued 123,138,889 new ordinary shares in respect of the Total Consideration Shares on 11 March 2016 as set out in note 22. The new ordinary shares issued ranked pari passu with the then existing shareholders in all aspects.

43. NON-CONTROLLING INTERESTS

	Total
	RMB'000
At 1 January 2016	1,543,861
Loss and total comprehensive expense for the year	(286,805)
Recognition of share-based payment of Lattice Power Group	23,655
Transfer of loss for the year in relation to Jiangsu Changshun and Nine Disposal Entities (note 32(iii))	(2,020)
At 31 December 2016	1,278,691
Loss and total comprehensive expense for the year	(2,503)
Recognition of share-based payment of Lattice Power Group	23,378
Acquisition of additional interest in a subsidiary	(2,250)
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (note 32(iii))	15,984
At 31 December 2017	1,313,300

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

Name of Subsidiary	**Principal place of business**	**Proportion of ownership interests and voting rights held by non-controlling interests**		**Profit (loss) allocated to non- controlling interest**		**Accumulated non- controlling interests**	
		31/12/2017	31/12/2016	**31/12/2017**	31/12/2016	**31/12/2017**	31/12/2016
				RMB'000	RMB'000	**RMB'000**	RMB'000
Jiangsu Changshun and Nine Disposal Entities	The PRC	**100%**	100%	**15,984**	(2,020)	**1,148,945**	1,132,961
Lattice Power Group	The PRC	**41%**	41%	**(2,083)**	(289,599)	**162,188**	141,424

43. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information in respect of Jiangsu Changshun and Nine Disposal Entities and Lattice Power Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangsu Changshun and Nine Disposal Entities	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	1,145,545	1,218,482
Non-current assets	1,387,404	1,456,017
Current liabilities	(1,000,383)	(728,522)
Non-current liabilities	(383,621)	(813,016)
Equity attributable to owners of the Company	—	—
Non-controlling interests	1,148,945	1,132,961

Jiangsu Changshun and Nine Disposal Entities	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	170,954	156,270
Cost of sales	(103,479)	(102,503)
Other income	349	388
Expenses	(51,840)	(56,175)
Profit (loss) for the year	15,984	(2,020)
Profit (loss) attributable to owners of the Company	—	—
Profit (loss) attributable to the non-controlling interests	15,984	(2,020)
	15,984	(2,020)

43. NON-CONTROLLING INTERESTS (Continued)

Jiangsu Changshun and Nine Disposal Entities (Continued)	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Total comprehensive income (expense) attributable to owners of the Company	—	—
Total comprehensive income (expense) attributable to the non-controlling interests	15,984	(2,020)
Total comprehensive income (expense) for the period	15,984	(2,020)
Dividends paid to non-controlling interests	—	—
Net cash inflow from operating activities	143,016	65,664
Net cash outflow from investing activities	(31,321)	(560,369)
Net cash (outflow)inflow from financing activities	(161,663)	36,238
Net cash outflow	(49,968)	(458,467)

Lattice Power Group	At 31 December 2017 RMB'000	At 31 December 2016 RMB'000
Current assets	429,994	387,059
Non-current assets	253,918	238,745
Current liabilities	(303,021)	(318,005)
Non-current liabilities	(33,846)	(32,831)
Equity attributable to owners of the Company	95,043	52,172
Non-controlling interests	252,002	222,796

43. NON-CONTROLLING INTERESTS (Continued)

Lattice Power Group	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000
Revenue	**320,018**	279,974
Cost of sales	**(264,279)**	(281,408)
Other income (note)	**138,383**	1,289,145
Expenses	**(120,731)**	(713,136)
Profit for the period (note)	**73,391**	574,575
Profit attributable to owners of the Company	**43,653**	341,757
Profit attributable to the non-controlling interests	**29,738**	232,818
	73,391	574,575
Other comprehensive (expense) income attributable to owners of the Company	**(782)**	4,087
Other comprehensive (expense) income attributable to the non-controlling interests	**(532)**	2,784
Other comprehensive (expense) income for the year	**(1,314)**	6,871
Total comprehensive income attributable to owners of the Company	**42,871**	345,844
Total comprehensive income attributable to the non-controlling interests	**29,206**	235,602
Total comprehensive income for the year	**72,077**	581,446
Dividends paid to non-controlling interests	**—**	—
Net cash (outflow) inflow from operating activities	**(6,191)**	61,037
Net cash outflow from investing activities	**(27,037)**	(56,824)
Net cash inflow (outflow) from financing activities	**20,000**	(29,700)
Effect of foreign exchange rate changes	**(2,390)**	3,371
Net cash outflow	**(15,618)**	(22,116)

Note: The amounts include the gain of RMB21,262,000 on changes in fair value of Series E Warrants before intragroup eliminations for the year ended 31 December 2017 (2016: RMB1,230,905,000).

44. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**312,046**	326,169
Amounts due from subsidiaries	**7,021,383**	8,088,217
	7,333,429	8,414,386
Current assets		
Other receivables	**23,043**	525
Bank balances and cash	**16,087**	10
	39,130	535
Current liabilities		
Bank and other borrowings	**806,899**	—
Convertible bonds	**429,369**	1,165,696
Other payables	**392,836**	34,904
Provision	**264,196**	228,250
	1,893,300	1,428,850
Net current liabilities	**(1,854,170)**	(1,428,315)
Total assets less current liabilities	**5,479,259**	6,986,071
Capital and reserves		
Share capital	**34,876**	34,876
Reserves	**4,362,711**	4,973,888
	4,397,587	5,008,764
Non-current liabilities		
Convertible bonds	**1,081,672**	1,113,486
Bank and other borrowings	**—**	863,821
	5,479,259	6,986,071

44. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

The movement of the Company's reserves has set forth below:

	Share premium RMB'000	Special reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated deficits RMB'000	Total RMB'000
At January 2016	5,108,206	233,968	3,075,369	(1,810,782)	6,606,761
Loss and total comprehensive expense for the year	—	—	—	(1,859,579)	(1,859,579)
Issue of shares upon conversion of convertible bonds (note 40(b))	96,547	—	(25,287)	—	71,260
Issue of Total Consideration Shares for the acquisition of Suniva completed in 2015	155,446	—	—	—	155,446
At 31 December 2016	5,360,199	233,968	3,050,082	(3,670,361)	4,973,888
Loss and total comprehensive expense for the year	—	—	—	(611,177)	(611,177)
Impact upon maturity of the Fifth CB	—	—	(345,292)	345,292	—
At 31 December 2017	5,360,199	233,968	2,704,790	(3,936,246)	4,362,711

45. ACQUISITION OF OTHER SUBSIDIARIES

For the year ended 31 December 2016

As to enhance the scale of the Group's solar power plants operation, on 8 January 2016, the Group completed the acquisition of 100% equity interest in Sangri Suntech Power Co., Ltd (尚德(桑日)太陽能發電有限公司) ("Sangri Suntech") for a cash consideration of RMB21,460,000. Sangri Suntech is operating a solar power plant in Tibet, the PRC, and has been generating solar electricity prior to the date of acquisition. The acquisition of Sangri Suntech has been accounted for as business combination.

45. ACQUISITION OF OTHER SUBSIDIARIES (Continued)

Assets and liabilities at the date of acquisition was set out below:

	2016 Sangri Suntech RMB'000
Assets	
Solar power plants	42,901
Trade and other receivables	28,651
Value-added tax recoverable	21,793
Cash and cash equivalents	658
	94,003
Liabilities	
Trade and other payables	(72,543)
	(72,543)
Net assets acquired	21,460
Total consideration satisfied by:	
Cash consideration paid	20,360
Deposit paid in the previous year (note 24)	1,100
	21,460
Net cash outflow arising on acquisition:	
Consideration paid in cash	20,360
Less: Cash and cash equivalents acquired	(658)
	19,702

45. ACQUISITION OF OTHER SUBSIDIARIES (Continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB28,651,000. The gross contractual amounts of those trade and other receivables acquired amounted in RMB28,651,000 at the date of acquisition. The principle is expected to be collected in the future.

Goodwill arising on acquisition:

	2016 Sangri Suntech RMB'000
Consideration	21,460
Less: Recognised amount of identifiable net assets acquired	(21,460)

Impact of acquisition on the results of the Group

Included in the loss for the year ended 31 December 2016 was loss of RMB797,000 attributable to Sangri Suntech. Revenue for the year ended 31 December 2016 included RMB14,895,000 generated from Sangri Suntech.

Had the acquisition of Sangri Suntech been completed on 1 January 2016, total group revenue for last year would have been RMB8,276,499,000, and loss for last year would have been RMB2,399,395,000. The pro-forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor was it intended to be a projection of future results.

In determining the "pro-forma" financial information, revenue and profit of the Group had Sangri Suntech been acquired on 1 January 2016, the directors of the Company calculated depreciation and amortisation of solar power plant based on the recognised amounts of solar power plant at the date of the acquisition.

46. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of Lattice Power Group:

On 18 April 2006, Lattice Power Corporation approved the 2006 Global Share Plan (the "2006 ESOP") and common shares of Lattice Power Corporation were reserved to grant to its employees, directors and consultants in certain years. As of 5 August 2015, a total number of 28,000,000 options have been granted to the employees, directors and consultants of Lattice Power Group.

46. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP option holders (the "ESOP Sellers"), the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion").

The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options").

Exercise Price

The exercise price varies depend on the time period when the options were granted:

	From June 2007 to January 2010	From March 2010 to July 2011	From November 2011 to December 2013	From January 2015 to April 2015
Exercise price	USD0.20	USD0.50	USD1.00	USD1.05

Vesting Schedule

Subject to the participant's continued status as employees through each of the applicable vesting dates and to the extent permitted by applicable law, the options are exercisable, in whole or in part, in accordance with the following schedule:

The full vesting period is 4 years since the vesting commencement date. Twenty five percent of the option shall vest on the one year anniversary of the vesting commencement date, and 1/48 of the shares shall vest each month thereafter on the same day of the month as the vesting commencement date, subject to participant continuing to be an employee through each vesting date.

As at 6 August 2015, 4,391,694 options were vested and 9,328,306 options were unvested. The vesting periods of the unvested options are from 7 August 2015 to 30 April 2019.

The exercise periods range from 1 January 2018 to 29 April 2025 and from 1 January 2017 to 29 April 2025 for the options outstanding as at 31 December 2017 and 31 December 2016 respectively. The weighted average remaining contractual terms of options outstanding as at 31 December 2017 is 5.17 years (2016: 6.17 years).

Upon termination as employees (except as provided below), the maximum time to exercise option is 3 months after termination. Upon termination as employees due to disability or death, the maximum time to exercise option is 12 months after termination. The option may only be exercised to shares that have vested as of the date of the participant's termination as a service provider and in no event may the option be exercised after the expiration date. It is the participant's responsibility to exercise the option, if the participant so desires, before it expires or terminates.

46. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

The following table discloses movements of the 49% Outstanding Options for the year ended 31 December 2017 and from 6 August 2015 (date of the Group's acquisition of Lattice Power Group) to 31 December 2016:

	Number of options	Weighted average exercise price per option
Outstanding on 6 August 2015	13,720,000	USD0.93
Exercised	1,960	USD0.52
Outstanding on 31 December 2015 and 2016 and 2017	13,718,040	USD0.93
Exercisable on 31 December 2015	5,041,056	USD0.64
Exercisable on 31 December 2016	7,857,279	USD0.78
Exercisable on 31 December 2017	10,546,927	USD0.85

As at 6 August 2015, the outstanding share-based payment transactions of Lattice Power Corporation are not exchanged by the Group and are measured at their market-based measure at the acquisition date.

These fair values on 6 August 2015 were calculated using the Binomial model. The inputs into the model were as follows:

	Remeasurement of vested portion	Remeasurement of unvested portion
Applicable share value	RMB30.92	RMB30.92
Exercise price	USD0.20–USD1.05	USD1.00–USD1.05
Expected volatility	49.82%–56.49%	51.73%–56.49%
Expected life	1.82–9.73 years	6.24–9.73 years
Risk-free rate	2.53%–3.43%	3.31%–3.43%
Expected dividend yield	0.00%	0.00%
Expected forfeiture rate	0.00%	0.00%
Total fair value on 6 August 2015	RMB76,402,000	RMB235,295,000

46. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

The applicable share value was estimated based on the acquisition share price of Lattice Power Corporation.

Expected volatility was determined by using the average of industry annualised historical stock price volatilities as at 6 August 2015. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The estimations on expected dividend yield and forfeiture rate are based on the historical experience of Lattice Power Corporation.

The fair value of vested portion amounting to RMB76,402,000 are included as part of the non-controlling interest in Lattice Power Corporation. The market-based measure of the unvested portion of RMB34,977,000 is allocated to the non-controlling interest in Lattice Power Corporation based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance of RMB200,318,000 in respect of the unvested portion will be recognised as remuneration cost for post-combination service.

The Group recognised total share-based payment expense of RMB57,695,000 for the year ended 31 December 2017 (2016: RMB: 58,379,000) in relation to the options granted by Lattice Power Corporation.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate as assisted by an independent professional valuer.

47. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of all of its equity interests in nine subsidiaries (2016: five subsidiaries), which holds five solar power plants under construction, two completed solar power plants (2016: two solar power plants under construction and three completed solar power plants) and two solar products trading companies (2016: nil) to independent third parties for a total cash consideration of RMB58,033,000 (2016: RMB315,772,000). The net assets of the subsidiaries at the date of disposal were as follows:

47. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of assets and liabilities over which control was lost:

	2017 RMB'000	2016 RMB'000
Solar power plants	**372,097**	1,977,200
Intangible assets	**8**	—
Other non-current assets	**—**	474,997
Prepaid lease payments	**29,903**	—
Trade and other receivables	**113,306**	172,240
Amounts due from associates	**5,431**	—
Prepayments to suppliers	**507**	—
Interest in an associate	**9,331**	—
Value-added tax recoverable	**7,474**	82,785
Inventories	**171**	—
Bank balances and cash	**2,383**	14,503
Trade and other payables	**(169,785)**	(1,443,388)
Amounts due to the Group	**(322,930)**	(636,782)
Bank and other borrowings	**—**	(366,806)
Deferred tax liabilities	**(741)**	—
Net assets disposed of	**47,155**	274,749
Gain on disposal of subsidiaries:		
Total consideration satisfied by:	**58,033**	315,772
Consideration receivable for disposal of subsidiaries		
– Current assets (note 27)	**19,620**	255,772
– Other non-current assets (note 24)	**—**	15,000
Cash consideration received	**38,413**	45,000
Less: net assets disposed of	**(47,155)**	(274,749)
Gain on disposal (note 8)	**10,878**	41,023
Net cash inflow (outflow) arising on disposal:		
Cash consideration	**38,413**	45,000
Less: bank balances and cash disposed of	**(2,383)**	(14,503)
	36,030	30,497

In respect of 2016 disposal of subsidiaries

Pursuant to the disposal agreements, consideration receivables for disposal of subsidiaries amounting to RMB255,772,000 would be settled within 12 months after 31 December 2016, while the amount of RMB15,000,000 was expected to be settled in 2019 and 2020.

47. DISPOSAL OF SUBSIDIARIES (Continued)

In respect of 2016 disposal of subsidiaries (Continued)

During the year 2017, consideration receivable of RMB232,004,000 has been received by the Group while the remaining amounts of RMB23,768,000 is expected to be settle within 12 months after the end of the current year. The balance is non-trade in nature, unsecured, interest-free and payable on demand.

In respect of 2017 disposal of subsidiaries

Pursuant to the disposal agreements, consideration receivables for disposal of subsidiaries amounting to RMB19,620,000 will be settled within 12 months after 31 December 2017. The amounts due to the Group by the disposed subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

48. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting year, the Group was committed to make the following future minimum leases payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Within one year	**19,860**	20,523
In the second to fifth years	**53,805**	57,286
Over five years	**75,619**	104,626
	149,284	182,435

Operating lease payments represented rental payable by the Group for certain of its office properties and factory premises. The leases are negotiated for an average term ranged from one year to twenty three years (2016: one year to twenty four years).

