SFCE

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 2018

World's Leading
Clean Energy Provider

Low-Carbon & Energy-Saving
Integrated Solutions Provider

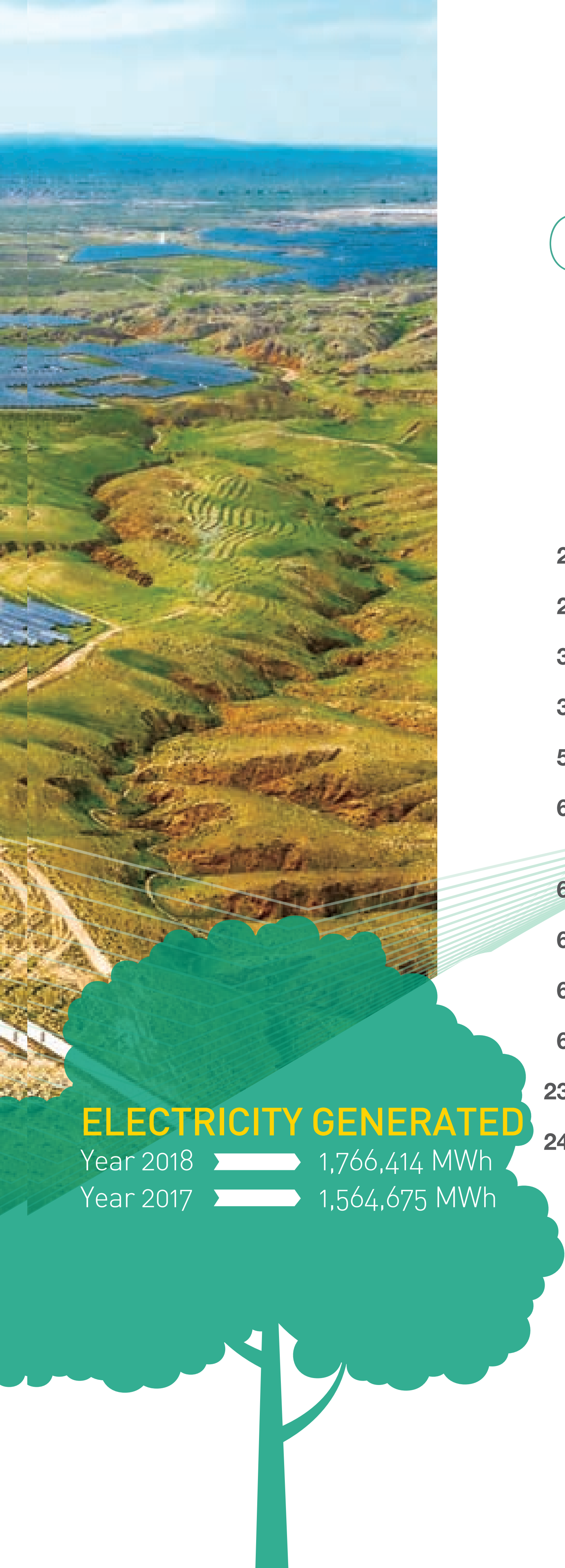
REDUCTION OF EMISSIONS*

Smoke and Dust	141 tonne
CO_2	1,451,992 tonne
SO_2	689 tonne
NO_x	636 tonne

ENERGY SAVING*

Coal	551,121 tonne
H_2O	7,065,656 m^3

(* basis of calculation sourced from China Electricity Industry Development Report 2017 issued by China Electricity Council)


ELECTRICITY GENERATED
Year 2018 1,766,414 MWh
Year 2017 1,564,675 MWh

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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

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 *(resigned on 3 November 2018)*
Mr. Lu Bin *(appointed on 3 November 2018)*

AUTHORIZED REPRESENTATIVES

Mr. Zhang Fubo
Mr. Tse Man Kit Keith *(resigned on 3 November 2018)*
Mr. Lu Bin *(appointed on 3 November 2018)*

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

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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
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Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

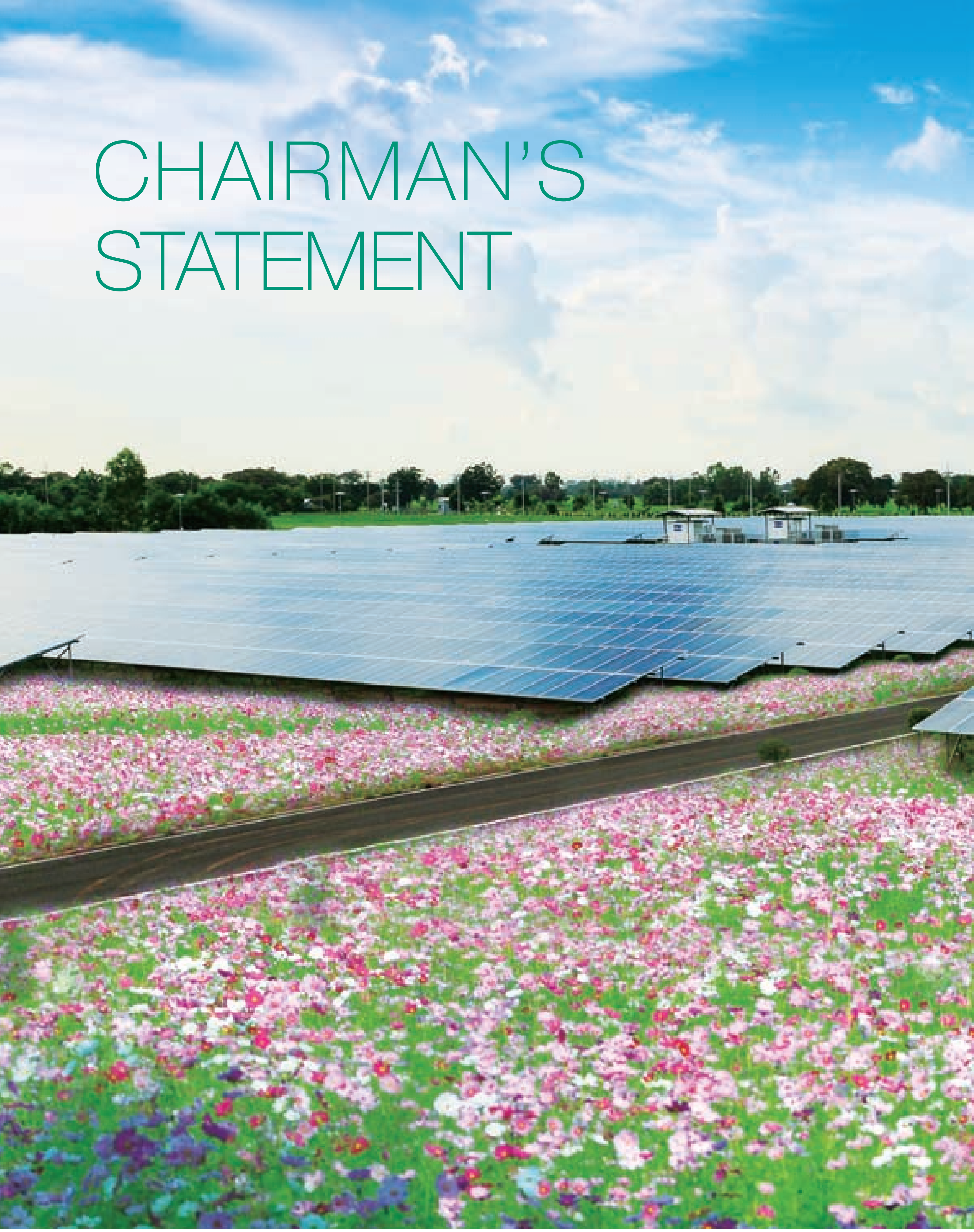
COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165

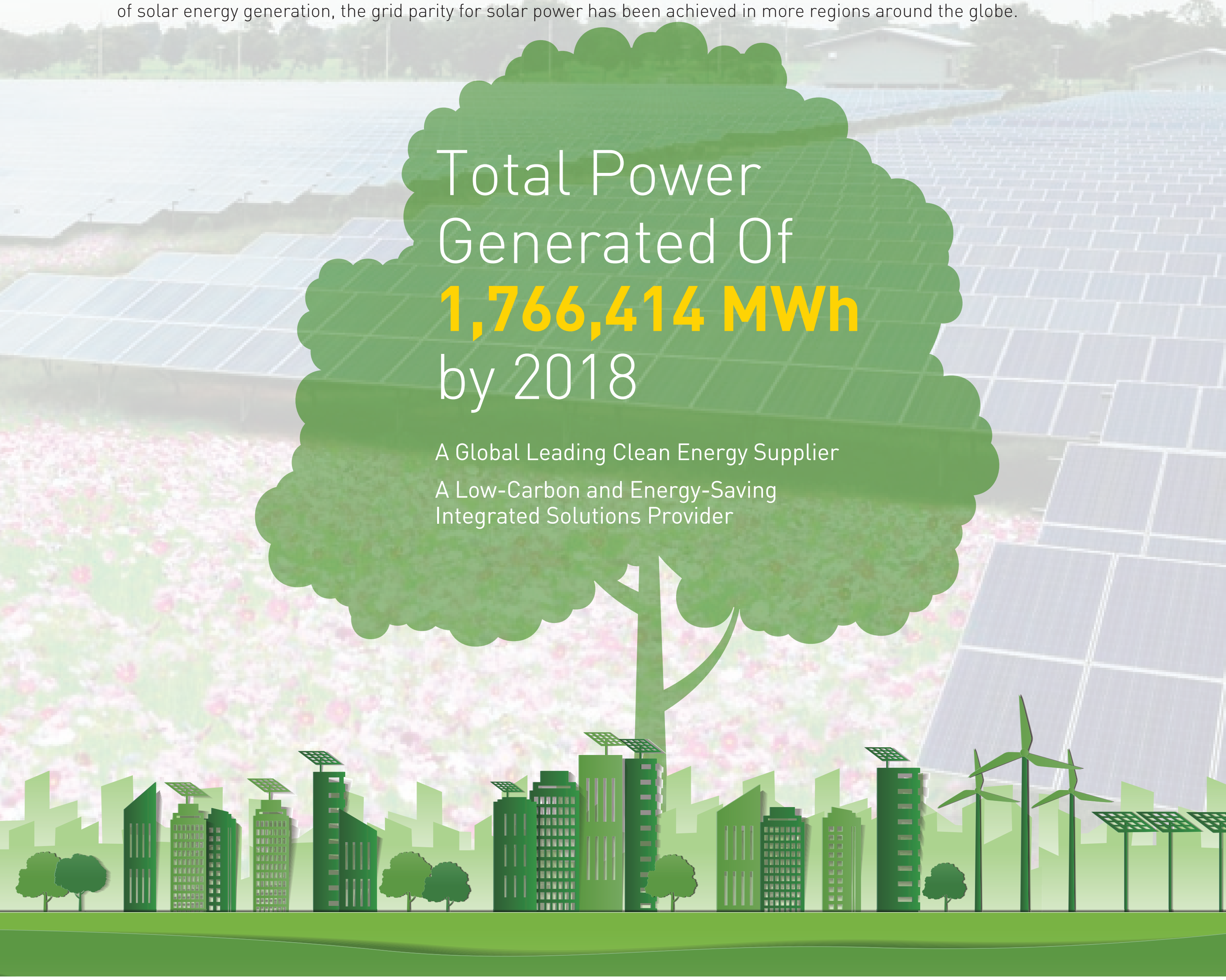
CHAIRMAN'S STATEMENT



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 2018.

In 2018, the Company faced greater challenges than ever before. The PRC government issued a new photovoltaic industry policy on 31 May 2018, which lowered the photovoltaic benchmark on-grid price and led to a remarkable decline in the demand in China, the world's biggest market, and a significant decrease in the price of photovoltaic products. The United States continued to impose additional duties on China's solar products while India also began to impose provisional safeguard duties on imported solar products in 2018. On the bright side, the European Union announced cancellation of anti-dumping measures against China's solar products in September 2018, which resulted in a notable increase in sales in the European market in 2018. In the meantime, due to the continuous decrease in the price of solar products and in the cost of solar energy generation, the grid parity for solar power has been achieved in more regions around the globe.



Under such intricate economic environment and industry background, the Company has carried out strategic planning for overseas sales in advance, strengthened its overseas business team and sales channels and substantially increased the shipment volumes of solar components to the overseas markets; the diversified market planning effectively reduced the impacts arising from the adjustments of some regional policies and ensured that the Company remained one of the top 10 industry players in the world in terms of production capacity and shipment volumes of solar products. On a positive note, the Company has seen a significant decline in the power curtailment rate for its solar power generation business in China since the second half of 2018, which led to a steady increase in power generation volume and a significant improvement in operating indicators over the same period last year. In addition, the Company's LED business continued to maintain its growth trend and lend support to the overall performance. The Company also further reduced the costs and expenses of the current engineering projects in European regions in the hope of concentrating its resources on the business where it had a competitive edge.

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 2018, the Group recorded a revenue of RMB10,290.6 million, representing an increase of 2.7% from RMB10,017.4 million in 2017. The steady growth in revenue was evenly attributed to our four business segments.

During the Year, the Group continued to optimise solar products manufacturing operation of its subsidiaries in China, and sought the strong market growth opportunities, particularly in China. The Group achieved a 2.3% growth in revenue for the sale of Solar Products and the installation services of PV Systems to external third parties, which amounted to RMB8,434.9 million.

In 2018, 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 RMB1,384.3 million during the Year, representing an increase of 4.8% as compared to RMB1,320.7 million in 2017.

The Group also recorded revenues of RMB137.0 million and RMB334.5 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 7.5% as compared to a revenue of RMB127.5 million in plant operation and service in 2017 and an increase of 4.5% as compared to a revenue of RMB320.0 million in manufacturing and sales of LED products in 2017, respectively.

