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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2018

	Notes	**2018** ***RMB'000***	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**1,517,027**	1,531,099
Prepayments for acquisitions of property, plant and equipment		**62,451**	14,245
Land lease prepayments		**141,989**	146,233
Prepayments for raw materials	*10*	**33,557**	55,298
Investments in associates		**5,591**	5,251
Equity investment designated at fair value			

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
Cash generated from operations	**916,648**	14,659
The PRC income tax credit/(paid)	**4,831**	(3,910)
Net cash flows generated from operating activities	**921,479**	10,749
Net cash flows used in investing activities	**(275,932)**	(78,486)
Net cash flows used in financing activities	**(600,879)**	(30,205)

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed and classified its financial assets into the appropriate HKFRS 9 categories. The main effects resulting from the reclassification were as follows:

	Equity investments designated at fair value through other comprehensive income *RMB'000*	**Available-for-sale investments** *RMB'000*
Closing balance as at 31 December 2017	—	2,430
Reclassification from available-for-sale investments to equity investments designated at fair value through other comprehensive income	2,430	(2,430)
Re-measurement of financial assets	—	—
Opening balance as at 1 January 2018	2,430	—

The financial assets of RMB2,430,000 that were previously classified as available-for-sale investments under HKAS 39 have been reclassified as equity investments designated at fair value through other comprehensive income under HKFRS 9. No gain or loss was recognised in profit or loss.

Impairment

HKFRS 9 requires an impairment of debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group has applied the simplified approach and recorded lifetime expected losses that were estimated based on the present values of all cash shortfalls over the remaining life of all of its trade debtors. Furthermore, the Group has applied the general approach and recorded twelve-month expected credit losses that were estimated based on the possible default events on its other receivables within the next twelve months. The adoption of HKFRS 9 has had no significant impact on the financial position or performance of the Group except the reclassification mentioned above.

c. HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the n(i)0.5(n)0.6(c)0.w it0.5(s)nn0.5(r)0.itise60.5(r)0.5(m)0.6(i)0.5(s)0.5(e)0.(r)05(()

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the years ended 31 December 2018 and 2017 is set out below:

	Segment A		Segment B		Segment C		Segment D		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**808,499**	1,054,333	**3,070,648**	2,843,331	**85,123**	73,491	**58,182**	28,461	**4,022,452**	3,999,616
Intersegment revenue	**1,070,901**	1,487,875	**2,241,010**	1,613,989	**340,326**	320,092	**849**	2,185	**3,653,086**	3,424,141
Reportable segment revenue	**1,879,400**	2,542,208	**5,311,658**	4,457,320	**425,449**	393,583	**59,031**	30,646	**7,675,538**	7,423,757
Reportable segment (loss)/ profit	**(221,124)**	111,759	**70,488**	29,666	**(52,893)**	1,140	**(17,058)**	(18,808)	**(220,587)**	123,757
Reportable segment assets	**3,159,913**	3,204,874	**544,437**	578,659	**672,223**	674,060	**189,428**	153,617	**4,566,001**	4,611,210
Reportable segment liabilities	**2,649,294**	2,461,294	**636,327**	690,585	**373,507**	302,967	**98,882**	120,935	**3,758,010**	3,575,781
Other segment information:										
Interest income from bank deposits	**1,293**	1,113	**3,354**	7,445	**927**	558	**42**	28	**5,616**	9,144
Finance costs	**(55,191)**	(49,837)	**(57,816)**	(45,794)		(16,51)		(,41)		

(136,1) **(6,54)**

4. OTHER INCOME AND GAINS, NET

	2018	2017
	RMB'000	*RMB'000*
Other income		
Government grants	**46,184**	29,089
Interest income from bank deposits	**5,616**	9,144
Gain on disposal of a subsidiary	**—**	32,520
Gain on previously held equity interest remeasured at acquisition-date fair value	**—**	8,819
Bargain purchase gain on acquisition of a subsidiary	**—**	159
	51,800	79,731

6. FINANCE COSTS

	2018	2017
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**135,469**	120,631
Interest on finance leases	**543**	1,071

12. TRADE AND BILLS RECEIVABLES

2018	2017
RMB'000	*RMB'000*

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if the Group is satisfied that recovery of the amount is remote.