49. CAPITAL COMMITMENTS

At the end of the reporting period, the Group was committed to the following capital expenditure:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment and EPC of solar power plants		
— contracted for but not provided in the consolidated financial statements	**373,557**	3,750,324

49. CAPITAL COMMITMENTS (Continued)

The Group's share of the capital commitments made jointly with the other joint venturer relating to its joint venture, meteocontrol Electric Power, but not recognised at the end of the reporting date is as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Commitments to contribute investments in meteocontrol Electric Power	**44,100**	44,100

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Financial assets		
Loans and receivables:		
Trade and other receivables	**3,458,629**	3,668,429
Amount due from associates	**5,744**	19,953
Amount due from a joint venture	**762**	652
Restricted bank deposits	**1,476,381**	2,156,556
Bank balances and cash	**663,686**	912,611
Total loans and receivables	**5,605,202**	6,758,201
Available-for-sale investments	**114,433**	88,916
Financial liabilities		
Liabilities measured at amortised costs:		
Trade and other payables	**4,828,644**	5,482,100
Amount due to a joint venture	**32,426**	10,275
Bank and other borrowings	**10,865,293**	11,425,227
Liability component of convertible bonds	**1,511,041**	2,279,181
Bond payables	**1,045,061**	1,012,095
	18,282,465	20,208,878
Obligations under finance leases	**112,047**	146,767
Derivative financial liabilities	**3,336**	7,733
Financial guarantee contracts	**307,571**	307,655

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amount due from associates, restricted bank deposits, bank balances and cash, trade and other payables, amounts due from/to a joint venture, obligations under finance leases, bank and other borrowings, liability component of convertible bonds, derivative financial liabilities, bond payables and financial guarantee contracts. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The primary economic environment which the principal subsidiaries of the Company operates is the PRC and their functional currency is RMB. However, certain transactions of the principal subsidiaries including sales of goods and purchases of machinery and equipment are denominated in foreign currencies.

Details of trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables and bank and other borrowings that are denominated in foreign currencies, are set out in respective notes.

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the foreign currency denominated monetary assets and liabilities at the end of the reporting year are as follows:

	As at 31 December	
	2017	2016
	RMB'000	RMB'000
Assets		
USD	**227,728**	142,409
HKD	**417,417**	1,354,482
JPY	**261,339**	270,808
EUR	**154,556**	197,581
Liabilities		
USD	**(43,130)**	(27,831)
HKD	**(3,375,645)**	(3,107,985)
JPY	**(935,664)**	(802,638)
EUR	**(111,210)**	(40,560)

The Group is mainly exposed to foreign currency risk between EUR/RMB, USD/RMB, HKD/RMB and JPY/RMB.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Currency risk (Continued)

Sensitivity analysis

This sensitivity analysis details the sensitivity to a 5% (2016: 5%) appreciation and depreciation in each relevant foreign currency against functional currency 5% (2016: 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 only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year for a 5% (2016: 5%) change in foreign currency rates. A negative number below indicates a decrease in post-tax profit for the year and a positive number below indicates an increase in post-tax profit for the year where the relevant foreign currencies change 5% (2016: 5%) against RMB.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
USD impact		
— if USD strengthens against RMB	**6,922**	4,297
— if USD weakens against RMB	**(6,922)**	(4,297)
HKD impact		
— if HKD strengthens against RMB	**(110,934)**	(65,756)
— if HKD weakens against RMB	**110,934**	65,756
JPY impact		
— if JPY strengthens against RMB	**(25,287)**	(19,944)
— if JPY weakens against RMB	**25,287**	19,944
EUR impact		
— if EUR strengthens against RMB	**1,625**	5,888
— if EUR weakens against RMB	**(1,625)**	(5,888)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank deposits, bank and other borrowings, liability component of convertible bonds and bond payables (see notes 31, 37, 40 and 41 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits, bank balances, obligations under finance leases and bank and other borrowings (see notes 31, 35 and 37 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including restricted bank deposits, bank balances, obligations under finance leases and bank and other borrowings) at the end of the reporting year and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of restricted bank deposits, bank balances, obligations under finance leases and bank and other borrowings.

10 basis points (2016: 10 basis points) increase or decrease on variable-rate restricted bank deposits and bank balances, and 100 basis points (2016: 100 basis points) increase or decrease on obligations under finance leases and variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate restricted bank deposits and bank balances had been 10 basis points (2016: 10 basis points) higher/lower and all other variables were held constant, the post-tax profits for the year would have increased/decreased by RMB1,605,000 (2016: RMB2,302,000).

If the interest rate on obligations under finance lease and variable-rate borrowings had been 100 basis points (2016: 100 basis points) higher/lower and all other variables were held constant, the post-tax profits for the year would have increased/decreased by RMB38,529,000 (2016: RMB37,766,000).

Other price risk

Available-for-sale investments

The Group is exposed to other price risk in respect of its investments in unlisted managed investment funds.

The fair value adjustment in unlisted managed investment funds will be affected either positively or negatively, amongst others, by the changes in the expected yield of the investments. No sensitivity analysis of other price risk in respect of unlisted managed investment fund has been prepared as the management estimates the actual yield would not significantly deviate from the expected yield.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks to listed equity securities at the reporting date. If the prices of the respective equity instruments had been 5% (2016: 5%) higher, post-tax profit would have increased by RMB5,567,000 (2016: RMB3,850,000) as a result of the changes in fair value of available-for-sale investments. If the prices of the equity instruments had been 5% (2016: 5%) lower, post-tax profit would have decreased by the same amount.