FUTURE PROSPECT

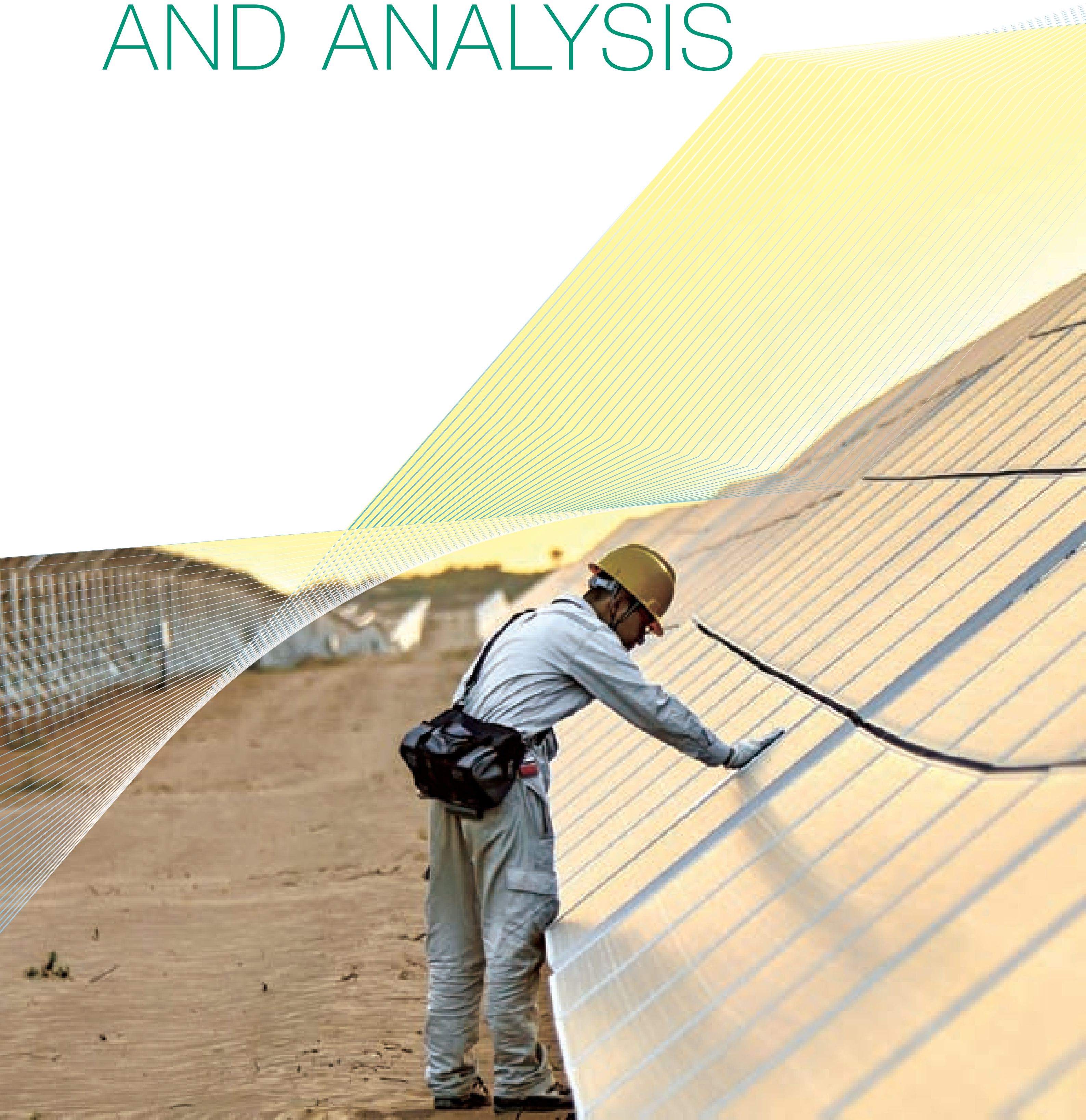
Looking ahead, as we enter into a new phase in the global clean energy market, the Group is required to formulate well-defined strategies and allocate its resources effectively. The Group anticipates that the annual installation for solar PV power will continue to grow, and the global market is advancing towards diversification. The industry's reliance on the subsidizing policy will be significantly reduced, and the competitiveness of the solar power generation industry will be notably enhanced. 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. The Company is 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 2019

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 1,766,414MWh.

	For the year ended 31 December		
	2018	2017	% of
	MWh	MWh	Changes
Power generation volume:			
PRC	**1,736,745**	1,512,121	14.9%
Overseas	**29,669**	52,554	(43.5%)
Total	**1,766,414**	1,564,675	12.9%

As at 31 December 2018, 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 and Installation Services of PV Systems

As at 31 December 2018, the sales volume of Solar Products amounted to 4,507.9MW, representing an increase of 648.7MW or 16.8% from 3,859.2MW for the year ended 31 December 2017.

	For the year ended 31 December		
	2018	2017	% of
	MWh	MWh	Changes
Sales volume to independent third parties:			
Wafers	**34.1**	37.6	(9.3%)
Cells	**1,172.7**	1,346.6	(12.9%)
Modules	**3,301.1**	2,475.0	33.4%
Total	**4,507.9**	3,859.2	16.8%

As at 31 December 2018, our top five customers represented approximately 14.5% of our total revenue as compared to approximately 15.2% in 2017. Our largest customer accounted for approximately 3.5% of our total revenue for the Year as compared to approximately 4.0% in 2017. We believe that product quality and cost advantage will be crucial in the upcoming era of solar energy. Our largest customer is a company situated in Australia, which is a global EPC contractor and its major markets are in US and Europe. It mainly acquires solar modules from the Group and maintained a business relationship with the Group for more than ten 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 2018, our sales to PRC-based and overseas customers represented approximately 53.7% and 46.3% of the Group's total revenue, respectively. While in 2017, our sales to PRC-based and overseas customers represented approximately 74.9% and 25.1% 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 more than 13GW. 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. During the Year, meteocontrol has brought revenue of RMB137.0 million (2017: approximately RMB127.5 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 RMB334.5 million while it amounted to approximately RMB320.0 million in 2017.

Financing Activities

During the Year, the Group has earned continuous support from banks and other financial institutions to fund the development of its solar and LED business. In 2018, the Company has successfully obtained loans from banks and other financial institutions. These funds serve as a continuous support for enhancing liquidity and future business development.

FINANCIAL REVIEW

Revenue

Revenue increased by RMB273.2 million, or 2.7%, from RMB10,017.4 million for the year ended 31 December 2017 to RMB10,290.6 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 2018 have completed testing and commenced operation before 2018 and thus generated revenue from power generation, with power generation that has completed testing and included in revenue increasing by 14.7% from 1,529,406MWh for the year ended 31 December 2017 to 1,754,873MWh for the Year; (ii) the sales volume of our Solar Products increased by 16.8% from 3,859.2MW for the year ended 31 December 2017 to 4,507.9MW for the Year; (iii) revenue from plant operation and services increased by 7.5% from RMB127.5 million for the year ended 31 December 2017 to RMB137.0 million for the Year; and (iv) sales revenue from LED products increased by 4.5% from RMB320.0 million for the year ended 31 December 2017 to RMB334.5 million for the Year.

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. As a result, the revenue from power generation of the Group decreased by approximately RMB230.0 million and the power generation volume also resulted in an estimated loss of approximately 294,000 MWh.

For the Year, sales of Solar Products accounted for 80.5% of the total revenue, of which sales of modules, cells, wafers and other PV Systems accounted for 67.3%, 11.4%, 0.2% and 1.6% of the total revenue, respectively; revenue from installation services of PV Systems amounted for 1.4% of the total revenue; revenue from solar power generation accounted for 13.5% of the total revenue; revenue from plant operation and services accounted for 1.3% of the total revenue while sales from LED products accounted for 3.3% of the total revenue.

Solar modules

Revenue from the sales of solar modules increased by RMB1,006.9 million, or 17.0%, from RMB5,916.7 million for the year ended 31 December 2017 to RMB6,923.6 million for the Year, primarily due to an increase in the Group's sales volume by 826.1MW or 33.4% from 2,475.0MW for the year ended 31 December 2017 to 3,301.1MW for the Year, but was partially offset by the decrease in the average selling price of solar modules by 12.5% from RMB2.4 per watt for the year ended 31 December 2017 to RMB2.1 per watt for the Year.

Solar cells

Revenue from the sales of solar cells decreased by RMB836.4 million, or 41.6%, from RMB2,011.2 million for the year ended 31 December 2017 to RMB1,174.8 million for the Year, primarily due to a decrease in the sales volume by 173.9MW or 12.9% from 1,346.6MW for the year ended 31 December 2017 to 1,172.7MW for the Year, and the decrease in the average selling price by 33.3% from RMB1.5 per watt for the year ended 31 December 2017 to RMB1.0 per watt for the Year.

Solar wafers

Revenue from the sales of solar wafers decreased by RMB2.9 million, or 13.2%, from RMB21.9 million for the year ended 31 December 2017 to RMB19.0 million for the Year, which was primarily attributable to the decrease in sales volume by 9.3% from 37.6MW for the year ended 31 December 2017 to 34.1MW for the Year.

Installation services of PV Systems

Revenue from installation services of PV Systems increased by RMB74.8 million, or 100.7% from RMB74.3 million in revenue recognized for the year ended 31 December 2017 to RMB149.1 million for the Year.

Solar power generation

Revenue from solar power generation increased by RMB63.6 million, or 4.8%, from RMB1,320.7 million for the year ended 31 December 2017 to RMB1,384.3 million for the Year, primarily because of an increase of 14.7% or 225,467 MWh in the amount of power generated for which revenue is recognized, for which 1,529,406 MWh was recorded in the year ended 31 December 2017, while 1,754,873 MWh was recorded as the amount of power generated for the Year.

Plant operation and services

meteocontrol provides solar power plant monitoring service. The revenue from relevant service fee generated during the Year increased by RMB9.5 million or 7.5% from RMB127.5 million for the year ended 31 December 2017 to RMB137.0 million for the Year.

LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB14.5 million or 4.5% from RMB320.0 million for the year ended 31 December 2017 to RMB334.5 million for the Year.

Geographical market

In terms of geographical markets from which our revenue was generated, approximately 53.7% of the total revenue for the Year was generated from sales to our PRC customers, as compared to 74.9% for the year ended 31 December 2017. The remaining portion was generated from the sales to our certain overseas customers, who are mainly based in certain Asian, South American, South African and European countries.

Cost of sales

Cost of sales increased by RMB1.3 million from RMB8,440.4 million for the year ended 31 December 2017 to RMB8,441.7 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 RMB271.9 million, or 17.2%, from RMB1,577.1 million for the year ended 31 December 2017 to RMB1,849.0 million for the Year.

Other income

Other income decreased by RMB15.7 million, or 6.7%, from RMB235.9 million for the year ended 31 December 2017 to RMB220.2 million for the Year, primarily due to a decrease in interest income arising from advances to independent third parties of RMB2.7 million for the Year (for the year ended 31 December 2017: RMB44.3 million) and there being no interest income from available-for-sale investments for the Year (for the year ended 31 December 2017: RMB7.3 million), but being partially offset by RMB30.2 million being an imputed interest income of accrued revenue of tariff subsidy classified as trade receivables and contract assets for the Year (for the year ended 31 December 2017: Nil).

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a net loss of RMB888.0 million for the Year, while there was a net gain of RMB62.3 million recorded for the year of 2017, which was primarily due to 1) an impairment loss on property, plant and equipment of RMB771.5 million recorded for the Year (for the year ended 31 December 2017: Nil); 2) an impairment loss on goodwill of RMB6.2 million recorded for the Year (for the year ended 31 December 2017: Nil) and 3) a net foreign exchange loss of RMB140.1 million recorded for the Year, while there was an net foregin exchange gain of RMB35.3 million for the year ended 31 December 2017.

Impairment losses, net of reversal

Impairment losses, net of reversal recorded an increase of 18.9%, or RMB24.5 million from RMB129.5 million for the year ended 31 December 2017 to RMB154.0 million for the Year, which was primarily due to a loss allowance on receivables included in other non-current assets of RMB133.7 million for the Year, while there was no such loss allowance recognised for the year ended 31 December 2017, which was partially offset by a decrease of RMB52.1 million or 78.5% in loss on trade receivables from sale of goods and services of RMB66.4 million from the year ended 31 December 2017 to RMB14.3 million for the Year.

Distribution and selling expenses

Distribution and selling expenses increased by RMB253.4 million or 74.1%, from RMB341.9 million for the year ended 31 December 2017 to RMB595.3 million for the Year, primarily due to the increase in shipment cost which resulted from the increase in the sales volume of Solar Products for overseas customers.

Administrative expenses

Administrative expenses decreased by RMB3.4 million, or 0.6%, from RMB613.5 million for the year ended 31 December 2017 to RMB610.1 million for the Year.

Research and development expenditure

Research and development expenditure increased by RMB5.8 million, or 4.2%, from RMB138.4 million for the year ended 31 December 2017 to RMB144.2 million for the Year, primarily due to the increase in the expenses on research and development investment and related costs.

Share of gains (losses) of associates

Share of gains of associates for the Year was RMB9.2 million while share of losses of associates of RMB4.2 million was recorded for the year ended 31 December 2017.

Share of gains of joint ventures

Share of gains of joint ventures increased by RMB13.2 million or 165.0% from RMB8.0 million for the year ended 31 December 2017 to RMB21.2 million for the Year.

Finance costs

Finance costs decreased by RMB137.4 million, or 9.7%, from RMB1,423.3 million for the year ended 31 December 2017 to RMB1,285.9 million for the Year, primarily due to a decrease from effective interest on convertible bonds by RMB155.9 million or 35.1% from RMB444.2 million for the year ended 31 December 2017 to RMB288.3 million for the Year.

Loss before tax

Due to the above reasons, loss before tax increased by RMB810.4 million, from RMB767.6 million for the year ended 31 December 2017 to RMB1,578.0 million for the Year.

Income tax expense

Income tax expense increased by RMB62.3 million, from RMB66.5 million for the year ended 31 December 2017 to RMB128.8 million for the Year.

Loss for the Year

As a result of the reasons stated above, loss for the Year increased by RMB872.6 million, or 104.6%, from the loss of RMB834.1 million for the year ended 31 December 2017 to the loss of RMB1,706.7 million for the Year.

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The increase in inventories was mainly due to a decrease in demand for our solar and LED products. Included in the balance of the inventories as at 31 December 2018 was a write-down of inventories of RMB152.4 million (31 December 2017: RMB101.5 million), which was mainly attributable to inventories bought in previous years at a higher price. The inventory turnover days as at 31 December 2018 was 40.2 days (31 December 2017: 31.1 days), and the increase in inventory turnover days was mainly due to the long shipment days from PRC to our overseas customers.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2018 was 103.9 days (31 December 2017: 92.2 days). The trade receivables turnover days as at 31 December 2018 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 2018 was 68.5 days (31 December 2017: 49.3 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 2018, the Group's current ratio (current assets divided by current liabilities) was 0.55 (31 December 2017: 0.56) 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 2018, the Group was in a negative net cash position of RMB12,889.3 million (31 December 2017: RMB12,869.7 million), which included cash and cash equivalents of RMB754.6 million (31 December 2017: RMB663.7 million), bank and other borrowings of RMB11,067.3 million (31 December 2017: RMB10,865.3 million), convertible bonds of RMB1,679.2 million (31 December 2017: RMB1,511.0 million), bond payables of RMB830.5 million (31 December 2017: RMB1,045.1 million) and obligations under finance leases of RMB66.9 million (31 December 2017: RMB112.0 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 JPY. The Group's net debts to equity ratio (net debt divided by shareholders' equity) increased from 240.4% as at 31 December 2017 to 353.4% as at 31 December 2018.

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 2017: Nil).