The Group sells its products to large-scale Chinese state-owned and multinational composite enterprises, which have been maintaining good credit ratings with high reputations all over the world. The Group traded with such enterprises and never had any receivables that could not be recovered. Therefore, the directors were of the opinion that no impairment allowance was necessary for large-scale Chinese state-owned enterprises and multinational composite enterprises.

The Group applies the simplified approach to the provision for expected credit losses prescribed by HKFRS 9, which permits the use of lifetime expected loss provision for all trade debtors. To measure the expected credit loss on trade debtors excluding receivables from large-scale Chinese State-owned and multinational composite enterprises, trade debtors have been grouped based on shared credit risk characteristics and the ageing.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

	Large-scale Chinese state-owned and multinational composite enterprises	**Within 1 year**	**Between 1 and 2 years**	**Between 2 and 3 years**	**Between 3 and 4 years**	**Over 4 years**	**Total**
Expected credit loss rates	—	13.46%	44.03%	64.12%	89.76%	100%	
Gross carrying amount							

The ageing analysis of trade and bills receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 *RMB'000*
Not past due	1,368,439
Less than 1 month past due	90,543
1 to 3 months past due	118,350
4 to 6 months past due	13,609
7 to 12 months past due	10,516
Over 1 year past due	47,151
	1,648,608

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

As at 31 December 2018, bills receivable amounting to RMB141,283,000 (31 December 2017: RMB53,196,000), together with pledged deposits amounting to RMB243,284,000 (31 December 2017: RMB42,801,000) had been pledged as security to banks for acquiring interest-bearing bank borrowings amounting to Nil (31 December 2017: RMB219,749,000), for issuing bills payable to suppliers amounting to RMB661,518,000 (31 December 2017: RMB95,700,000), and for issuing letters of guarantee amounting to RMB46,984,000 (31 December 2017: RMB20,000,000).

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Prepayments for raw materials	**174,486**	142,686
Deductible value-added tax	**53,146**	180,412
Other receivables	**20,103**	31,029
Less: Impairment allowance	**(6,800)**	(6,800)
	240,935	347,327

(b) Certain subsidiaries' borrowings are guaranteed by the other subsidiaries of the Group.

	2018	2017
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**1,646,130**	1,920,643
Other borrowings repayable:		
Within one year	**127,010**	1,679
In the second year	**4,700**	122,994
In the third to fifth years, inclusive	**12,617**	1,764
	144,327	126,437
	1,790,457	2,047,080

16. TRADE AND BILLS PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payables	**546,547**	611,729
Bills payable	**894,518**	443,807
	1,441,065	1,055,536

(a) The ageing analysis of trade and bills payables at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month	**449,254**	413,868
1 to 3 months	**319,128**	285,633
4 to 6 months	**267,889**	292,278
7 to 12 months	**365,662**	18,226
Over 1 year	**39,132**	45,531
	1,441,065	1,055,536

(b) As at 31 December 2018, the Group's bills payable of RMB661,518,000 (31 December 2017: RMB95,700,000) were secured by Group's bills receivable of RMB141,283,000 (31 December 2017: RMB53,196,000) and by Group's pledged deposits of RMB196,300,000 (31 December 2017: Nil).

17. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	*RMB'000*
Other payables and accrued expenses	**82,730**	67,040
Other tax payables	**21,147**	23,444
Receipts in advance	**—**	43,850
Dividends payable	**148**	142
	104,025	134,476