Warrants liabilities arising from the acquisition of Lattice Power Group

The Group is required to estimate the fair values of the warrants liabilities arising from the acquisition of Lattice Power Group at the end of each reporting year, which therefore exposed the Group to equity price risk as at 31 December 2017. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate and volatility.

Details of the derivative financial liabilities in respect of warrants liabilities arising from the acquisition of Lattice Power Group is set out in note 39.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Other price risk (Continued)

Sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to the Company's volatility as of 31 December 2017 only as the directors considered that the change in risk-free rate might not have significant financial impact on the fair values of derivative financial liabilities.

Changes in volatility

As at 31 December 2017, if the volatility to the valuation models had been 10% (2016: 10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would (decrease) increase as follows:

	2017	2016
	RMB'000	RMB'000
Higher by 10%		
Derivative financial liabilities		
— Warrants liabilities arising from the acquisition of Lattice Power Group	**(1,249)**	(2,347)
Lower by 10%		
Derivative financial liabilities		
— Warrants liabilities arising from the acquisition of Lattice Power Group	**1,352**	2,325

In the opinion of the Directors, the sensitivity analyses were unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the derivative financial liabilities involve multiple variables and certain variables were inter-dependent.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group include (i) failure to discharge an obligation by the counterparties from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position (ii) issuing banks fail to settle the bills transferred to collecting banks or suppliers through discounting the bills to collecting banks or endorsing the bills to suppliers with full recourse as described in note 28 and (iii) the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in note 55.

The Group's credit risk is primarily attributable to the trade and other receivables. In order to minimise the credit risk, the directors of the Company continuously monitor the credit quality and financial conditions of the customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk (Continued)

At 31 December 2017, the credit risk of the Group is concentrated on trade receivables from ten (2016: ten) of the Group's customers, all of which were the Group's major customers engaged in the sales and manufacturing of solar cells and modules and state grid companies, which amounted to approximately RMB305,812,000 (2016: RMB539,647,000) and RMB1,162,965,000 (2016: RMB1,112,834,000) and accounted for approximately 11% (2016: 16%) and 40% (2016: 33%) of the Group's total trade receivables and accrued revenue on tariff subsidy. The Group's credit risk is also concentrated on amounts due from independent third parties, consistent in receivable and accounts due from disposal subsidiaries, all are recorded in "other receivables" in note 27, as these balances were concentrated on a limited number of counterparties. Amounts due from independent third parties are concentrated on six (2016: four) counterparties, accounting for 74% (2016: 100%) of the total balance as at 31 December 2017. These customers and counterparties have good repayment history and credit quality under internal assessment by the Group. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial conditions and credit qualities of its customers to ensure that prompt actions will be taken to lower exposure.

There is concentration of credit risk on restricted bank deposits and bank balances and cash for the Group as at 31 December 2017 and 2016. As at 31 December 2017, balances deposited at ten (2016: ten) banks accounted for 79% (2016: 62%) of the total restricted bank deposits and bank balances and cash of the Group. The credit risk on liquid funds is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for the management of the Group's short-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's consolidated financial position. The directors of the Company maintain the sufficiency of cashflows with availability of unutilised banking facilities and internally generated funds. The directors of the Company also review the forecasted cashflows on an on-going basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation and expansion. Maturity of financial obligations will be re-negotiated with creditors and changes on capital expansion plan will be made should the need arise.

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows, include both principal and interest, on non-derivative financial liabilities based on the earliest date in which the Group can be required to pay.

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

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. When the amount payable is not fixed, the amount disclosed has been determined by reference to the inputs as detailed in note 39. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

	Weighted average interest rate %	On demand or less than 6 months RMB'000	6 months to 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	More than 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
At 31 December 2017								
Non-derivative financial liabilities								
Trade and other payables	0.90	4,576,743	340,939	–	–	–	4,917,682	4,828,644
Amount due to a joint venture	–	32,426	–	–	–	–	32,426	32,426
Obligations under finance leases	10.58	25,262	27,828	43,505	29,002	–	125,597	112,047
Bank and other borrowings								
– Fixed rate	7.94	522,031	3,013,014	2,005,244	999,892	425,603	6,965,784	5,840,119
– Variable rate	6.25	1,683,505	1,639,455	441,063	1,294,429	552,333	5,610,785	5,025,174
Bond payables	8	538,500	592,900	–	–	–	1,131,400	1,045,061
Liability component of convertible bonds	20.52	53,860	1,481,203	661,714	–	1,896,556	4,093,333	1,511,041
Financial guarantee contracts	–	298,827	–	36,000	79,000	–	413,827	307,571
Total		7,731,154	7,095,339	3,187,526	2,402,323	2,874,492	23,290,834	18,702,083
Derivative financial liabilities								
Warrants liabilities arising from the acquisition of Lattice Power Group	–	–	–	–	–	–	–	3,336
Total	–	–	–	–	–	–	–	3,336
At 31 December 2016								
Non-derivative financial liabilities								
Trade and other payables	0.17	5,276,100	267,230	–	–	–	5,543,330	5,482,100
Amount due to a joint venture	–	10,275	–	–	–	–	10,275	10,275
Obligations under finance leases	10.58	26,154	26,154	43,647	75,074	–	171,029	146,767
Bank and other borrowings								
– Fixed rate	7.82	1,344,478	1,394,991	1,800,071	1,897,880	1,677,594	8,115,014	6,536,468
– Variable rate	5.91	500,438	242,416	4,178,100	766,376	1,555,334	7,242,664	4,888,759
Bond payables	8	38,500	42,900	1,131,400	–	–	1,212,800	1,012,095
Liability component of convertible bonds	20.56	350,365	1,045,856	254,558	606,836	1,835,718	4,093,333	2,279,181
Financial guarantee contracts	–	228,250	90,058	–	36,000	–	354,308	307,655
Total		7,774,560	3,109,605	7,407,776	3,382,166	5,068,646	26,742,753	20,663,300
Derivative financial liabilities								
Warrants liabilities arising from the acquisition of Lattice Power Group	–	–	–	–	–	–	–	7,733
Total	–	–	–	–	–	–	–	7,733

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

The amounts included above for financial guarantee contracts are the maximum amounts the 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, the 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.