Contingent liabilities and guarantees

As at 31 December 2018, the Group provided guarantees to independent third parties and a joint venture with a total amount of RMB364.0 million (31 December 2017: RMB413.8 million), of which RMB276.8 million (31 December 2017: RMB307.6 million) has been provided and recognised as provision in the statement of financial position. As at 31 December 2018, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

As at 31 December 2018, the Group had pledged certain trade and other receivables with carrying amount of RMB1,858.4 million (31 December 2017: RMB953.8 million) and certain property, plant and equipment, prepaid lease payments and solar power plants with carrying amount of approximately RMB8,989.9 million (31 December 2017: RMB11,514.6 million) to various banks for securing loans and general credit facilities granted to the Group.

As at 31 December 2018, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB2,039.6 million (31 December 2017: RMB1,476.4 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 2018 and 31 December 2017, 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

As disclosed in the announcement of the Company dated 25 March 2019 (the "**VSD Announcement**"), on 10 December 2018, Shunfeng Photovoltaic Holdings Limited (the "**Vendor**"), a direct wholly-owned subsidiary of the Company, entered into a sales and purchase agreement (as amended and supplemented on 24 March 2019) (the "**Sale and Purchase Agreement**") with Asia Pacific Resources Development Limited (the "**Purchaser**"), pursuant to which the Vendor agreed to sell 100% of the equity interest in Jiangsu Shunfeng at an aggregate consideration of RMB3,000 million (the "**Disposal**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder exceed 75%, the Sale and Purchase Agreement and the transactions contemplated thereunder constitute a very substantial disposal of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the Purchaser is held as to 100% by Mr. Cheng Kin Ming, a substantial shareholder of the Company, and is therefore a connected person of the Company, the Sale and Purchase Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Human resources

As at 31 December 2018, the Group had 6,330 employees (31 December 2017: 6,397). 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.

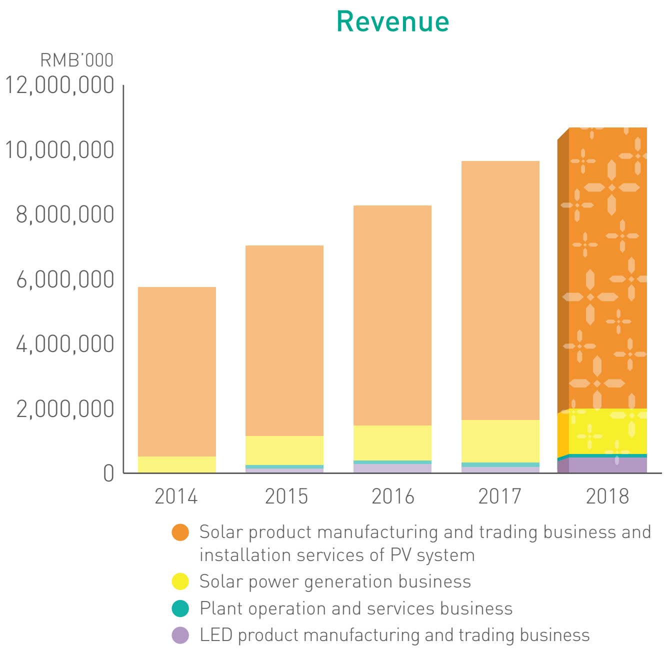
Final dividend

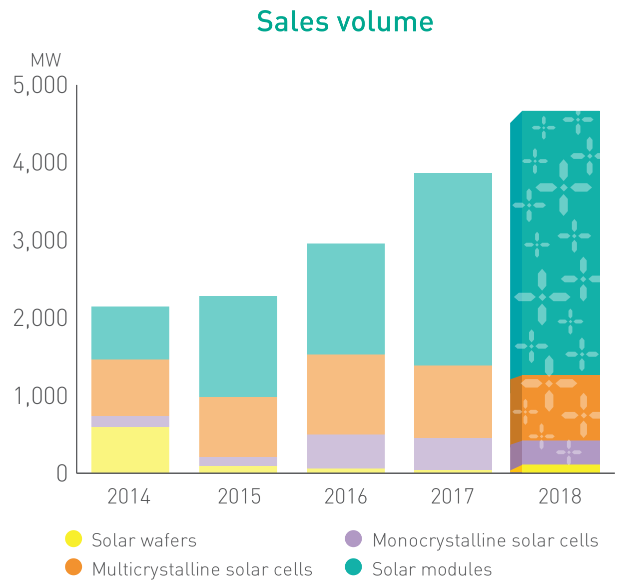
The Board has resolved not to declare final dividend for the Year.

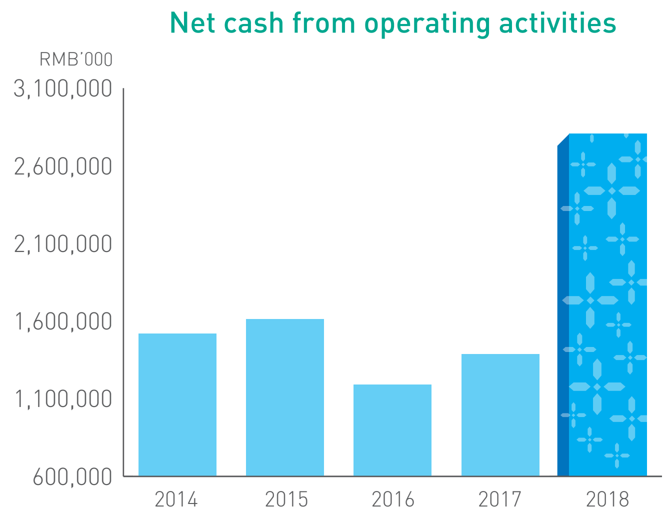
FIVE-YEAR STATISTICS

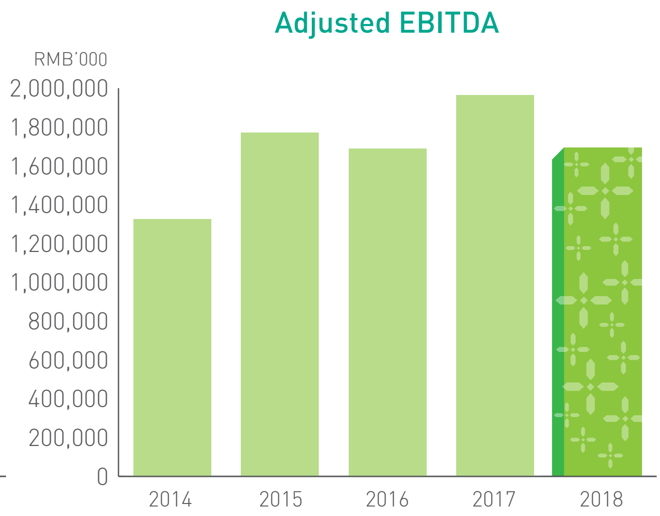
Year	2014	2015	2016	2017	**2018**
Financial performance					
Turnover growth	275.6%	22.4%	17.7%	21.0%	**2.7%**
Gross profit margin	22.1%	18.9%	18.1%	15.7%	**18.0%**
Net profit margin	22.7%	0.8%	(29.0%)	(8.3%)	**(16.6%)**
EBITDA (in RMB thousands)	2,313,772	1,747,158	(274,000)	1,784,247	**637,569**
Adjusted EBITDA* (in RMB thousands)	1,321,748	1,763,997	1,682,352	1,959,192	**1,622,269**
Adjusted EBITDA margin	23.0%	25.1%	20.3%	19.6%	**15.8%**
EPS (in RMB cents)	56.98	1.33	(49.72)	(19.29)	**(38.08)**
Total indebtedness (in RMB thousands)	8,785,684	12,408,035	14,863,270	13,533,442	**13,643,888**
Gearing ratio	56.2%	56.4%	69.6%	70.6%	**77.9%**
Interest coverage (times)	5.5	1.1	(1.3)	0.5	**(0.2)**
Trade receivable turnover (in days)	43.9	85.4	99.7	92.2	**103.9**
Trade payable turnover (in days)	37.5	57.7	56.0	49.3	**68.5**
Inventory turnover (in days)	39.6	54.4	38.5	31.1	**40.2**
Operation performance					
Power Generation Volume (MWh)	607,793	1,016,312	1,328,594	1,564,675	**1,766,414**
Sales volume					
Manufacturing business					
Solar wafers (MW)	66.9	91.4	23.3	34.12	**34.1**
Monocrystalline solar cells (MW)	143.7	116.2	361.42	410.29	**293.9**
Multicrystalline solar cells (MW)	669.8	679.1	931.81	933.04	**844.5**
Solar modules (MW)	645.1	995.8	1,119.25	2,240.24	**3,263.2**
Trading business					
Solar wafers (MW)	524.4	—	32.5	3.48	**—**
Monocrystalline solar cells (MW)	—	1.6	78.27	3.24	**34.3**
Multicrystalline solar cells (MW)	56.1	90.3	94.07	—	**—**
Solar modules (MW)	37.8	308.0	314.02	234.77	**37.8**
Assets and liabilities					
Total assets (in RMB thousands)	21,131,710	28,859,411	28,013,407	25,325,942	**25,403,746**
Total liabilities (in RMB thousands)	15,004,712	20,687,373	21,922,125	19,971,448	**21,756,524**

* Adjusted EBITDA excluded finance costs, income tax, depreciation and amortization, gain on change in amortization period of the liability component of convertible bonds and fair value loss on convertible bonds, impairment loss on property, plant and equipment, goodwill, intangible assets, solar power plants, interests in a joint venture and associates, inventories, trade and other receivables and prepayments to suppliers, write-down of inventories, losses allowances recognized on trade receivables of goods and services, contract assets, other receivables, receivables included in other non-current assets and reversed on financial guarantee contracts.


Revenue
RMB'000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
2014
2015
2016
2017
2018
Solar product manufacturing and trading business and installation services of PV system
Solar power generation business
Plant operation and services business
LED product manufacturing and trading business


Sales volume
MW
5,000
4,000
3,000
2,000
1,000
0
2014
2015
2016
2017
2018
Solar wafers
Monocrystalline solar cells
Multicrystalline solar cells
Solar modules


Net cash from operating activities
RMB'000
3,100,000
2,600,000
2,100,000
1,600,000
1,100,000
600,000
2014
2015
2016
2017
2018


Adjusted EBITDA
RMB'000
2,000,000
1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
0
2014
2015
2016
2017
2018

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. Apart from the regular Board meetings, the Chairman may hold meetings with the Independent Non-Executive Directors without the presence of Executive Directors.

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:

	Board Meeting
No. of meetings held	5
No. of meetings attended	
Executive Directors	
Mr. Zhang Fubo	4/5
Mr. Wang Yu	5/5
Mr. Lu Bin	5/5
Mr. Chen Shi	5/5
Independent non-executive Directors	
Mr. Tao Wenguan	5/5
Mr. Zhao Yuwen	5/5
Mr. Kwong Wai Sun Wilson	5/5

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 2017 and the interim report for the six months ended 30 June 2018 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). 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.

	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

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	0
HK$2,500,001 to HK$3,000,000	3

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 12 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). 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.

	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

(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 2018, the current liabilities exceeded its current assets by RMB7,582,500,000, increased by RMB1,443,112,000 from RMB6,139,388,000 as at 31 December 2017. In addition, as at 31 December 2018, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB420,828,000 as disclosed in note 53 to the consolidated financial statements. In relation to the section of 'Basis of preparation' for the Year, kindly refer to the note 1(b) to the consolidated financial statements.

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	11,167

(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 comprising 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.

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.

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.

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 Board has in place an internal audit function within the Group as required under code provision C.2.5 of the Corporate Governance code. The Group conducts review of the risk management and internal control systems on annual basis.

During the Year, to strengthen the risk management and internal control of the Group, the Company has engaged an independent professional adviser ("Internal Control Adviser") to perform independent appraisal of the adequacy and effectiveness of certain subsidiaries' risk management and internal control system for the Year. The appraisal covered the transactions carried out from 1 January 2018 to 31 December 2018 and the effectiveness of the internal control initiatives in respect of enterprise level and operation level. The Internal Control Adviser has reported major findings and areas for improvement and submitted a report of internal control review to the Audit Committee. All recommendations from the Internal Control Adviser would be followed up closely to ensure that they are implemented within a reasonable period of time.

The Audit Committee and the Board are of the opinion that the Group's risk management and internal control systems are effective and adequate and that nothing has come to their attention to cause the Audit Committee and the Board to believe the Group's risk management and internal control systems are inadequate.

(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 22 June 2018:

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

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 22 June 2018.

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.

DIRECTORS

Executive Directors

Mr. Zhang Fubo (張伏波), aged 57, 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 21 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 48, is an Executive Director of our Company and the Chief Executive Officer of our Company. Mr. Wang is currently a director of Shunneng New Energy Technology Co., Ltd which is wholly-owned subsidiaries of the Company, and a director of Lattice Power Corporation which is a nonwholly owned subsidiary of the Company. Mr. Wang has over 21 years of management experience. Mr. Wang has worked as the general manager assistant of the Treasury Department of Hong Kong CADTIC (Group) Co., Ltd., the general manager of the 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., the 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. Mr. Wang also obtained an EMBA degree from Hong Kong University of Science and Technology in 2003.

Mr. Lu Bin (盧斌), aged 49, is an Executive Director of our Company. Mr. Lu has over 21 years of working experience. Mr. Lu has worked as a teacher of Shanghai International Studies University, an investigator of Inland Revenue Department of New Zealand and 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 57, is an Executive Director of the Company. Mr. Chen has over 27 years of working experience. Mr. Chen has 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) and has taken up the position 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 80, is an Independent Non-Executive Director of the Company and a member of the audit committee and the remuneration committee of the 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 has been an independent director of THT Heat Transfer Technology, Inc. (a company listed on the Nasdaq Stock Market). Mr. Tao has also been 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 79, is an Independent Non-Executive Director of the Company and a member of the nomination committee, the remuneration committee and the audit committee of the Company. He is the supervisor of Chinese Renewable Energy Society (formerly known as China Solar Energy Society), and a honorary director of its Photovoltaic Solar Committee in 2017. Mr. Zhao had 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 as an 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 until it completed privatization and withdrew from Nasdaq Stock market in July 2018. Mr. Zhao completed undergraduate studies in electrochemistry production engineering in the chemical engineering department of Tianjin University in 1964.

Mr. Kwong Wai Sun Wilson (鄺偉信), aged 53, 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, and 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. Mr. Kwong has 12 years of experience in corporate finance and equity capital markets in Asia. From 2002 to 2003, Mr. Kwong was the director and the head of equity capital markets for Cazenove Asia Limited, an investment bank. From 2004 to 2006, Mr. Kwong held the position of 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 is currently 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), China Outfitters Holdings Limited (中國服飾控股有限公司) (stock code: 1146), China New Higher Education Group Limited (中國新高教集團有限公司) (stock code: 2001) and Koolearn Technology Holding Limited (新東方在線科技控股有限公司) (stock code: 1797). These companies are listed on the Main Board of the Hong Kong Stock Exchange.