18. CONTRACT LIABILITIES

Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018	1 January 2018
	RMB'000	*RMB'000*
Sale of industrial products	**64,466**	43,850

rapid iteration of new technologies. N-type mono-crystalline silicon will become the fastest growing technology in further enhancing efficiencies. Photovoltaic targets and subsidy policies for 2019 are currently under rigorous discussions. Direction of development for projects reaching photovoltaic grid parity is becoming more clear. Unsubsidised photovoltaic projects are expected to materialise during the year in price biddings of the fourth batch of "Top Runners Program". According to the National Energy Administration's "Guidance on Energy-related Work for 2018" (二零一八年能源工作指導意見) issued by the National Energy Bureau (中國國家能源局), installation of village-level photovoltaic poverty-alleviation* (光伏扶貧) power stations will be spread out in three years (2018–2020). In 2018, the village-level photovoltaic poverty-alleviation power stations will be around 15GW and is expected to benefit population of around 2 million from poverty-stricken households. This photovoltaic poverty-alleviation program places its focus on the distributed power plant market. After the completion of the power stations, it will demonstrate the full advantages of the photovoltaic industry and enhance the economic strength of the poor villages and is also conducive to the continued growth in the Group's market share of the monocrystalline silicon products.

Mono-crystalline silicon technology has already been regarded as the mainstream of the future by the market. Enhancement of technology to effectively reduce costs has led to a rapid reduction in the cost of mono-crystalline silicon. Strong demands drives the effect of economies of scale. The future development trend towards mono-crystalline silicon has become clearer. Global demand for mono-crystalline silicon products is increasing rapidly. The global market share of mono-crystalline silicon ratio was 18% in 2015, 27% in 2016 and 36% in 2017. It is expected that the market share of mono-crystalline silicon will increase at a steeper rate in 2018, leading to mono-crystalline silicon modules, in 2019, overtaking multi-crystalline silicon modules in market share.

The United States is currently the second largest solar photovoltaic market in the world, with Wood Mackenzie Power & Renewables (formerly GTM Research) and Solar Energy Industries Association (SEIA) releasing a joint report showing that in the third quarter of 2018, U.S. new photovoltaic installations reached 1.7GW. It is estimated that the new photovoltaic installations will be around 11.1GW for the year, which will be the same as in 2017, with a total installed capacity reaching 60GW. It is also expected that the total photovoltaic capacity in the United States will more than double in the next five years. By 2023, the United States will install more than 14GW of new photovoltaic installation capacity per year. According to the US Energy Information Administration (EIA), non-hydro renewables such as solar and wind will become the fastest growing sources of power generation in the United States in the next two years. In 2019, the U.S. power sector plans to add more than 4GW of photovoltaic installed capacity and nearly 6GW in 2020. In addition to utility-scale solar power in the power sector, small-scale solar photovoltaic systems installed by homes and businesses, and EIA predicts that small-scale solar power capacity will grow by nearly 9GW in the next two years, representing an increase of 44%.

In the Indian market, the cumulative installed capacity at the end of the third quarter of 2018 has reached 25GW. According to data from Bridge to India research, India's new utility-grade photovoltaic installed capacity in 2018 was 6.8GW, down 19.5% from 2017 (8.5GW). It was due to the uncertainty brought about by the government's implementation of the goods and services tax. The Ministry of New and Renewable Energy said that India will target the installed capacity of all renewable energy technologies to 500GW by 2030, of which 350GW will be solar energy power generation. It is planned to have 100GW of solar energy by 31 March 2022. It is estimated that India's renewable energy installed capacity will increase by 15.86GW in 2019, which is likely to surpass the U.S. as the world's second largest photovoltaic market.

In the Japanese market, although the FIT subsidy was further lowered from 1 April 2018, it is estimated that the installed capacity of new photovoltaics in 2018 will be between 6GW and 9GW. It was mainly driven by the government strengthening the deployment of lithium battery energy storage system applications and vigorously advocating zero-energy residential (ZEH) programs. The government passed the newly revised "Energy Basic Plan" on 3 July 2019, aiming to position renewable energy sources such as solar energy and wind energy as the main power source. It targets, by 2030, the proportion of renewable energy power generation in total power generation will be increased to 22% to 24%, of which photovoltaic power generation will reach the target of 7%, and making renewable energy the mainstream in 2050.