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

In addition to the amounts shown in the above table as at 31 December 2017, the Group may also be required to settle the maximum exposure to loss arising from discounted bills and endorsed bills arrangements with full recourse which were derecognised by the Group as detailed in note 28 in the next six months, amounting to RMB21,360,000 and RMB2,297,821,000 (2016: RMB31,251,000 and RMB1,398,018,000), respectively.

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

As at 31 December 2017, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as bank and other borrowings are disclosed in the corresponding notes, which are generally not on the net basis in financial position.

(c) Fair value

The fair value of financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs (except for the unlisted managed investment fund classified as available-for-sale investments and liability component of the convertible bonds as described below) recognised in the consolidated financial statements approximate their fair values. There were no transfers into and out of level 3 during both years.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(c) Fair value (Continued)

	2017 Carrying amount RMB'000	2017 Fair value RMB'000	2016 Carrying amount RMB'000	2016 Fair value RMB'000
Liability component of convertible bonds	**1,511,041**	**1,217,378**	2,279,181	2,145,503

The fair value of the liability component of convertible bonds as at 31 December 2017 and 2016 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the liability component of convertible bonds is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bonds and discount rate that reflected the credit risk of the Company.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting year. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial items	Classified as	Fair value as at 31/12/2017 RMB'000	Fair value as at 31/12/2016 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted managed investment fund classified as available-for-sale investments	Available-for-sale investments	Assets 111,337	Assets 77,000	Level 3	Net asset of the fund which is determined by the fair value of underlying investment	The fair value of underlying investment	The higher the fair value of underlying investment, the higher the fair value
Warrants Liabilities arising from acquisition of Lattice Power Group (note)	Derivative financial liabilities	Liabilities (3,336)	Liabilities (7,733)	Level 3	Binomial model	Volatility	Refer to sensitivity analysis in note 50(b)

Note: An increase in the volatility used in isolation would result in an increase in the fair value measurement of the warrants liabilities, and vice versa. A 10% increase or decrease in the volatility holding all other variables constant would increase or decrease the carrying amount of the warrants liabilities by RMB1,249,000 (2016: RMB2,347,000) and RMB1,352,000 (2016: RMB2,325,000) respectively.

50. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(c) Fair value (Continued)

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis (Continued)

The following table represents the changes in Level 3 derivative financial instruments during the year ended 31 December 2016 and 2017.

	Unlisted managed investment fund classified as available-for-sale investments	Warrants Liabilities arising from previous acquisition of Lattice Power Group	Derivative financial liabilities arising from previous acquisition of Suniva	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities at 1 January 2016	—	(262,662)	(251,877)	(514,539)
Addition	77,000	—	—	77,000
Derecognition upon issue of Total Consideration Shares on 11 March 2016	—	—	156,476	156,476
Total gain recognised in profit or loss included in other gains and losses and other expenses	—	254,929	95,401	350,330
Assets (liabilities) at 31 December 2016	77,000	(7,733)	—	69,267
Addition	30,000	—	—	30,000
Total gain recognised in profit or loss included in other gains and losses and other expenses	—	4,397	—	4,397
Total gain recognised in profit or loss included in other income	7,278	—	—	7,278
Cash distribution	(2,941)	—	—	(2,941)
Assets (liabilities) at 31 December 2017	111,337	(3,336)	—	108,001

(d) Capital risk management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of restricted bank deposits, cash and cash equivalents, obligations under finance leases, bank and other borrowings, liability component of convertible bonds, bonds payable, equity which includes capital, special reserve, convertible bonds equity reserve and accumulated deficits.

The directors of the Company review the capital structure regularly. The directors of the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issue of bonds, issue of convertible bonds, issue of capital as well as raising and repayment of bank and other borrowings.

51. 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 liabilities arising financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings	Convertible bonds	Obligations under finance leases	Bond payables	Consideration received in advance and related accrued interest	Amounts due to independent third parties	Interest payable included in trade and other payables	Total
	Note 37	Note 40	Note 35	Note 41	Note 32	Notes 32	Note 32	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	11,425,227	2,279,181	146,767	1,012,095	274,700	566,714	103,246	15,807,930
Financing cash flows	(399,445)	(81,054)	(45,692)	20,000	(250,748)	(72,461)	(947,389)	(1,776,789)
Non-cash changes:								
Foreign exchange translation	(203,973)	74,889	–	–	–	(4,395)	–	(133,479)
Finance costs incurred	–	444,178	10,972	12,966	19,532	–	973,671	1,461,319
Impact upon maturity of the Fifth CB								
– Reclassification (see details in note 40(e))	–	(379,341)	–	–	–	379,341	–	–
– Offset with secured deposits (see details in note 40(e))	–	(621,663)	–	–	–	–	–	(621,663)
– Offset with other receivables (see details in note 40(e))	–	(205,149)	–	–	–	–	–	(205,149)
Transfer due to arrangement with Chongqing Future (note 32(iii))	43,484	–	–	–	(43,484)	–	–	–
Proceeds on disposal of subsidiaries (note 47)	–	–	–	–	–	(88,500)	–	(88,500)
Transfer from customers' deposits received due to cancellation of purchase orders	–	–	–	–	–	21,483	–	21,483
Utilisation of deposits paid for EPC of solar power plants	–	–	–	–	–	(40,000)	–	(40,000)
At 31 December 2017	10,865,293	1,511,041	112,047	1,045,061	–	762,182	129,528	14,425,152