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 2018 are set out in note 60 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 61 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.

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 1,766,414 MWh in 2018, which saved the consumptions of coal and water by 551,121 tonne and 7,065,656 m^3 respectively, and reduced emissions of smoke and dust, carbon dioxide, sulfur dioxide by 141 tonne, 1,451,992 tonne and 689 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 61 to 238 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 pages 64 to 65.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, 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 RMB572,178,000. This amount represents the Company's share premium account of approximately RMB6,076,424,000, special reserve account of approximately RMB233,968,000 and accumulated deficits of approximately RMB5,738,214,000 as at 31 December 2018.

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 61 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 16 and note 17 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 47 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

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 Articles 83(3) and 84 of the Articles, Mr. Wang Yu, Mr. Lu Bin, Mr. Tao Wenquan and Mr. Zhao Yuwen will retire as Directors at the annual general meeting. All of them, being eligible, offer themselves for re-election.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors and senior management are set out on pages 36 to 38 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 2018, 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)	0.38%

Notes:

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2018, 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 2018, 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)	63.10%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corporation (Note 2)	3,219,606,736 (long position)	64.62%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corporation (Note 3)	3,226,558,736 (long position)	64.76%
Coherent Gallery International Limited	Beneficial owner (Note 4)	268,223,960 (long position)	5.38%
Faithsmart Limited	Interest of controlled corporation (Note 5)	3,219,606,736 (long position)	64.62%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 6)	437,118,989 (long position)	8.77%

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 2018, 1,629,163,444 Shares were 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.

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 2018, 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.

CONNECTED TRANSACTIONS

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

On 10 December 2018, Shunfeng Photovoltaic Holdings Limited (the "Vendor"), a direct wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement (the "Agreement") with Asia Pacific Resources Development Investment Limited (the "Purchaser"). Pursuant to the Agreement, the Vendor has conditionally agree to sell and the Purchaser has conditionally agreed to purchase 100% of the equity interest in Jiangsu Shunfeng Photovoltaic Technology Company Limited at an aggregate consideration of approximately RMB3,000 million, details of which are set out in the announcement of the Company dated 25 March 2019.

The Purchaser is a company direct wholly-owned by Mr. Cheng Kin Ming, a substantial shareholder of the Company. Accordingly, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules.

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, save for the Agreement, 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.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Companies Ordinance) for the benefits of directors of the Company is currently in force and was in force throughout the year.

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 3.5% and approximately 14.5% of the Group's total sales, respectively.

Aggregate purchases attributable to the Group's largest and five largest suppliers were approximately 4.05% and approximately 14.7% 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 42 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 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 2,500 MW and 3,200 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 2018 is set out on page 239 of this annual report.

EVENTS AFTER THE YEAR

Reference is made to the joint announcement (the "**Joint Announcement**") jointly issued by CAM SPC and the Company dated 9 January 2019, the announcements of the Company in relation to the delay and further delays in despatch of circular dated 30 January 2019, 28 February 2019 and 29 March 2019 (the "**Delay in Despatch Announcements**" together with the Joint Announcement, the "**Subscription Announcements**") and the announcement of the Company dated 31 March 2019 (the "**Lapsing Announcement**"). On 14 December 2018, the Company entered into a subscription agreement with CAM SPC – CNNCIFMC HK Industry Fund SP (the "**Subscriber**") and Jiangsu Shunfeng (the "**Guarantor**") in relation to the subscription of shares of the Company (the "**Shares**") and subsequently entered into a supplemental subscription agreement on 8 January 2019 (collectively referred to as the "**Agreements**"). Pursuant to the Agreements, the Company has agreed to allot and issue to the Subscriber and the Subscriber has agreed to subscribe for 7,591,153,464 Shares (the "**Subscription Shares**") at a subscription price of HK$0.214 per Share (the "**Subscription**"). As stated in the Joint Announcement, under Rule 26.1 and Rule 13 of the Takeovers Code, upon the allotment and issuance of the Subscription Shares at completion of the Subscription (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares), the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company and all the Convertible Bonds (as defined in the Joint Announcement) not already owned or agreed to be acquired by the Subscriber and parties acting in concert with it, unless a whitewash waiver is granted by the Executive and the approval by 75% of the independent Shareholders is obtained in accordance with the Takeovers Code. In the event that any of the Conditions stated in Agreements shall not have been fulfilled (or waived, if applicable) prior to 31 March 2019 (or such later date which may be agreed by the parties to the Subscription Agreement), the Subscription Agreement shall cease to be of any effect. Please refer to the Subscription Announcements for details.

On 31 March 2019, the Company announced that as there remained conditions that were not fulfilled or waived, and the Company had not received the Subscriber's decision to extend the long stop date, the Subscription Agreement had ceased to be of any effect as of 31 March 2019 and the Subscription will not proceed. Please refer to the Lapsing Announcement for details.

On 25 April 2019, the Company announced that it was currently in preliminary discussions with certain potential investors in respect of the possible disposal of certain solar power plants located in the PRC with an aggregate capacity of approximately 300 MW. The Group was also actively considering, either as part of or separate from the possible disposal, to raise funds for the Group by other ways, including but not limited to alternative refinancing, extension of maturity dates of debts and/or further disposal of solar power plants, if appropriate. It was expected to strengthen the financial stability and shareholding and asset structure of the Group and support its long-term strategic development. Please refer to the announcement of the Company dated 25 April 2019 for details.

By order of the Board
Zhang Fubo
Chairman
Hong Kong

28 March 2019

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 61 to 238, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("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 as of 31 December 2018, the Group's current liabilities exceeded its current assets by RMB7,582,500,000. In addition, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB420,828,000 as disclosed in note 53 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
Impairment of property, plant and equipment, solar power plants, prepaid lease payments and goodwill Refer to notes 16, 17, 18 and 19 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 Group has goodwill of RMB6,237,000 arising from the acquisition of Wuxi Suntech Group during the year ended 31 December 2014. In addition, the Group has long-life assets with aggregate carrying amounts of RMB2,076,031,000 in relation to operating the manufacturing and sales of Solar Products business(as defined note 2.1). Wuxi Suntech Group and other subsidiaries incurred losses during the year ended 31 December 2018, following a review of the related business, along with the adverse changes in external market conditions, this has increased the risk that carrying amount of goodwill and other long-life assets may be impaired. The management of the Group reviews the recoverable amounts of the relevant assets or cash generating units ("CGUs")(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 amounts of those tangible assets or CGUs were 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 CGUs. The recoverable amounts of those tangible assets or CGUs were determined based on fair values less costs of disposal, also required management judgement. During the year ended 31 December 2018, the Group has recognised impairment loss of RMB771,492,000 and RMB6,237,000 in relation to machinery and equipment and goodwill in respect of the Group's manufacturing and sales of Solar Products business.	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; • 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; • 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; 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Impairment of other assets (including inventories, prepayments to suppliers and deposits paid for EPC of solar power plants included in other non-current assets)

Refer to notes 26, 28 and 33

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 2018, the Group has recognised impairment losses of RMB52,928,000 on inventories. No impairment loss has been recognised for prepayments to suppliers and deposits paid for EPC of solar power plants.</td><td>Our audit procedures in relation to management's impairment assessment on other assets included:

• For inventories, understanding the approach used by the management to determine net realisable value and assessing the management's calculation of the write-down to see whether appropriate and supportable;

• Testing on sample basis whether any items of inventories have net realisable value 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 procurement 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.</td></tr>
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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>

Impairment assessment of trade and other receivables, contract assets and receivables included in other non-current assets

Refer to notes 26(i), 29, 30 and 54

We identified impairment assessment of trade and other receivables, contract assets and receivables included in other non-current assets as a key audit matter due to the significance to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of these accounts at the end of the reporting period.

As disclosed in note 4(ii)(b) to the consolidated financial statements, ECL in relation of trade and other receivables, contract assets and receivables included in other non-current assets is assessed individually for the customers/debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The Group engaged an independent professional valuer in the assessment of ECL, which is based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort.

At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL of the Group's trade and other receivables, contract assets and receivables included in other non-current assets are disclosed in notes 29, 30, 26 (i) and 54.

</td><td>

Our audit procedures in relation to impairment assessment of trade and other receivables, contract assets and receivables included in other non-current assets included:

- Understanding key controls on how the management estimates the loss allowance for trade and other receivables, contract assets and receivables included in other non-current assets;

- Testing the integrity of information used by the management to develop the matrix, including aging analysis as at and 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents;

- Involving our internal valuation experts to evaluate the management's judgement in assessing the valuation methodology;

- Challenging management's basis and judgement in determining credit loss allowance on these accounts as at 31 December 2018, including their identification and evaluation of individually assessed customers/debtors, the reasonableness of management's grouping of the remaining customers/debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); and

- Evaluating the disclosures regarding the impairment assessment of trade and other receivables, contract assets and receivables included in other non-current assets in notes 29, 30, 26(i) and 54 to the consolidated financial statements.

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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)(b)* 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 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)(b) to the consolidated financial statements, revenue on tariff adjustments on electricity sales of RMB949,771,000 from the state grid companies in the PRC has been recognised for the year ended 31 December 2018 in which tariff adjustments amounting to RMB80,436,000 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.

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 and Biographical Details of Directors and Senior Management, 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.

When we read the Corporate Information, Five-year Statistics, Corporate Governance Report and Biographical Details of Directors and Senior Management, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charge with governance.

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 Tse Ming Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended 31 December 2018 RMB'000	2017 RMB'000
Revenue	5	**10,290,635**	10,017,432
Cost of sales		**(8,441,652)**	(8,440,352)
Gross profit		**1,848,983**	1,577,080
Other income	7	**220,206**	235,851
Other gains and losses and other expenses	8	**(887,990)**	62,327
Impairment losses, net of reversal	9	**(154,043)**	(129,539)
Distribution and selling expenses		**(595,322)**	(341,943)
Administrative expenses		**(610,145)**	(613,542)
Research and development expenditure		**(144,151)**	(138,434)
Share of gains (losses) of associates		**9,239**	(4,185)
Share of gains of joint ventures		**21,194**	8,044
Finance costs	10	**(1,285,923)**	(1,423,292)
Loss before tax	11	**(1,577,952)**	(767,633)
Income tax expense	13	**(128,768)**	(66,503)
Loss for the year		**(1,706,720)**	(834,136)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**757**	1,591
Exchange differences on translating foreign operations		**(16)**	40,312
Fair value loss on:			
Receivables at fair value through other comprehensive income ("FVTOCI")		**(10,527)**	–
Other comprehensive (expense) income for the year		**(9,786)**	41,903
Total comprehensive expense for the year		**(1,716,506)**	(792,233)
Loss for the year attributable to:			
Owners of the Company		**(1,705,630)**	(832,050)
Non-controlling interests		**(1,090)**	(2,086)
		(1,706,720)	(834,136)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(1,715,542)**	(789,730)
Non-controlling interests		**(964)**	(2,503)
		(1,716,506)	(792,233)
		RMB cents	RMB cents
Loss per share			
— Basic	14	**(38.08)**	(19.29)
— Diluted		**(38.08)**	(19.29)

Consolidated Statement of Financial Position

	NOTES	As at 31 December 2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	16	**2,113,165**	2,831,529
Solar power plants	17	**11,558,554**	12,226,635
Prepaid lease payments — non-current	18	**445,105**	423,800
Goodwill	19	**—**	6,237
Intangible assets	20	**35,861**	40,636
Interests in associates	22	**151,824**	140,377
Interests in joint ventures	23	**197,976**	13,908
Available-for-sale investments — non-current	24	**—**	3,096
Financial assets at fair value through profit or loss ("FVTPL")	25	**3,096**	—
Other non-current assets	26	**877,920**	997,950
Deferred tax assets	27	**93,902**	213,608
Value-added tax recoverable – non-current		**550,535**	720,000
Contract assets – non-current	30	**206,781**	—
		16,234,719	17,617,776
Current assets			
Inventories	28	**1,065,043**	792,630
Trade and other receivables	29	**3,873,761**	3,508,054
Contract assets	30	**38,294**	—
Receivables at FVTOCI	31	**244,100**	—
Prepaid lease payments — current	18	**17,477**	15,701
Value-added tax recoverable		**307,266**	315,155
Tax recoverable		**5,990**	3,544
Prepayments to suppliers	33	**813,457**	815,172
Amount due from an associate	34	**160**	5,744
Amount due from a joint venture	34	**9,261**	762
Available-for-sale investments — current	24	**—**	111,337
Restricted bank deposits	35	**2,039,632**	1,476,381
Bank balances and cash	35	**754,586**	663,686
		9,169,027	7,708,166
Current liabilities			
Trade and other payables	36	**6,507,258**	5,080,326
Contract liabilities	37	**331,696**	—
Customers' deposits received	38	**—**	178,184
Amount due to an associate	39	**48,286**	—
Amount due to a joint venture	39	**127,374**	32,426
Obligations under finance leases	40	**38,943**	45,195
Provisions	41	**1,019,489**	1,051,770
Tax liabilities		**8,327**	4,553
Bank and other borrowings	42	**7,148,081**	5,964,579
Deferred income	43	**6,394**	12,755
Derivative financial liabilities	44	**3,336**	3,336
Convertible bonds	45	**681,872**	429,369
Bond payables	46	**830,471**	1,045,061

	NOTES	As at 31 December 2018 RMB'000	2017 RMB'000
		16,751,527	13,847,554
Net current liabilities	1(b)	**(7,582,500)**	(6,139,388)
Total assets less current liabilities		**8,652,219**	11,478,388
Capital and reserves			
Share capital	47	**40,756**	34,876
Reserves		**2,222,041**	4,006,318
Equity attributable to owners of the Company		**2,262,797**	4,041,194
Non-controlling interests	48	**1,384,425**	1,313,300
Total equity		**3,647,222**	5,354,494
Non-current liabilities			
Deferred tax liabilities	27	**38,356**	46,759
Bank and other borrowings	42	**3,919,264**	4,900,714
Obligations under finance leases	40	**27,909**	66,852
Deferred income	43	**22,120**	27,897
Convertible bonds	45	**997,348**	1,081,672
		5,004,997	6,123,894
		8,652,219	11,478,388

The consolidated financial statements on pages 61 to 238 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

DIRECTOR	*DIRECTOR*
Zhang Fubo	**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)	FVTOCI reserve RMB'000	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)	Sub-total RMB'000	Non-controlling interests RMB'000	Total
At 1 January 2017	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 (note 50)	–	–	–	–	–	–	34,317	–	–	34,317	23,378	57,695
Impact upon maturity of the Fifth CB (as defined in note 45(e)) (note f)	–	–	–	–	–	(345,292)	–	–	345,292	–	–	–
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(2,250)	(2,250)
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in note 4(i) (e) 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
Adjustments (note 2.2)	–	–	–	8,941	–	–	–	–	(97,688)	(88,747)	–	(88,747)
At 1 January 2018 (restated)	34,876	5,360,199	(1,070,422)	8,941	48,252	2,704,790	83,615	30,744	(3,248,548)	3,952,447	1,313,300	5,265,747
Loss for the year	–	–	–	–	–	–	–	–	(1,705,630)	(1,705,630)	(1,090)	(1,706,720)
Other comprehensive income (expense) for the year	–	–	–	(10,527)	615	–	–	–	–	(9,912)	126	(9,786)
Total comprehensive expense for the year	–	–	–	(10,527)	615	–	–	–	(1,705,630)	(1,715,542)	(964)	(1,716,506)
Recognition of share-based payment of Lattice Power Group (note 50)	–	–	–	–	–	–	29,845	–	–	29,845	20,331	50,176
Issue of shares upon conversion of the First CB (as defined in note 45(a))	5,880	716,225	–	–	–	(674,300)	–	–	–	47,805	–	47,805
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in note 4(i)(e) to non-controlling interests (note e)	–	–	–	–	–	–	–	–	(51,758)	(51,758)	51,758	–
At 31 December 2018	40,756	6,076,424	(1,070,422)	(1,586)	48,867	2,030,490	113,460	30,744	(5,005,936)	2,262,797	1,384,425	3,647,222

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 note 4(i)(e) 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 note 4(i)(e), 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 45.