In European markets, European Union ended anti-dumping and anti-subsidy mt ok7 o

number of GW-level markets will increase from six in 2016 to fifteen in 2019. As the number of GW-level markets increases, the global market will continue to become more dispersed. Emerging markets such as Southeast Asia, North Africa, the Middle East and Latin America are beginning to emerge in 2018. Demand in the Middle East is expected to increase by about 100% in 2018 and will further increase in 2019. In particular, the European market, which has seen a significant recovery since 2018, has the fastest growth, possibly exceeding 50%.

Operations review

The Group focuses on the vertical integration for photovoltaic monocrystalline products, providing one-stop solutions for the photovoltaic industry ranging from the manufacturing and sales of silicon ingots and wafers, photovoltaic cells and photovoltaic modules, the installation of photovoltaic system and the development, design, construction, operation and maintenance of photovoltaic generation plants. Apart from not self-manufacturing polysilicon, the scope of its business covers the whole industry chain of the photovoltaic industry.

Although the Group possesses the capacities to manufacture the aforementioned mono-crystalline silicon ingots, mono-crystalline silicon wafers, solar cells and modules, the production capacity of each is not exactly the same. Currently, the Group's production capacities for monocrystalline silicon ingots and monocrystalline silicon wafers are both 1.8GW respectively. Monocrystalline solar cell annual production capacity remains at 400MW with photovoltaic module production capacities at 2.2GW. Through this capacity allocation strategy, the Group's strategy can be manifested. Through satisfying the external demands for its photovoltaic modules while, at the same time, boosting the internal demands for its monocrystalline silicon ingots/wafers, and through the strategy of partly self-manufacturing and partly externally procuring the mid-stream solar cells, under the abovementioned strategy to drive the Group's overall capacity utilisation from bottom up, the Group is able to better mitigate the market risks arising from fluctuant sales of upstream silicon wafers or unstable supply of mid-stream solar cells. In addition, with a focus on the production of upstream mono-crystalline silicon ingots and silicon wafers, and planning the downstream module production capacity, in order to focus on the production of upstream niche products, mono-crystalline silicon ingots and wafers, and through significant module production capacity, the Group not only maintains direct contact with downstream customers, but also keeping a finger on the pulse of the end-user market, and can also bring out the upstream high-end mono-crystalline silicon ingot and wafer products. Through the potential of continuous improvement in production costs of the upstream high-end mono-crystalline ingot and wafer products, the Group's innate advantage will be demonstrated.

In terms of operating results, in 2018, although the market was generally affected by the news of the "531 New Policy", especially those inefficient photovoltaic products in the market. However, reaping the benefits of the results from strengthening the customer relationship of downstream module products over the years, the Group's high-end photovoltaic products continued to be welcomed by domestic state-owned enterprises and multinational enterprises. Total shipment increased from 2,428MW in 2017 to 2,797MW in 2018, a growth reaching 15.2%.

In terms of price, affected by the news of the "531 New Policy", the sudden and rapid freezing of market demand caused the supply side to irrationally cut prices in the short term. However, not only did the price cuts failed to immediately stimulate demand, it even caused deferrals in procurement by the demand side, hence resulting in substantial inventory provision. As such, the Group's overall gross profit was greatly compressed. The gross profit margin reduced from 16.4% in 2017 to 9.9% in 2018, resulting in an operating loss of RMB95.271 million in 2018, whereas an operating profit of RMB251.595 million was recorded in 2017.

However, despite the sudden and irrational factors of the aforementioned market, and even though the average unit price of the product in the future is still expected to gradually decrease with the advent of grid parity, the Group can rely on (1) the comparative advantages from technological superiority of its diversified product lines; (2) the highly competitive supporting outsourced production, to significantly drive its production costs down; and (3) the progressive commissioning of the high-efficiency production equipment, in particularly, with regard to the Group's first phase 600MW mono-crystalline ingot and wafer project located in Qujing City, Yunnan Province, China, in the actual trial production stage, the finished products of mono-crystalline products being also in line with expectations, the costs having been reduced by one-third compared with the finished products produced in Jinzhou, it is expected that the magnitude of decrease in cost of the Group's products will be greater than that of the decrease in unit selling pricreecd threGroup's gross profit will return toee normal level.