52. RETIREMENT BENEFITS SCHEMES

The Group operates MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

53. PLEDGE OF ASSETS

At the end of the reporting year, saved as pledged bank deposits and restricted bank deposits as set out in note 31 and the leased asset (i.e., machineries) under finance lease as set out in note 35, the Group had pledged its 100% equity interests in Wuxi Suntech Power Co., Ltd., Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. and Shunfeng Photovoltaic Holdings Limited. Meanwhile, 33 subsidiaries of the Group, which operated solar power generation, 100% equity interests and related assets were also pledged in order to obtain bank borrowing. The following assets to various financial institutions for securing loans and general credit facilities granted to the Group.

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Prepaid lease payments	**61,098**	65,317
Property, plant and equipment	**5,181,648**	5,202,473
Solar power plants	**6,227,588**	6,494,921
Trade and other receivables	**953,832**	1,117,130

54. RELATED PARTY DISCLOSURES

(a) Related party transactions

Saved as disclosed elsewhere in the consolidated financial statements, during the year, the Group has the following significant transactions with related parties.

			As at 31 December	
			2017	2016
Name of related parties	**Relationship**	**Nature of transactions**	**RMB'000**	RMB'000
meteocontrol Electric Power (2016: "Nanjing meteocontrol)	note (i)	Solar power plant operation and maintenance services charges	**100,324**	17,339
Tiancheng International Auctioneer Limited ("Tiancheng International") ("天成國際拍賣有限公司")	note (ii)	Rental expense	**2,753**	N/A
Shunfeng Suntech	note (iii)	Sales of solar products	**3,928**	N/A

Notes:

(i) The management considers meteocontrol Electric Power is a related party as it is accounted for as a joint venture of the Group. This company was established by the Group and one of its senior management during the year ended 2016.

(ii) The management considers Tiancheng International is a related party as it is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company).

(iii) The management considers Shunfeng Suntech is a related party as it is accounted for as an associate of the Group. This entity was newly established by the Group and other three independent third parties during the year ended 31 December 2017.

54. RELATED PARTY DISCLOSURES (Continued)

(a) Related party transactions (Continued)

The remuneration of directors and other members of key management of the Group during the year was as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Basic salaries and allowances	**13,075**	13,203
Performance-related incentive bonuses	**1,545**	1,385
Retirement benefits scheme contributions	**180**	246
	14,800	14,834

The remuneration of directors and key executives is determined with reference to the performance of individuals and market trends.

55. CONTINGENT LIABILITY

	2017	2016
	RMB'000	RMB'000
Guarantees provided to financial institutions in respect of banking facilities granted to third parties:		
Total guaranteed amounts	**413,827**	354,308
Less: amounts provided as financial guarantee contracts (note 36)	**(307,571)**	(307,655)
Unprovided amount	**106,256**	46,653

In addition, on 19 August 2016, the Company received a writ of summons taken out by King Success Corporate Consulting Limited ("King Success") against Company. In the writ of summons, King Success has alleged that King Success had subscribed for convertible bonds in the principal amount of HKD1,000,000,000 issued by the Company in 2014 pursuant to a written agreement entered into with the Company's placing agent and they were induced to subscribe for such bonds by misrepresentations made over, amongst others, the return to be generated from such convertible bonds. The writ of summons did not specify the amount of damages claimed.

The Company is currently taking legal advice over the writ of summons and intends to defend the claim under the writ of summons vigorously. The directors with the assistance from the legal counsel appointed by the Company, based on the fact and information currently collected, assessed that the relevant impact to the consolidated financial statements to be immaterial.

56. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, there were no other significant events taken place subsequent to 31 December 2017.

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Group As at 31 December 2017	2016	Proportion of voting right held by the Company As at 31 December 2017	2016	Paid-in share capital/ registered capital at 31 December 2017	Principal activities
Shunfeng Photovoltaic Holding Limited	Hong Kong 16 August 2010	100%	100%	100%	100%	HKD500	Investment holding
S.A.G. Solar GmbH & Co. KG	Germany 9 January 2014	100%	100%	100%	100%	EUR1,000	Trading and Investment holding
meteocontrol GmbH	Germany 29 January 1998	100%	100%	100%	100%	EUR30,300	Solar power plant operation and services
Wuxi Suntech Power Co., Ltd (note (a))	The PRC 22 January 2001	100%	100%	100%	100%	RMB4,607,222,516	Manufacturing and sales Solar Products
Luoyang Suntech Power Co., Ltd. (note (a))	The PRC 16 November 2005	100%	100%	100%	100%	RMB320,000,000	Manufacturing and sales of Solar Products
Suntech Japan	Japan 31 July 1967	100%	100%	100%	100%	JPY 450,000,000	Manufacturing and sales of Solar Products
Jiangsu Shunfeng (note (b))	The PRC 10 October 2005	100%	100%	100%	100%	RMB4,835,512,127	Manufacturing and sales of Solar Products
Changzhou Shunfeng Photovoltaic Materials Co., Ltd. (note (a))	The PRC 21 September 2010	100%	100%	100%	100%	RMB434,731,874	Manufacturing and sales of Solar Products
Jiangsu Shunfeng Photovoltaic Electronic Power Co., Ltd (note (b))	The PRC 29 December 2011	100%	100%	100%	100%	USD200,000,000	Manufacturing and sales of Solar Products and provision of related installation services
Shungfeng Photovoltaic Investment (China) Co., Ltd ("Shunfeng Investment") (note (b))	The PRC 13 May 2013	100%	100%	100%	100%	USD658,000,000	Investment holding and provision of technical advisory services
Jiangxi Shunfeng Photovoltaic Investments Co., Ltd (note (a))	The PRC 24 June 2013	100%	100%	100%	100%	RMB450,000,000	Investment holding