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 28,000,000 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 RMB50,176,000 for the year ended 31 December 2018 (2017: RMB57,695,000) 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. Profit for the year related to Jiangsu Changshun and the Nine Disposed Entities consolidated to the Group was transferred from the Group's accumulated deficits to non-controlling interests. Although the 2015 Proposed Disposed had been terminated as at 31 December 2016, the legal ownership of Jiangsu Changshun and the Nine Disposed Entities still kept by Chongqing Future (as defined in note 4(i)(e) had not yet been transferred back to the Group as at 31 December 2018 and in the opinion of the directors of the Company, the related profit for both years should also be accounted for as "non-controlling interests" as at 31 December 2018 and 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 45(e).

Consolidated Statement of Cash Flows

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Operating activities		
Loss before tax	**(1,577,952)**	(767,633)
Adjustments for:		
Interest income	**(19,410)**	(13,052)
Interest income arising from advances to independent third parties	**(2,653)**	(44,265)
Interest income arising from available-for-sale investments	**—**	(7,278)
Finance costs	**1,285,923**	1,423,292
Warranty provision	**57,635**	39,660
Gain on change in fair value of derivative financial liabilities	**—**	(4,397)
Share of gains of joint ventures	**(21,194)**	(8,044)
Share of (gains) losses of associates	**(9,239)**	4,185
Loss on partial disposal of meteocontrol Electric Power (note 23(c))	**620**	—
Net foreign exchange loss (gain)	**169,397**	(126,799)
Depreciation of property, plant and equipment	**280,952**	411,206
Depreciation of completed solar power plants	**622,805**	690,800
Amortisation of intangible assets	**6,134**	7,546
Release of prepaid lease payments	**19,707**	19,036
Release of deferred income related to government grants	**(12,997)**	(14,120)
Gain on release of financial guarantee contracts (note 41)	**(49,510)**	(36,651)
(Gain) loss on disposal of property, plant and equipment	**(9,670)**	11,948
Gain on disposal of solar power plants	**(11,673)**	—
Loss on write-off of intangible assets	**—**	2,430
Loss on write-off of solar power plants	**—**	6,165
Allowance for inventories	**52,928**	29,897
Impairment loss on trade and other receivables	**93,429**	221,642
Impairment loss on contract assets	**168**	—
Impairment loss on other non-current assets	**133,735**	—
Impairment loss on property, plant and equipment	**771,492**	—
Impairment loss on goodwill	**6,237**	—
Impairment loss on solar power plants	**—**	15,509
Gain on derecognition of trade and other payables upon deregistration of a subsidiary (note 8(i))	**—**	(40,302)
Gain on disposal of subsidiaries (note 51)	**(31,586)**	(10,878)
Gain on disposal of associates	**—**	(340)
Net gain on Compensation Arrangement (as defined in note 16(i))	**—**	(14,787)
Imputed interest income of accrued revenue on tariff subsidy classified as trade receivables and contract assets (note 7)	**(30,238)**	—
Provision of financial guarantee expense (note 41)	**30,285**	51,469
Recognition of share-based payments of Lattice Power Group	**50,176**	57,695

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Operating cash flows before movements in working capital	**1,805,501**	1,903,934
Increase in inventories	**(325,341)**	(176,485)
Decrease in contract assets	**99,252**	—
Increase in trade and other receivables	**(1,113,739)**	(384,358)
Decrease (increase) in prepayments to suppliers	**1,715**	(260,885)
Decrease in amount due from an associate	**6,346**	8,778
Increase in amount due from a joint venture	**(9,261)**	(110)
Increase in amount due to an associate	**15,860**	—
Increase in amount due to a joint venture	**127,374**	22,151
Increase in trade and other payables	**1,843,436**	87,871
Increase in customers' deposits received	**—**	32,348
Increase in contract liabilities	**153,512**	—
Increase in receivables at FVTOCI	**(32,326)**	—
(Decrease) increase in provisions	**(15,336)**	6,575
Decrease in value-added tax recoverable	**177,354**	169,683
Cash generated from operations	**2,734,347**	1,409,502
Income taxes paid	**(11,166)**	(30,409)
Net cash from operating activities	**2,723,181**	1,379,093
Investing activities		
Withdrawal of restricted bank deposits	**1,389,569**	1,682,814
Receipt from government grants	**859**	859
Bank interest income received	**19,410**	13,052
Interest income received from advances to independent third parties	**36,305**	—
Payments of prepaid lease payment	**(42,660)**	(2,670)
Placement of restricted bank deposits	**(1,952,820)**	(1,002,639)
Payments of property, plant and equipment	**(274,560)**	(450,942)
Payment for construction cost in respect of solar power plants	**(300,161)**	(637,506)
Proceeds on disposal of property, plant and equipment	**35,523**	27,991
Proceeds on disposal of solar power plants	**24,499**	—
Proceeds on disposal of available-for-sale investments previously disposed of	**—**	11,000
Proceeds on disposal of available-for-sale investments	**—**	8,820
Capital contribution to an associate	**(150)**	(10,000)
Capital contribution for the establishment of a joint venture	**(180,000)**	—
Purchases of available-for-sale investments	**—**	(30,000)
Purchases of intangible assets	**(1,340)**	(3,384)
Loan advanced to independent third parties	**(58,270)**	(431,204)
Loan repayment from independent third parties	**120,814**	67,680
Repayment of consideration payable in respect of the prior acquisition of subsidiaries	**—**	(8,733)
Proceeds on disposal of subsidiaries (note 51)	**61,302**	36,030
Proceeds on disposal of interest in associates	**—**	9,362
Proceeds on partial disposal of meteocontrol Electric Power (note 23(c))	**2,200**	—
Cash distribution from available-for-sale investments	**—**	2,941
Interest received in relation to the security deposit (note 29(vi))	**4,337**	—
Dividend received from associates	**1,670**	2,450
Dividend received from a joint venture (note 23(c))	**10,845**	—
Receipt of consideration receivable in respect of subsidiaries previously disposed	**10,913**	232,004
Settlement received from amounts due from disposed subsidiaries	**5**	600,289
Net cash (used in) from investing activities	**(1,091,710)**	118,214

Consolidated Statement of Cash Flows (Continued)

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Financing activities		
New bank and other borrowings raised	**1,429,348**	2,570,761
Repayment of bank and other borrowings	**(1,417,691)**	(2,970,206)
Repayment of the outstanding principal balance of Fifth CB	**—**	(8,458)
Interest paid	**(731,653)**	(865,989)
Interest paid for bond payables	**(82,777)**	(81,400)
Interest paid for convertible bonds	**(61,393)**	(72,596)
Repayment of bond payables	**(216,000)**	—
Repayment of obligations under finance leases	**(52,948)**	(45,692)
Interest paid for consideration received in advance in respect of the 2015 Proposed Disposal (as defined in note 4(i)(e))	**(4,093)**	(21,306)
Repayment of consideration received in advance and related interest in respect of the termination of the 2015 Proposed Disposal (as defined in note 4(i)(e))	**(10,000)**	(229,442)
Acquisition of additional interest in a subsidiary	**—**	(2,250)
Advance from independent third parties	**18,177**	163,551
Repayment to independent third parties	**(433,687)**	(236,012)
Transfer of bond payables previously issued and partly subscribed by the group entity to an independent third party	**—**	20,000
Net cash used in financing activities	**(1,562,717)**	(1,779,039)
Net increase (decrease) in cash and cash equivalents	**68,754**	(281,732)
Cash and cash equivalents at beginning of the year	**663,686**	912,611
Effect of foreign exchange rate changes	**22,146**	32,807
Cash and cash equivalents at end of the year, represented by bank balances and cash	**754,586**	663,686

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 2018 and as of that date, the current liabilities exceeded its current assets by RMB7,582,500,000, increased by RMB1,443,112,000 from RMB6,139,388,000 as at 31 December 2017. In addition, as at 31 December 2018, the Group had capital commitments, contracted for but not provided in the consolidated financial statements, amounting to RMB420,828,000 as disclosed in note 53 to the consolidated financial statements.

The Group's short term debt repayment pressure currently is high, since a number of outstanding debts (including bank and other borrowings and bond payables) will be expired in 2019. In order to reduce the Group's highly indebted position and enhance its liquidity, a development plan has been formulated by the directors of the Company which comprises, inter alia, (i) the Subscription, (ii) the Disposal (both as defined in note 61) and (iii) the seeking with banks or financial institutions for alternative refinancing and/or extension of due dates of the relevant debts (collectively the "Development Plan"). Details of the Development Plan are set out below:-

The Subscription

As set out in note 61, upon completion of the Subscription, it will bring a cash inflow of approximately HKD1,624 million (equivalent to RMB1,423 million) to the Group and the Subscriber (as defined in note 61) will have a controlling interest in the Company.

The Subscription introduces a new investor with strong clean energy industry and financial backgrounds, which is beneficial to the Group not only in resolving its current highly indebted position, but it can also support the Group's future development and expansion in clean energy business. The Group intends to apply all of the gross proceeds from the Subscription to satisfy the Group's debt repayment obligations and related finance costs (other than debts owed by the Group to its shareholders), which will improve the Group's liquidity. In addition, the management of the Group believes that changes in the Group's operations or shareholding structure may possibly be beneficial for the Group to extend, renew or restructure the Group's bank and other borrowings.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

The Disposal

As set out in note 61, upon completion of the Disposal, the Group will receive cash payments of RMB1,945 million from the Purchaser (as defined in note 61), who will also assume the Company's borrowings from Sino Alliance partially for a principal amount of HK$1,200 million (equivalent to RMB1,051 million) and will waive the Third CB (as defined in note 45) held by Peace Link (as defined in note 45), an entity indirectly wholly owned and controlled by Mr. Cheng Kin Ming, a substantial shareholder prior to completion of the Subscription, with a principal balance of HKD1,948 million (equivalent to the pre-agreed rate of exchange of RMB1,546 million). The completion of which will significantly reduce the highly indebted position and finance costs of the Group, and it will also enable the Group to focus on the development and expansion of clean energy business.

Alternative refinancing and/or extension of due dates of the relevant debts

The Group currently is also negotiating with banks and financial institutions to seek for refinancing and/or extension of due dates of the relevant debts as follow:

- Negotiating with banks and financial institutions for renewal of the loans from financial institutions and extension of the maturity date.

  (i) In respect of the borrowings from Sino Alliance Capital Ltd. ("Sino Alliance") and China Minsheng Banking Corporation Ltd. Hongkong Branch ("CMBC-HK ") with the corresponding outstanding principal balance of HKD2,500 million (equivalent to RMB2,191 million) and HKD980 million (equivalent to RMB858.7 million) (collectively the "Outstanding Loans from Sino Alliance and CMBC-HK") as at 31 December 2018, which have been matured in December 2018, and the management of the Group in December 2018 has successfully extended the maturity of the loan from CMBC-HK to August 2019 and has entered into a supplementary agreement with an updated repayment schedule in relation to the loan from Sino Alliance ("Supplementary Agreement") subsequently in March 2019.

  According to the Supplementary Agreement, the first repayment of HKD600 million (equivalent to RMB526 million) will be matured on 31 March 2019, and the management of the Group is confident that a further extension of due dates within the next twelve months after the end of the reporting period would be approved based on the recent negotiation with Sino Alliance; and

  (ii) In respect of other short-term bank and other borrowings (excluding the Outstanding Loans from Sino Alliance and CMBC-HK) with a carrying amount of RMB3,007 million as at 31 December 2018, RMB145 million out of which has been subsequently matured on the date of this consolidated financial statements and has also been successfully renewed for a period of not less than 12 months. The management of the Group is confident that a significant portion of the Group's bank and other borrowings can be successfully renewed upon maturity in view of the Group's historical successful experiences in refinancing expiring debts.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

Alternative refinancing and/or extension of due dates of the relevant debts (Continued)

- Negotiating with banks not to exercise their rights to demand for immediate payment in respect of the Group's bank borrowings that had certain financial covenants breached, totalling RMB1,092 million, as at 31 December 2018. The management of the Group is confident that these banks will not demand for immediate repayment based on the negotiations with these respective banks; and

- Negotiating with banks and financial institutions to obtain approval to drawdown borrowings under the available facilities and/or obtain additional credit facilities. The management of the Group is of the view that the Group is able to obtain new or additional financing from banks and financial institutions by pledging its available assets as collaterals.

Since the Subscription and the Disposal are contemplated in the interest of the Company and the owners of the Company as a whole, and will be able to largely reduce the Group's overall highly indebted position and reduce the finance costs, the directors of the Company expect the Subscription and the Disposal will be proceeded. Furthermore, the directors of the Company has critically assessed that the Development Plan implemented, if materialised, could further enhance the Group's liquidity.

Notwithstanding the foregoing, if the Subscription and/or the Disposal do not proceed prior to their corresponding long stop date, timely repayment of the Group's outstanding bank and other borrowings would be a burden to the Group. In order to prevent the Group from exposure to higher risk of default, in addition to the alternative refinancing and/or extension of due dates of the relevant debts as mentioned above, the Group has also considered to dispose of its certain solar power plants and/or subsidiaries that hold solar power plants as its remedial action plan. Under this circumstance, the Group plans to immediately resume negotiation with the interested buyers, who had submitted letters of intent or demonstrated interests to the Group's solar power plants, and also plans to start sourcing any additional new potential buyers of its solar power plants in order to prevent the Group from any shortage of fund that might expect.

In addition, as part of the remedial plan, the Group has also considered to negotiate with certain banks and financial institutions requesting to delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to advances from its shareholders), in order to enable the Group to have adequate time to obtain proceed from the disposal of solar power plants that might require and adequate working capital to repay the maturing debts from time to time.