While maintaining its own leading technological adv0.5(ee)0.5(c)0.5(t)0.5(a)0.5(g)0.5(e)0.5( )0.5(i)0.5

Group's downstream modules driving th internal demand of its upstream ingots and wafers, also through establishing and strengthening strategic partnerships, the Group and its partners will be able to leverage their respective strngths a0.56(n)0.5(d)0.5( )0.5(e)0.5(x)0.5(p)0.5

capacity, and through significant module production capacity, the Group not only maintains direct contact with downstream customers, but also keeping a finger on the pulse of the end-user market, and can also bring out the upstream high-end mono-crystalline silicon ingot and wafer products. Through the potential of continuous improvement in production costs of the upstream high-end mono-crystalline ingot and wafer products, the Group's innate advantage will be demonstrated.

Therefore, the Group will be more able to focus on the market development and sales of upstream mono-crystalline silicon ingots and wafers and downstream end-user module products, thereby giving full play to the existing advantages of vertical integration of the Group's upstream and downstream mono-crystalline products.

Silicon ingot and wafer business

Apart from not producing its own polysilicon, a chemical product, in the scope of its business, the Group covers an all-rounded photovoltaic industry production chain under its vertically integrated business model. As such, the Group both self-manufactures and process upstream of ingots, wafers and solar cells for the utilisation by its downstream modules, in order to enhance the respective external market competitiveness of each product segment, and to allow for their external sales. During the period, demand for monocrystalline products had continuously increased which led to rapid growing market share of monocrystalline products. In addition to the traditional monocrystalline P-type products, shipment volume of monocrystalline N-type products with higher conversion efficiencies are also increasing. With the continued realisation of advantages in better improvement in conversion efficiency, more stable decay rate in its photovoltaic systems, continued reduction in unit costs, etc. of monocrystalline products, it is expected that the advantages of monocrystalline products will become more obvious in the field of photovoltaic power generation, and the market share of monocrystalline silicon products will further increase significantly. Guided by this advantageous environment in the industry, the Group, through its long-term strategic partnerships with well-known solar cell-focused manufacturers, not only enjoys priority distribution channels for the sales of its monocrystalline wafers, but also ensures the long-term stable utilisation of the Group's capacity and shipment volume. The benefits of the Group's upstream and downstream vertical integration are fully realised.

The Group have consolidated its leading position in the mono-crystalline silicon solar ingot and wafer manufacture industry in terms of technology and product quality. The quality stability of its monocrystalline silicon products is amongst those of the industry leaders. During the year, the external shipment volume of mono-crystalline silicon ingots was 413.8MW, representing an increase of 32% compared to 313.5MW in 2017. External shipment volume of mono-crystalline silicon wafers has remained stable at 850.3MW (822.3MW in 2017). Major customers of external sales included Aikosolar Group (愛旭太陽能集團), TW Solar Group (通威太陽能集團), Motech Industries, Inc. (MOTECH) and huge state-owned enterprises in China, such as State Power Investment Corporation (中國國家電力投資集團公司) ("SPIC").

In addition, phase one 600MW monocrystalline silicon solar ingot and wafer project, newly invested by the Group, located in Qujing City, Yunnan Province, China has gradually commenced production. In addition to the local electricity costs at the new plant being lower than that at our major production base, the manufacturing facilities of the new generation silicon ingots, researched and developed in association with a specialist manufacturer, has commenced production. It facilitated the lowering of manufacturing cost of ingots and wafers; strong support from the local government are available, in particular financial support obtained for land, warehouses and a variety of factory facilities, the construction and follow-up operation, in order to improve the operating efficiency of the new plant. In the actual trial production stage, the finished products of mono-crystalline silicon products are also in line with expectations. The costs has been reduced by one-third compared with the finished products produced in Jinzhou. The Group expects the Qujing Project will become the new layout point of the Group, further improving the Group's overall manufacturing costs, and paving the way for the improvement in the Group's gross profit. The Group is currently actively planning phase two 600MW of the project.