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiary	Place and date of incorporation/ establishment	Attributable equity interest of the Group As at 31 December		Proportion of voting right held by the Company As at 31 December		Paid-in share capital/ registered capital at 31 December 2017	Principal activities
		2017	2016	2017	2016		
Lattice Power Corporation	The Island of Grand Cayman 18 January 2006	100%	100%	100%	100%	USD84,151.16	Manufacturing and sales of LED Products
Lattice Power (Jiangxi) Co., Ltd (note (b))	The PRC 13 February 2006	100%	100%	100%	100%	USD123,000,000	Manufacturing and sales of LED Products
Jiangxi Latticebright Co., Ltd (note (a))	The PRC 14 March 2013	100%	100%	100%	100%	RMB60,000,000	Manufacturing and sales of LED Products
Jiangxi Changda Optoelectronic Science & Technology Co., Ltd (note (a))	The PRC 1 December 2000	100%	100%	100%	100%	RMB19,800,000	Manufacturing and sales of LED Products
Mega-Solar	Japan 1 August 2014	100%	100%	100%	100%	JPY820,000,000	Solar power generation
Sangri Suntech Power Co., Ltd.	The PRC 21 April 2011	100%	100%	100%	100%	RMB46,000,000	Solar power generation

Notes:

(a) The companies are limited liability companies.

(b) The companies are wholly owned foreign enterprises.

Apart from that Shunfeng Investment, the 3-year 7.8% RMB550,000,000 corporate bond due by 2018 on 10 November 2015 and the 2-year 7.7% RMB500,000,000 corporate bond due by 2018 on 22 June 2016, no other subsidiaries had issued any debt securities at the end of both years.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, 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.

Financial Summary

Results	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
	For the year ended 31 December				
Turnover	1,529,676	5,745,939	7,032,374	8,276,499	**10,017,432**
(Loss) profit before interest expenses and tax	(1,757,774)	1,775,927	785,370	(1,372,283)	**655,659**
Interest expenses	(44,162)	(322,165)	(699,605)	(1,031,825)	**(1,423,292)**
(Loss) profit before tax	(1,801,936)	1,453,762	85,765	(2,404,108)	**(767,633)**
Income tax credit (expense)	(15,557)	(149,733)	(27,805)	4,713	**(66,503)**
(Loss) profit for the year	(1,817,493)	1,304,029	57,960	(2,399,395)	**(834,136)**
Total comprehensive income (expense) for the year	—	7,675	(24,644)	31,608	**41,903**
(Loss) profit and total comprehensive (expense) income for the year	(1,817,493)	1,311,704	33,316	(2,367,787)	**(792,233)**
(Loss) profit for the year attributable to:					
Owner of the Company	(1,815,641)	1,307,878	44,803	(2,109,843)	**(832,050)**
Non-controlling interest	(1,852)	(3,849)	13,157	(289,552)	**(2,086)**
	(1,817,493)	1,304,029	57,960	(2,399,395)	**(834,136)**
(Loss) profit and total comprehensive (expense) for the year income attributable to:					
Owners of the Company	(1,815,641)	1,315,566	14,186	(2,080,982)	**(789,730)**
Non-controlling interests	(1,852)	(3,862)	19,130	(286,805)	**(2,503)**
	(1,817,493)	1,311,704	33,316	(2,367,787)	**(792,233)**

Assets and liabilities	2013 RMB'000	2014 RMB'000	2015 RMB'000	2016 RMB'000	**2017 RMB'000**
	As at 31 December				
Total assets	9,638,582	21,131,710	28,859,411	28,013,407	**25,325,942**
Total liabilities	(7,857,359)	(15,004,712)	(20,687,373)	(21,922,125)	**(19,971,448)**
	1,781,223	6,126,998	8,172,038	6,091,282	**5,354,494**
Equity attributable to owners of the Company	1,777,211	6,121,854	6,628,177	4,812,591	**4,041,194**
Non-controlling interests	4,012	5,144	1,543,861	1,278,691	**1,313,300**
	1,781,223	6,126,998	8,172,038	6,091,282	**5,354,494**

Definitions

In this annual report, unless the context otherwise requires, the following terms shall have the following meanings:

"Board"	the board of director(s) of the Company
"Company", "we" or "us"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"EPC"	engineering, procurement and construction
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals to one billion watt
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MW"	megawatt, which equals to one million watt
"MWh"	megawatt hour
"PRC" or "China"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"United States" or "U.S."	the United States of America
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd., a company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Year"	twelve months ended 31 December 2017

順風國際清潔能源有限公司
SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

This annual report is printed on environmentally friendly paper