Taking into account all of these factors, the directors of the Company are of the opinion that, together with the presently available conditional 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 AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

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

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

Except as described below, the application of the new 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.

2.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time during the year ended 31 December 2018. IFRS 15 superseded IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated deficits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 Revenue and IAS 11 Construction Contracts and the related interpretations.

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

2.1 IFRS 15 Revenue from Contracts with Customers (Continued)

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

- Sales of solar cells, solar modules, photovoltaic systems ("PV Systems") and related products (collectively known as "Solar Products") and sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "LED Products")

- Installation services of PV systems

- Sales of electricity and Tariff Subsidy

- Provision of Plant Operation and Services

  Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3, respectively.

Summary of effects arising from initial application of IFRS 15

The following table summarises the impact of transition to IFRS 15 on accumulated deficits at 1 January 2018.

	Impact of adopting IFRS 15 at 1 January 2018 RMB'000
Accumulated deficits as at 31 December 2017	**(3,150,860)**
Imputed interest adjustment due to significant financing component arising from sales of electricity (note a)	(52,336)
Adjusted balance as at 1 January 2018	**(3,203,196)**

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

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

2.1 IFRS 15 Revenue from Contracts with Customers (Continued)

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

		Carrying amounts previously reported at 31 December 2017	Reclassification	Remeasurement	Carrying amounts under IFRS 15 at 1 January 2018*
		RMB'000	RMB'000	RMB'000 (note a)	RMB'000
Current Assets					
Trade and other receivables	note a and b	3,508,054	(350,948)	(36,998)	3,120,108
Non-current Assets					
Contract assets	note a and b	–	350,948	(15,338)	335,610
Reserves		4,006,318	–	(52,336)	3,953,982
Current Liabilities					
Contract liabilities	note c	–	178,184	–	178,184
Customers' deposits received	note c	178,184	(178,184)	–	–

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

Notes:

a. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly. As at 1 January 2018, the remeasurement of RMB52,336,000, as a result of the significant financial component on sales of electricity, had been adjusted to accumulated deficits on 1 January 2018. In addition, amount of RMB15,338,000 had been adjusted to contract assets in relation to those accrued revenue of tariff subsidy generating from the solar power plants that had not been registered to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue").

b. At the date of initial application, RMB350,948,000 represented the accrued revenue on tariff subsidy generating from the solar power plants that has not completed the registration to the Catalogue as at 1 January 2018. Such cumulative balance as at 1 January 2018 had been classified as contract assets as the Group had not obtain unconditional right to payment yet.

c. As at 1 January 2018, customers' deposits received of RMB178,184,000 in respect of contracts in relation to the sales of Solar Product and LED Product previously included in customers' deposits received were entirely reclassified to contract liabilities.

d. The net effects arising from the initial application of IFRS 15 on the carrying amount of interest in associates and joint ventures on the opening consolidated financial statements and the consolidated financial statements for the year was insignificant in the opinion of the directors of the Company.

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

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

2.1 IFRS 15 Revenue from Contracts with Customers (Continued)

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

Impact on the consolidated statement of financial position

	As reported	Adjustment	Amounts without application of IFRS 15
	RMB'000	RMB'000	RMB'000
Current Assets			
Trade and other receivables	3,873,761	311,738	4,185,499
Contract assets-current	38,294	(38,294)	—
Non-current Assets			
Contract assets-non-current	206,781	(206,781)	—
Capital and reserves			
Reserves	2,222,041	66,663	2,288,704
Current Liabilities			
Contract liabilities	331,696	(331,696)	—
Customers' deposits received	—	331,696	331,696

Impact on the consolidated statement of profit and loss and other comprehensive income:

	Note	As reported	Adjustment	Amounts without application of IFRS 15
		RMB'000	RMB'000	RMB'000
Continuing operation				
Revenue	(a)	10,290,635	44,397	10,335,032
Gross profit		1,848,983	44,397	1,893,380
Other income	(a)	220,206	(30,238)	189,968
Loss before tax		(1,577,952)	14,159	(1,563,793)
Income tax expense		(128,768)	—	(128,768)
Loss for the year		(1,706,720)	14,159	(1,692,561)
Total comprehensive expense for the year		(1,716,506)	14,159	(1,702,347)

(a) Taking into account the significant financing component resulted from the recognition of accrued revenue on tariff subsidy, the adjustment of RMB44,397,000 would lower the revenue, while the imputed interest income of RMB30,238,000 was released to other income in the current year.

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

2.1 IFRS 15 Revenue from Contracts with Customers (Continued)

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

Impact on the consolidated statement of cash flows

	As reported	Adjustment	Amounts without application of IFRS 15
	RMB'000	RMB'000	RMB'000
Operating Activities			
Loss before tax	(1,577,952)	14,159	(1,563,793)
Imputed interest income of accrued revenue on tariff subsidy and contract assets	(30,238)	30,238	—
Operating cash flow before movement in working capital	1,805,501	44,397	1,849,898
Increase in trade and other receivables	(1,113,739)	54,855	(1,058,884)
Decrease in contract assets	99,252	(99,252)	—
Increase in customers' deposits received	—	153,512	153,512
Increase in contract liabilities	153,512	(153,512)	—
Cash generated from operations	2,734,347	—	2,734,347
Net cash from operating activities	2,723,181	—	2,723,181

2.2 IFRS 9 Financial Instruments

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

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

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

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

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

2.2 IFRS 9 Financial Instruments (Continued)

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Notes	Unlisted equity investment classified as available-for-sale investments RMB'000	Unlisted managed investment fund classified as available-for-sale investments RMB'000	Financial assets at FVTPL RMB'000	Receivables at FVTOCI RMB'000	Amortised cost (previously classified as loans and receivables (including bank balances and cash)) RMB'000	Contract Assets RMB'000	Financial guarantee RMB'000	FVTOCI reserves RMB'000	Accumulated deficits RMB'000	Non-controlling interests RMB'000
Closing balance at 31 December 2017 – IAS 39		3,096	111,337	–	–	5,605,202	–	(307,571)	–	(3,150,860)	1,313,300
Effect arising from initial application of IFRS 15		–	–	–	–	(387,946)	335,610	–	–	(52,336)	–
Effect arising from initial application of IFRS 9 :											
Reclassification											
From available-for-sale	(a)	(3,096)	(111,337)	114,433	–	–	–	–	–	–	–
From trade and bills receivables	(b)	–	–	–	959,860	(959,860)	–	–	–	–	–
Remeasurement											
Impairment under ECL model	(c)	–	–	–	–	(33,812)	–	–	11,540	(45,352)	–
From amortised cost to fair value	(b)	–	–	–	(2,599)	–	–	–	(2,599)	–	–
Opening balance at 1 January 2018		–	–	114,433	957,261	4,223,584	335,610	(307,571)	8,941	(3,248,548)	1,313,300

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

2.2 IFRS 9 Financial Instruments (Continued)

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

(a) From available-for-sale investments to financial assets at FVTPL

At the date of initial application of IFRS 9, the Group's unlisted equity investment of RMB3,096,000 previously all measured at cost less impairment was reclassified from available-for-sale investments to financial assets at FVTPL. In addition, managed investment fund with a fair value of RMB111,337,000 were reclassified from available-for-sale investments to financial assets at FVTPL. The cash flows of these investments do not meet the IFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding.

(b) Loans and receivables

As part of the Group's cash flow management, a significant amounts of the receivables in relation to the Group's manufacturing and sales of Solar Products and LED Products held by the Group whose objective is achieved by both collecting contractual cash flow, endorsing the bills to settle payments to supplier and discounting some of the bills receivables (received from customers for the settlement of the Group's trade receivables) to financial institutions before the bills are due for payment. The Group derecognises bills discounted on the basis that the Group has transferred substantially all risks and rewards to the relevant counterparties. Accordingly, these receivables totalling RMB959,860,000 were reclassified to receivables at FVTOCI. The related fair value losses of RMB2,599,000 was adjusted to receivables at FVTOCI and equity as at 1 January 2018.

(c) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables, receivables at FVTOCI and contract assets have been grouped based on shared credit risk characteristics. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables and contract assets for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost comprise of other receivables, restricted bank deposits, bank balances and cash and financial guarantee contracts, amount due from an associate and a joint venture, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition, which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

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

2.2 IFRS 9 Financial Instruments (Continued)

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

(c) Impairment under ECL model (Continued)

As at 1 January 2018, the additional credit loss allowance of RMB33,812,000 has been recognised against accumulated deficits. The additional loss allowance is charged against the other receivables.

As at 1 January 2018, the additional credit loss of RMB11,540,000 in respect of receivables at FVTOCI has been recognised against accumulated deficits, and debited FVTOCI reserve.

For outstanding financial guarantees provided to a joint venture, a former related party and independent third parties of RMB307,571,000, the Group considers there has been no significant increase in credit risk since initial recognition and hence the loss allowance is measured on 12m ECL basis.

No loss allowance was recognised for contract assets, amounts due from an associate and a joint venture, restricted bank deposits and bank balances and cash as at 31 December 2017 and 1 January 2018. All loss allowances for financial assets (including trade receivables and other receivables) and financial guarantee contracts as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Trade receivables RMB'000	**Other receivables** RMB'000	**Financial guarantee contracts** RMB'000
At 31 December 2017 – IAS 39	229,300	435,666	(307,571)
Financial impact arising from initial application of IFRS 9	(109,286)	33,812	—
At 1 January 2018	120,014	469,478	(307,571)

(d) The net effects arising from the initial application of IFRS 9 on the carrying amount of interests in associates and joint ventures on the opening consolidated financial statements and the consolidated financial statements for the year was insignificant in the opinion of the directors of the Company.

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

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

As a result of the changes in the entity's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Non-current assets				
Property, plant and equipment	2,831,529	—	—	**2,831,529**
Solar power plants	12,226,635	—	—	**12,226,635**
Prepaid lease payments — non-current	423,800	—	—	**423,800**
Goodwill	6,237	—	—	**6,237**
Intangible assets	40,636	—	—	**40,636**
Interests in associates	140,377	—	—	**140,377**
Interests in joint ventures	13,908	—	—	**13,908**
Available-for-sale investments — non-current	3,096	—	(3,096)	**—**
Financial assets at FVTPL	—	—	3,096	**3,096**
Other non-current assets	997,950	—	—	**997,950**
Deferred tax assets	213,608	—	—	**213,608**
Value-added tax recoverable — non-current	720,000	—	—	**720,000**
Contract assets — non-current	—	335,610	—	**335,610**
Total Non-current assets	17,617,776	335,610	—	**17,953,386**
Current assets				
Inventories	792,630	—	—	**792,630**
Trade and other receivables	3,508,054	(387,946)	(993,672)	**2,126,436**
Prepaid lease payments — current	15,701	—	—	**15,701**
Value-added tax recoverable	315,155	—	—	**315,155**
Tax recoverable	3,544	—	—	**3,544**
Prepayments to suppliers	815,172	—	—	**815,172**
Amount due from an associate	5,744	—	—	**5,744**
Amount due from a joint venture	762	—	—	**762**
Receivables at FVTOCI	—	—	957,261	**957,261**
Available-for-sale investments — current	111,337	—	(111,337)	**—**
Financial assets at FVTPL	—	—	111,337	**111,337**
Restricted bank deposits	1,476,381	—	—	**1,476,381**
Bank balances and cash	663,686	—	—	**663,686**
Total Current assets	7,708,166	(387,946)	(36,411)	**7,283,809**

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

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

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	**1 January 2018 (Restated) RMB'000**
Current liabilities				
Trade and other payables	5,080,326	—	—	**5,080,326**
Contract liabilities	—	178,184	—	**178,184**
Customers' deposits received	178,184	(178,184)	—	**—**
Amount due to a joint venture	32,426	—	—	**32,426**
Obligations under finance leases	45,195	—	—	**45,195**
Provisions	1,051,770	—	—	**1,051,770**
Tax liabilities	4,553	—	—	**4,553**
Bank and other borrowings	5,964,579	—	—	**5,964,579**
Deferred income	12,755	—	—	**12,755**
Derivative financial liabilities	3,336	—	—	**3,336**
Convertible bonds	429,369	—	—	**429,369**
Bonds payables	1,045,061	—	—	**1,045,061**
	13,847,554	—	—	**13,847,554**
Net current liabilities	(6,139,388)	(387,946)	(36,411)	**(6,563,745)**
Total assets less current liabilities	11,478,388	(52,336)	(36,411)	**11,389,641**
Capital and reserves				
Share capital	34,876	—	—	**34,876**
Reserves	4,006,318	(52,336)	(36,411)	**3,917,571**
Equity attributable to owners of the Company	4,041,194	(52,336)	(36,411)	**3,952,447**
Non-controlling interests	1,313,300	—	—	**1,313,300**
Total equity	5,354,494	(52,336)	(36,411)	**5,265,747**
Non-current liabilities				
Deferred tax liabilities	46,759	—	—	**46,759**
Bank and other borrowings	4,900,714	—	—	**4,900,714**
Obligations under finance leases	66,852	—	—	**66,852**
Deferred income	27,897	—	—	**27,897**
Convertible bonds	1,081,672	—	—	**1,081,672**
	6,123,894	—	—	**6,123,894**
	11,478,388	(52,336)	(36,411)	**11,389,641**

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

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 cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB116,566,000 as disclosed in note 52. 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 RMB1,269,000 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. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company assess that such changes would significantly increase the consolidated assets and consolidated liabilities of the Group but would not result in a significant impact on the financial performance of the Group upon adoption of IFRS 16.

The Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group did not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elected the modified retrospective approach for the application of IFRS 16 as lessee and recognised the cumulative effect of initial application to opening accumulated deficits without restating comparative information.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling 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 IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred 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 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. 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 retrospectively 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, if any.

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 or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

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 Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 *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 IFRS 9/IAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition 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 from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1) (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (being the Tariff Subsidy on sales of electricity), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1) (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2.1) (Continued)

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (including sales commissions and market expansion fee) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful lives and amortisation 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 and development expenditure

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

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).

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.

Leases

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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).

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The recoverable amount of tangible and intangible assets are estimated individually, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL. The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2.2) (Continued)

(ii) Receivables at FVTOCI

Subsequent changes in the carrying amounts for receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in OCI and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2.2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, receivables at FVTOCI, receivables included in other non-current assets, amount due from an associate, amount due from a joint venture, bank balances, restricted bank deposits and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets is assessed individually for customers with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2.2) (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2.2) (Continued)

(ii) Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default ("PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2.2) (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the weighted average of the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, with the respective risks of a default occurring as the weights, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

Where ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for receivables at FVTOCI, other receivables and receivables included in other non-current assets, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For receivables at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 January 2018)

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.

(i) 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 investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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).

(ii) 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 bank deposits, trade and other receivables, amount due from an associate, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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 and contract assets, assets are assessed for impairment on a collective basis even 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.

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.