Solar cell business

The Group's production lines of solar cells are located at the Group's manufacturing base in Jinzhou, Liaoning. During the year, the annual production capacity of solar cells was 400MW (2017: 400MW). Solar cells are mainly provided internally to the downstream module business of the Group. Only a small portion of solar cells with special specifications are sold to our selected customers in China and Japan. The Group's solar cell manufacturing capacity is highly flexible. Our products range is hence extensive, which includes mono-crystalline, multi-crystalline, P-type high end, N-type double-sided solar cells, etc. Focusing on the impsig(c)0.5(a)0.5(t)0.5(e)0.6(d)0.5(a)0.5(t)0.5( )0.e is highly Oh

By continuously lowering production costs, not only will the economies of scale be more

In summary, through customer demand for the Group's downstream modules, it has not only driven the internal demand for the Group's upstream monocrystalline ingots and monocrystalline wafers, but also helps to realise the benefits arising from the Group's vertical integration strategy, and to better mitigate the market risks arising from

Cost of sales

Up to 31 December 2018, cost of sales increased from RMB3,341.743 million last year to RMB3,624.902 million, representing an increase of 8.5%, which resulted from the increase in shipment volume. Cost of sales represented 90.1% of total revenue, representing an increase of 6.5 percentage points from 2017. The increase in this ratio was mainly a result of the market selling prices being affected by the news of the "531 New Policy", which caused the supply side to irrationally cut prices in the short term.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB397.55 million and a gross profit margin of 9.9% in 2018, as compared to a gross profit of RMB657.873 million and a gross profit margin of 16.4% in 2017. Both gross profit and the gross profit margin recorded declines. They were mainly affected by the news of the "531 New Policy", the sudden and rapid freezing of market demand causing the supply side to irrationally cut prices in the short term. However, not only did the price cuts failed to immediately stimulate demand, it even caused deferrals in procurement by the demand side resulting in substantial inventory provision. The Group's overall gross profit was hence greatly compressed.

Selling and distribution expenses

Selling and distribution expenses mainly comprised packaging expenses, freight charges and insurance expenses. Selling and distribution expenses increased to RMB77.447 million in 2018 from RMB67.701 million in 2017. The increase in selling and distribution expense was mainly due to the increase in volume of external shipment in 2018.

Administrative expenses

Administrative expenses mainly comprised staff costs and research and development expenses. The administrative expenses in 2018 amounted to RMB377.609 million, which decreased by 3.7% as compared to RMB392.095 million in 2017.

Finance costs

Finance costs represented mainly bank loan interests. The Group's finance costs increased from RMB121.702 million in 2017 to RMB136.012 million in 2018, an increase of 11.8%. As mentioned above, external shipment of the Group has grown significantly by 15.2%. Given the significant increase in corresponding shipments, increase of a lesser percentage in the Group's finance cost was recorded. It was a result of better financial control on the use of funds during the year. With a turnover in profit, the financial structure of the Group has been further improved, creating more room for negotiation of finance costs. The Group expects to continue reducing finance costs in the future and will obtain various different financing channels.

Income tax

Income tax credit was RMB12.157 million in 2018, while an income tax credit amounted to RMB8.86 million was recorded in 2017. Income tax credit recorded in 2018 was mainly due to the recognition of the Group's deferred tax assets.

Loss/profit attributable to the equity holders

In 2018, the Group recorded a loss attributable to the equity shareholders of RMB222.402 million, as compared to a profit attributable to the equity shareholders of RMB107.462 million in 2017.

Inventory turnover days

In order to replace traditional petrochemical energy in a larger scale and to effectively achieve the ultimate goal of green and clean energy, continuous technological advancement has driven down the prices of photovoltaic products over the years. This led to declining trends in prices of many related raw and auxiliary materials for production and finished products. Working capital of inventory reserves

proportion of operating income, the trade receivables turnover days increased. From the rapid growth of the ratio of revenue in modules sales of the Group, the trade receivables turnover days of the Group increased to 141 days (31 December 2017: 96 days) in 2018.

Trade payable turnover days

The trade payables turnover day was 124 days, which rose significantly comparing to 96 days of last year, was mainly due to the strategic partnerships established with our major suppliers, under stable and frequent co-operations, and the suppliers have gradually increased our lines of credits and payment terms.