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 take place.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of IFRS 9 on 1 January 2018) (Continued)

Impairment loss on available-for-sale equity investment 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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amount due to an associate, amount due to a joint venture, bank and other borrowings, liability component of convertible bonds, obligations under finance leases 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 loss allowance determined in accordance with IFRS 9 (since 1 January 2018) or IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

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

Derecognition of financial liabilities

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

Non-substantial modifications of financial liabilities (under IFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

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) Judgements in determining the performance obligations and timing of satisfaction of performance obligations

Notes 3 and 5 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by the management of the Group in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company consider the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the details terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

For the sales of Solar Products and LED Products, the directors of the Company has assessed that the Group has a present right to payment from the customers for the goods transferred at a point in time upon customers' acceptance of the deliverable units. In addition, in accordance with industry business practice, the Group provides warranty in connection with the sale of solar module product, with post-sale tasks including the replacement and repair service for defects in material and workmanship as set out in note 41(a). First of all, the customer does not have the option to purchase a warranty separately. Secondly, it is necessary for the Group to perform the tasks to provide the assurance that a product complies with agreed-upon specifications, then the tasks likely do not give rise to a performance obligation. The warranty is not distinct and therefore, the management of the Group has satisfied that there is only a single performance obligation and recognise the revenue at a point in time. The warranty provision is the Group accounts for the warranty in the provision.

For sales of electricity, the directors of the Company has assessed that the Group has a present right to payment from the state grid company for the electricity generated and transmitted at a point in time upon transmittal.

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

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

(a) Judgements in determining the performance obligations and timing of satisfaction of performance obligations (Continued)

For tariff subsidy generated from those solar power plants which had been registered to the Catalogue, the Group has obtained unconditional and present right to payment since the electricity generated and transmitted. On the other hand, for tariff subsidy generated from those solar power plants which had not been registered into Catalogue, since the Group has not obtained unconditional right to payment yet, therefore, the Group recognised accrued revenue on tariff subsidy with corresponding debit to contract assets, accordingly.

For the provision of installation services of PV Systems on rooftop of building owned by the customers, the related revenue is recognised over time as the directors of the Company has assessed that the Group's performance creates and enhances an assets that the customer controls as the Group performs.

For the provision of Plant Operation and Services (as defined in note 5), the directors of the Company has assessed that the customers simultaneously receive and consume the benefits provided by the Group's performances as the Group performs and the Group has an enforceable right to payment for performances completed to date. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised revenue on a monthly basis at the specified service fee over the contract period.

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

Tariff subsidy represents subsidy received and receivables from the government authorities in respect of the Group's solar power generation business. The financial resource for the tariff adjustment is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The government authorities are responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. 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.

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

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

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

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.

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 RMB949,771,000 (2017: RMB876,035,000) from the state grid companies in the PRC has been recognised for the year ended 31 December 2018 in which tariff adjustments amounting to RMB80,436,000 (2017: RMB236,001,000) relating to certain of the on-grid solar power plants of the Group are still pending for registration to the Catalogue.

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

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

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

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.

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.

(c) Revenue recognition on certain tariff subsidy with variable consideration

For tariff subsidy generated from those solar power plants which had not been registered into the Catalogue, the relevant revenue from these tariff subsidy are considered to contain variable consideration, and is recognised only to the extent that it is highly probable that a significant reversal will not occur.

(d) Recognition of adjusting revenue for the time value of money ("significant financing component") on tariff subsidy generated from solar power operation

The Group's accrued revenue on tariff subsidy are receivables from the state grid company. The Group has a present right to payment once the electricity generated and transmitted on grid. However, the contract entered between the state grid and the Group does not set an explicit credit terms to the settlement of accrued revenue on tariff subsidy. The management of the Group considered that the settlement period is more than 1 year, in accordance with the historical settlement record and experience in the past few years. As a result, there is an adjustment in respect of significant finance component to the recognition of tariff subsidy generated from solar power plants on sales of electricity.

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

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

(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities

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").

On 18 December 2015, the Group transferred the entire equity interest of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future. 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 instalment 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.

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) in the annual report of 2017 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.

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

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

(e) Incomplete transaction on the 2015 Proposed Disposal of Jiangsu Changshun and Nine Disposal Entities (Continued)

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) in the annual report of 2017).

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) in the annual report of 2017.

As at 31 December 2018, 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 profit for the current year amounting to RMB51,758,000 (2017: RMB15,984,000) has been transferred from accumulated deficits to non-controlling interests as at 31 December 2018.

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 period, 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 period.

(a) Impairment of property, plant and equipment and 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 2018, the carrying amount of the property, plant and equipment was RMB2,113,165,000 (net of impairment of RMB969,362,000 (2017: RMB2,831,529,000 (net of impairment of RMB223,060,000)), the carrying amount of solar power plants was RMB11,558,554,000 (net of impairment of RMB237,049,000) (2017: RMB12,226,635,000 (net of impairment of RMB237,049,000)).

(b) Provision of ECL for trade and other receivables, contract assets and receivables included in other non-current assets

The ECL in relation of trade and other receivables, contract assets and receivables included in other non-current assets is calculated by the management of the Group, and is assessed individually for the customers/debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The assessment of ECL is based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables, contract assets and receivables included in other non-current assets are disclosed in notes 29, 30, 26 and 54, respectively.

(c) 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 2018, the carrying amount of the Group's inventories was approximately RMB1,065,043,000 (net of allowance for inventories of RMB152,361,000) (2017: RMB792,630,000 (net of allowance for inventories of RMB101,486,000)).

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

(ii) Key sources of estimation uncertainty (Continued)

(d) 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 2018, the carrying amount of prepayments to suppliers was RMB813,457,000 (net of allowance for doubtful debts of RMB12,896,000) (2017: RMB815,172,000 (net of allowance for 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 RMB57,298,000 without allowance for doubtful debts) (2017: RMB561,907,000 (without allowance for doubtful debts)).

(e) 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 2018, the carrying amount of warranty provision was RMB742,648,000 (2017: RMB682,970,000).

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

(ii) Key sources of estimation uncertainty (Continued)

(f) 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 2018, the Group has recognised deferred tax assets arising from unused tax losses and other deductible temporary differences in the amount of RMB93,902,000 (2017: RMB213,608,000) as set out in note 27.

(g) 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 2018, the total carrying amount of the Group's property, plant and equipment and solar power plants was RMB13,671,719,000 (2017: RMB15,058,164,000).

(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 period to explain the cause of fluctuations in the fair value of the assets and liabilities.

5. REVENUE

Disaggregation of revenue

A. For the year ended 31 December 2018

(i) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018				
Segments	Sales of goods (comprising Solar Products and LED Products) RMB'000	Revenue from sales of electricity RMB'000	Installation services of PV Systems RMB'000	Service income from plant operation and services RMB'000	Total RMB'000
Types of goods or service					
Sales of electricity	–	434,485	–	–	434,485
Tariff subsidy	–	949,771	–	–	949,771
Sales of goods	8,620,347	–	–	–	8,620,347
Service income	–	–	149,052	136,980	286,032
Total	8,620,347	1,384,256	149,052	136,980	10,290,635
Geographical markets					
Mainland China	4,077,664	1,301,417	149,052	–	5,528,133
Japan	775,833	44,517	–	–	820,350
India	756,761	–	–	–	756,761
Germany	421,834	9,033	–	136,980	567,847
Australia	471,181	–	–	–	471,181
Spain	360,827	–	–	–	360,827
Italy	264,319	–	–	–	264,319
Portuguese	158,409	–	–	–	158,409
Russia	116,569	–	–	–	116,569
United Arab Emirates	89,737	–	–	–	89,737
Other countries	1,127,213	29,289	–	–	1,156,502
Total	8,620,347	1,384,256	149,052	136,980	10,290,635
Timing of revenue recognition					
A point in time	8,620,347	1,384,256	–	–	10,004,603
Over time	–	–	149,052	136,980	286,032
Total	8,620,347	1,384,256	149,052	136,980	10,290,635

5. REVENUE (Continued)

Disaggregation of revenue (Continued)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligations for contracts with customers

Sales of Solar Products and LED Products

In respect of sales of Solar Products and LED Products, the Group recognises the revenue at a point in time when there is persuasive evidence that the control of Solar Products and LED Products has been transferred to the customer, the customer has adequate control over the product and the Group has no unfulfilled obligations that effect customer acceptance products.

Sales of electricity

Revenue arising from the sales of electricity is recognised at a point in time when electricity is generated and transmitted.

The revenue from sales of electricity is based on the on-grid benchmark tariff rates of local coal-fired power plants, which vary across provinces and can be adjusted by the government. It is currently settled by state grid companies for the electricity generated by the solar power plants on a monthly basis.

Tariff Subsidy

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.

The revenue from tariff subsidy is based on the difference between the feed-in-traiff regime implemented by the government for the provision of subsidy to the solar power plants operators and the revenue from sales of electricity.

Installation services of PV Systems

The Group's contractual performance is delivering service to certain distributed solar power plants, which are often built on rooftop of buildings owned by the customers and small in scale. The Group provided the installation services on the rooftop of the buildings at the request of the customers. The Group recognises the revenue over time by reference to the progress towards the satisfaction of stage of completion.

5. REVENUE (Continued)

Disaggregation of revenue (Continued)

A. For the year ended 31 December 2018 (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Provision of Plant Operation and Services (as defined below)

Provision of solar plant operation related 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 longterm, the repowering, dismantling and recycling of plants ("Plant Operation and Services");

Revenue arising from the provision of Plant operation and services is recognised over time. The Group's contractual performance is responsible for the provision of Plant Operation and Services. The Group recognises revenue over the contract period on a monthly basis at the specified service fee in the service contracts.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The sales contracts in relation to the sales of Solar Products and LED Products are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2017

	Year ended 31 December 2017 RMB'000
Sales of goods (comprising Solar Products and LED Products)	8,569,238
Revenue from Plant Operation and Services	127,457
Revenue from solar power generation (comprising sales of electricity and tariff subsidy)	1,320,737
	10,017,432

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 Products and installation services of PV Systems;

(2) Solar power generation;

(3) Plant Operation and Services; and

(4) Manufacturing and sales of LED Products.

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 and installation services of PV Systems		Solar power generation		Plant Operation and Services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2018	2017	**2018**	2017	**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	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue														
External sales	**8,434,878**	8,249,220	**434,485**	444,702	**136,980**	127,457	**334,521**	320,018	**9,340,864**	9,141,397	**–**	–	**9,340,864**	9,141,397
Tariff subsidy	**–**	–	**949,771**	876,035	**–**	–	**–**	–	**949,771**	876,035	**–**	–	**949,771**	876,035
	8,434,878	8,249,220	**1,384,256**	1,320,737	**136,980**	127,457	**334,521**	320,018	**10,290,635**	10,017,432	**–**	–	**10,290,635**	10,017,432
Inter-segment revenue	**–**	115,573	**1,715**	–	**–**	–	**–**	–	**1,715**	115,573	**(1,715)**	(115,573)	**–**	–
	8,434,878	8,364,793	**1,385,971**	1,320,737	**136,980**	127,457	**334,521**	320,018	**10,292,350**	10,133,005	**(1,715)**	(115,573)	**10,290,635**	10,017,432
Segment (loss) profit	**(830,691)**	427,347	**554,407**	336,019	**6,571**	(2,305)	**2,632**	4,616	**(267,081)**	765,677	**–**	–	**(267,081)**	765,677
Unallocated income														
– Bank interest income													**19,410**	13,052
– Change in fair value of derivative financial liabilities													**–**	4,397
Unallocated expenses														
– Central administration costs													**(59,817)**	(73,902)
– Finance costs													**(1,285,923)**	(1,423,292)
Financial guarantee expenses provided for a joint venture													**(6,826)**	(50,849)
Share of gains (losses) of associates													**9,239**	(4,185)
Share of gains of joint ventures													**21,194**	8,044
Other expenses													**(8,148)**	(6,575)
Loss before tax													**(1,577,952)**	(767,633)

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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

	Manufacturing and sales of Solar Products and installation services of PV Systems		Solar power generation		Plant Operation and Services		Manufacturing and sales of LED Products		Sub-total		Elimination		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Impairment loss on solar power plants	–	–	–	(15,509)	–	–	–	–	–	(15,509)	–	–	–	(15,509)
(Recognition) reversal of doubtful debts for contract assets, trade and other receivables, net	(769)	(40,468)	(28,161)	(74,477)	–	–	(10,603)	(14,594)	(39,533)	(129,539)	–	–	(39,533)	(129,539)
Impairment loss on property, plant and equipment	(771,492)	–	–	–	–	–	–	–	(771,492)	–	–	–	(771,492)	–
Impairment loss on goodwill	(6,237)	–	–	–	–	–	–	–	(6,237)	–	–	–	(6,237)	–
Impairment loss on other non-current assets	(133,735)	–	–	–	–	–	–	–	(133,735)	–	–	–	(133,735)	–
Write-down of inventory	(25,578)	(4,450)	–	–	–	–	(27,350)	(25,447)	(52,928)	(29,897)	–	–	(52,928)	(29,897)

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 gains (losses) of associates and joint ventures 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:

	2018 RMB'000	2017 RMB'000
Segment assets		
Manufacturing and sales of Solar Products and installation services of PV Systems	**6,365,575**	6,905,972
Solar power generation	**15,277,735**	15,393,314
Plant Operation and Services	**39,830**	49,934
Manufacturing and sales of LED Products	**564,071**	561,431
Total segment assets	**22,247,211**	22,910,651
Other unallocated assets	**3,156,535**	2,415,291
Consolidated assets	**25,403,746**	25,325,942
Segment liabilities		
Manufacturing and sales of Solar Products and installation services of PV Systems	**8,534,096**	6,809,205
Solar power generation	**9,899,767**	9,827,221
Plant Operation and Services	**33,872**	48,747
Manufacturing and sales of LED Products	**273,732**	318,168
Total segment liabilities	**18,741,467**	17,003,341
Other unallocated liabilities	**3,015,057**	2,968,107
Consolidated liabilities	**21,756,524**	19,971,448

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, financial assets at FVTPL (2017: available-for-sale investments), interests in associates, interests in joint ventures, amount due from an associate and 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 an associate, 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 2018 and 2017:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Sales of solar wafers	**18,978**	21,936
Sales of solar cells	**1,174,758**	2,011,181
Sales of solar modules	**6,923,640**	5,916,655
Sales of PV Systems	**153,965**	195,051
Other solar products	**14,485**	30,146
Sales of Solar Products	**8,285,826**	8,174,969
Sales of LED Products	**334,521**	320,018
Sales of goods	**8,620,347**	8,494,987
Sales of electricity	**434,485**	444,702
Tariff subsidy (note)	**949,771**	876,035
	1,384,256	1,320,737
Installation services of PV Systems	**149,052**	74,251
Plant Operation and Services	**136,980**	127,457
Total	**10,290,635**	10,017,432

Note: The amount represents the tariff subsidy which were approximately 36% to 80% (2017: 36% 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	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Mainland China	**5,528,133**	7,501,130	**15,265,215**	16,647,765
Japan	**820,350**	730,299	**334,903**	422,135
India	**756,761**	707,521	**—**	—
Germany	**567,847**	334,867	**28,449**	29,751
Australia	**471,181**	4,733	**25,597**	—
Spain	**360,827**	—	**—**	—
Italy	**264,319**	—	**—**	—
Portuguese Republic	**158,409**	13,349	**—**	—
Russia	**116,569**	46,467	**—**	—
United Arab Emirates	**89,737**	14,283	**—**	—
Singapore	**84,058**	964	**—**	—
United Kingdom	**75,484**	20,008	**—**	—
Republic of lyprus	**71,085**	—	**—**	—
France	**69,998**	—	**—**	—
Mexico	**68,730**	—	**—**	—
Czech Republic	**68,528**	20,679	**123,477**	129,390
Lithuania	**67,200**	20,307	**—**	—
Netherlands	**66,454**	44,093	**—**	—
Israel	**61,751**	5,892	**—**	—
Arab Republic of Egypt	**57,129**	37,921	**—**	—
Republic of Chile	**56,184**	24,012	**—**	—
Switzerland	**43,528**	136,706	**10,236**	11,260
Poland	**33,003**	6,416	**—**	—
Hungary	**31,375**	348	**—**	—
Hong Kong	**4,376**	14,473	**44**	249
Other countries (note)	**297,619**	332,964	**—**	—
Total	**10,290,635**	10,017,432	**15,787,921**	17,240,550

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, financial assets at FVTPL (2017: available-for-sale investments) and deferred tax assets.