Liquidity and financial resources

The principal sources of working capital of the Group during the year were cash flows from bank borrowings. As at 31 December 2018, the current ratio (current assets divided by current liabilities) of the Group was 0.80 (31 December 2017: 0.89). The Group had net borrowings of RMB1,125.436 million as at 31 December 2018 (31 December 2017: RMB1,636.798 million), including cash in bank and on hand of RMB239.712 million (31 December 2017: RMB191.185 million), pledged deposits of RMB425.309 million (31 December 2017: RMB219.097 million), bank loans due within one year of RMB1,773.140 million (31 December 2017: RMB1,922.322 million) and non-current bank and other loans of RMB17.317 million (31 December 2017: RMB124.758 million). The net debt to equity ratio (net debt divided by total equity) was 139.3% (31 December 2017: 158.1%).

Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

During the period, earnings before interest, taxes, depreciation and amortisation ("EBITDA") was RMB136.938 million (3.4% to revenue) (2017: RMB433.734 million, 10.8% to revenue). The main reason for the decrease in EBITDA was due to the Group's net loss during the year.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases, cash, bank deposits and bank loans that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currencies giving rise to this risk are primarily the US Dollar and Euro. The Directors do not expect any significant impact from the change in exchange rates since the Group uses foreign currencies received from customers to settle the amounts due to suppliers which naturally mitigates the exchange rate risk. In addition, the Group will consider the difference in interest rates and fluctuations in the exchange rates of foreign currency denominated and local currency-denominated loan balance, and the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Human resources

As at 31 December 2018, the Group had 3,669 (31 December 2017: 3,565) employees.

Future prospects and strategies

It is always the darkest before dawn. "531 New Policy" will accelerate the early arrival of

As such, the focus is on the production of upstream mono-crystalline silicon ingots and silicon wafers, and planning the downstream module production capacity, in order to focus on the production of upstream niche products, mono-crystalline silicon ingots and wafers, retaining only the existing scale or slightly increasing the solar cell manufacturing capacity, and through significant module production capacity, the Group not only maintains direct contact with downstream customers, but also keeps a finger on the pulse of the end-user market, and can also bring out the upstream high-end mono-crystalline silicon ingot and wafer products. Through the potential of continuous improvement in production costs of the upstream high-end mono-crystalline ingot and wafer products, the Group's innate advantage will be demonstrated.

However, despite the sudden and irrational factors of the aforementioned market, and even though the average unit price of the product in the future is still expected to gradually decrease with the advent of grid parity, the Group can rely on (1) the comparative advantages from technological superiority of its diversified product lines; (2) the highly competitive supporting outsourced production, to significantly drive its production costs down; and (3) the progressive commissioning of the high-efficiency production equipment, particularly, with regard to the Group's first phase 600MW mono-crystalline ingot and wafer project located in Qujing City, Yunnan Province, China, in the actual trial production stage, the finished products of mono-crystalline products being also in line with expectations, the costs having been reduced by one-third compared with the finished products produced in Jinzhou, it is expected that the magnitude of decrease in cost of the Group's products will be greater than that of the decrease in unit selling price, adding to the planned mono-crystalline silicon ingot, wafer and module projects, not only does the Group expect its future external shipments and total sales to continue to grow, the Group's gross profit ratios will return to a normal level. The road to grid parity may be a painful change, but it is also an opportunity for the industry. The Group is fully prepared and will do its utmost to embrace the market-oriented sustainable development after reaching grid parity.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting principles and practices adopted by the Group and the Group's consolidated financial results for the year ended 31 December 2018, and has discussed and reviewed the risk management, internal control and reporting matters.

DIVIDEND

No final dividend was paid in 2018 (2017: Nil). The Directors do not recommend the payment of a final dividend for 2018 (2017: Nil).

CLOSURE OF REGISTER OF MEMBERS

SCOPE OF WORK OF AUDITOR

The figures in respect of the consolidated statement of profit or loss, consolidated statement comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year as set out in this announcement have