6. SEGMENT INFORMATION (Continued)

Information about major customers

During the years ended 31 December 2018 and 2017, there was no single customer from which the Group derived revenue accounting for 10% or more of the Group's total revenue.

7. OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Bank interest income	**19,410**	13,052
Interest income arising from available-for-sale investments	**—**	7,278
Interest income arising from advances to independent third parties	**2,653**	44,265
Government grants (notes i and 29(v))	**131,645**	140,438
Gain on sales of raw and other materials	**23,714**	22,900
Technical advisory income (note ii)	**11,004**	7,788
Imputed interest income of accrued revenue on tariff subsidy classified as trade receivables and contract assets (note iii)	**30,238**	—
Others	**1,542**	130
	220,206	235,851

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) RMB39,595,000 (2017: RMB64,165,000) represents unconditional incentive received and recognised, (b) as set out in note 29(v), RMB79,053,000 (2017: RMB62,153,000) represents 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, and (c) RMB12,997,000 (2017: RMB14,120,000) 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.

(iii) The imputed interest income is released to other income, as a result of the significant financing component on sales of electricity in the PRC since the initial application of IFRS 15 from 1 January 2018. As the Ministry of Finance does not set out a rigid timetable for the settlement of accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company, resulting in the recognition of significant financing component at initial time, and the imputed interest income would be released to other income, accordingly.

8. OTHER GAINS AND LOSSES AND OTHER EXPENSES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Other gains and losses		
Gain on change in fair value of derivative financial liabilities (notes ii and 44)	**—**	4,397
Gain on disposal of solar power plants (note 17 (iii))	**11,673**	—
Gain on disposal of subsidiaries (note 51)	**31,586**	10,878
Gain on disposal of associates	**—**	340
Loss on partial disposal of meteocontrol Electric Power (as defined in note 23(c))	**(620)**	—
Impairment loss on property, plant and equipment (note 16)	**(771,492)**	—
Impairment loss on goodwill (note 19)	**(6,237)**	—
Impairment loss on solar power plants (note 17)	**—**	(15,509)
Net foreign exchange (loss) gain	**(140,064)**	35,264
Gain (loss) on disposal of property, plant and equipment	**9,670**	(11,948)
Net gain on Compensation Arrangement (note 16(i))	**—**	14,787
Provision of financial guarantee expense (note 41(b))	**—**	(51,469)
Gain on release of financial guarantee contracts (note 41(b))	**—**	36,651
Loss on write-off of intangible assets (note 20(ii))	**—**	(2,430)
Loss on write-off of solar power plants (note 17(ii))	**—**	(6,165)
Gain on derecognition of other payable upon deregistration of a subsidiary (note i)	**—**	40,302
Others	**(14,358)**	13,804
	(879,842)	68,902
Other expenses		
Provision on legal claims, net (note 41)	**(8,148)**	(6,575)
	(887,990)	62,327

Notes:

(i) 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 had 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.

(ii) Amount for the year ended 31 December 2017 represented 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. There was no significant change of such fair value during the year ended 31 December 2018.

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Losses allowances recognised (reversed) on:		
— Trade receivables – goods and services (note)	**14,295**	66,408
— Contract assets	**168**	–
— Other receivables	**25,070**	63,131
— Receivables included in other non-current assets (note 26(i))	**133,735**	–
— Financial guarantee contracts, net (note 41(b))	**(19,225)**	–
	154,043	129,539

Details of impairment assessment on ECL for the year ended 31 December 2018 are set out in note 54.

Note:

As at 31 December 2017, included in the amounts was a gain on reversal of bad debts previously written off amounting to RMB14,389,000 for Wuxi Suntech 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 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.

10. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Interest on bank and other borrowings	**879,178**	896,883
Finance charges on discounting of bills receivable	**6,100**	1,437
Interest on finance leases	**7,753**	10,972
Effective interest on convertible bonds	**288,323**	444,178
Effective interest on bond payables	**77,082**	88,187
Modification gain on bond payables (note 46)	**(5,425)**	–
Interest on consideration received in advance in respect of the termination of the 2015 Proposed Disposal (note 42(b))	**3,090**	19,662
Interest on amounts due to independent third parties (note 36(ii))	**11,265**	–
Imputed interest expenses on receivables included in other non-current assets	**27,969**	–
Total borrowing costs	**1,295,335**	1,461,319
Less: amounts capitalised	**(9,412)**	(38,027)
	1,285,923	1,423,292

11. LOSS BEFORE TAX

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss before tax has been arrived at after charging:		
Directors' remuneration (note 12)	**8,686**	8,102
Other staff costs	**650,650**	644,117
Other staff's retirement benefits scheme contributions	**54,737**	53,791
Share-based payment expenses in relation to the share option scheme of Lattice Power Group	**50,176**	57,695
Total staff costs	**764,249**	763,705
Capitalised in inventories	**(44,606)**	(35,189)
	719,643	728,516
Impairment loss on property, plant and equipment	**771,492**	—
Impairment loss on solar power plants	**–**	15,509
Impairment loss on goodwill	**6,237**	—
Auditor's remuneration	**11,167**	9,955
Warranty provided (included in cost of sales)	**68,203**	55,528
Cost of inventories recognised as expense (note)	**7,750,644**	7,694,024
Operating lease rentals in respect of rented premises	**18,516**	23,387
Depreciation of property, plant and equipment	**280,952**	411,206
Depreciation of completed solar power plants	**622,805**	690,800
Release of prepaid lease payments	**19,707**	19,036
Amortisation of intangible assets	**6,134**	7,546
Total depreciation and amortisation	**929,598**	1,128,588
Capitalised in inventories	**(32,340)**	(37,983)
	897,258	1,090,605

Note: Included in cost of inventories recognised as expense were write-down of inventories to net realisable values of approximately RMB52,928,000 (2017: RMB29,897,000).

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

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2017: 10) 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 2018					
Executive directors: (note (a))					
Mr. Zhang Fubo	–	1,688	15	540	2,243
Mr. Wang Yu (note ii)	–	1,688	15	540	2,243
Mr. Lu Bin	–	1,688	15	540	2,243
Mr. Chen Shi	–	1,266	15	–	1,281
Independent non-executive directors: (note (b))					
Mr. Tao Wenquan	169	–	–	–	169
Mr. Zhao Yuwen	169	–	–	–	169
Mr. Kwong Wai Sun Wilson	338	–	–	–	338
	676	6,330	60	1,620	8,686

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

(ii) Mr. Wang Yu was appointed as Chief Executive Officer with effect from 9 September 2017.

12. 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 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 (note v)	—	1,733	16	—	1,749
Mr. Lu Bin	—	1,733	16	—	1,749
Mr. Chen Shi (note vi)	—	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. At the same time, the resignation of Mr. Luo Xin as Chief Executive Officer came into effect immediately.

(v) Mr. Wang Yu was appointed as Chief Executive Officer with effect from 9 September 2017.

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

12. 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 2018 and 2017.

(a) The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

(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 four (2017: three) directors of the Company during the year ended 31 December 2018. Details of whose emoluments are set out above. The emoluments of the remaining one (2017: two) individual during the year ended 31 December 2018 were as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Employee		
— basic salaries and allowances	**1,201**	3,885
— performance-related incentive bonuses	**200**	1,545
— retirement benefit scheme contributions	**55**	16
	1,456	5,446

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

	Year ended 31 December	
	2018	2017
HKD1,500,001 to HKD2,000,000	**2**	2
HKD2,000,001 to HKD2,500,000	**–**	2
HKD2,500,001 to HKD3,000,000	**3**	—
HKD4,500,001 to HKD5,000,000	**–**	1

During the year ended 31 December 2018 and 2017, 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.

13. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax	**14,494**	19,988
Other jurisdictions	**—**	4,665
	14,494	24,653
Over provision in prior year:		
PRC Enterprise Income Tax	**(1,408)**	(2,843)
	13,086	21,810
Deferred tax expense (note 27):	**115,682**	44,693
Income tax expense	**128,768**	66,503

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.

13. INCOME TAX EXPENSE (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 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	
	2018	2017
	RMB'000	RMB'000
Loss before tax	**(1,577,952)**	(767,633)
Tax credit at the PRC tax rate of 25% (2017: 25%)	**(394,488)**	(191,908)
Tax effect of share of (gains) losses of associates	**(2,310)**	1,046
Tax effect of share of gains of joint ventures	**(5,299)**	(2,011)
Tax effect of expenses not deductible for tax purpose	**265,897**	245,459
Tax effect of income not taxable for tax purpose	**(18,677)**	(29,397)
Tax effect of deductible temporary differences not recognised	**212,977**	21,529
Over provision in prior year	**(1,408)**	(2,843)
Effect of tax losses not recognised	**59,684**	59,737
Utilisation of temporary differences or tax losses previously not recognised	**(37,429)**	(29,039)
Tax effect of concessions granted to PRC subsidiaries	**(76,077)**	(33,835)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,188**	2,765
Derecognition of tax loss previously recognised	**–**	25,000
Derecognition of temporary differences previously recognised (note)	**123,710**	—
Income tax expense for the year	**128,768**	66,503

Note: As at 31 December 2018, deferred tax assets of RMB31,373,000 in respect of provision for warranty cost and RMB42,853,000 in respect of impairment and accelerated depreciation relating to property, plant and equipment were written off, respectively, due to the adverse changes in market conditions, the taxable profits available against which those deductible temporary differences can be utilised, is unpredictable, and correspondingly, resulted in the written off on the deferred tax assets.

14. 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	
	2018	2017
	RMB'000	RMB'000
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(1,705,630)**	(832,050)
Effect of dilutive potential ordinary shares: Interest on convertible bonds (note)	**—**	—
Loss for the purposes of diluted loss per share	**(1,705,630)**	(832,050)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,478,918,826**	4,314,151,191
Effect of dilutive potential ordinary shares: — convertible bonds (note)	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,478,918,826**	4,314,151,191

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.

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2018 and 2017, nor has any dividend been proposed since the end of the reporting period for 2018 and 2017.

16. 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 2017	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 i)	–	(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
Additions	55,885	3,522	53,284	4	1,218	245,728	359,641
Transfers	–	125,104	207,221	788	19,254	(352,367)	–
Disposal	–	(441)	(64,439)	(1,401)	(7,516)	(3)	(73,800)
Exchange adjustment	(515)	2,284	1,258	7	580	(56)	3,558
At 31 December 2018	63,068	1,661,758	3,150,418	16,870	156,811	196,752	5,245,677
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	–	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 i)	–	(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
Provided for the year	–	94,469	166,244	3,457	16,782	–	280,952
Transfers	–	24,175	–	–	–	(24,175)	–
Eliminated on disposals	–	(125)	(40,332)	(1,149)	(6,341)	–	(47,947)
Impairment loss recognised (note ii)	–	–	771,492	–	–	–	771,492
Exchange adjustment	–	1,633	1,139	7	487	–	3,266
At 31 December 2018	–	591,947	2,458,865	11,521	59,140	11,039	3,132,512
CARRYING VALUES							
At 31 December 2018	63,068	1,069,811	691,553	5,349	97,671	185,713	2,113,165
At 31 December 2017	7,698	1,059,494	1,392,772	8,266	95,063	268,236	2,831,529

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes: (i) 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.

(ii) At 31 December 2018, due to the adverse change of market conditions, in the opinion of the directors of the Company, the recoverable amount of the machinery and equipment in respect of the Group's manufacturing and sales of Solar Products business 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 RMB771,492,000 (2017: nil) recognised, 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 2018, the net book value of buildings of RMB1,069,811,000 (2017: RMB1,059,494,000) included an amount of RMB139,790,000 (2017: RMB153,283,000) 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 57.

17. SOLAR POWER PLANTS

	Solar power plants under construction RMB'000	Completed solar power plants RMB'000	Total RMB'000
COST			
At 1 January 2017	1,612,925	12,647,516	14,260,441
Additions	466,779	—	466,779
Arising from disposal of subsidiaries (note 51)	(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
Additions	133,660	—	133,660
Arising from disposal of subsidiaries (note 51)	—	(199,413)	(199,413)
Disposal of a solar power plant (note iii)	—	(19,484)	(19,484)
Transfer	(529,107)	529,107	—
Exchange adjustment	(29)	1,457	1,428
At 31 December 2018	926,363	13,329,851	14,256,214
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2017	221,540	1,202,691	1,424,231
Depreciation for the year	—	690,800	690,800
Eliminated on disposal of subsidiaries (note 51)	—	(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
Depreciation for the year	—	622,805	622,805
Eliminated on disposal of subsidiaries (note 51)	—	(32,083)	(32,083)
Eliminated on disposal of a solar power plant (note iii)	—	(6,658)	(6,658)
Exchange adjustment	—	208	208
At 31 December 2018	243,214	2,454,446	2,697,660
CARRYING AMOUNT			
At 31 December 2018	683,149	10,875,405	11,558,554
At 31 December 2017	1,078,625	11,148,010	12,226,635

17. 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 was 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 impairment loss of RMB15,509,000 was recognised during the year ended 31 December 2017. There was no further impairment considered necessary for the year ended 31 December 2018.

The recoverable amount are determined based on a value-in-use calculation. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period (2017: five-year), and discount rate of 7.52% (2017: 7.52%). The cash flows of the completed solar power plants beyond the 5-year period (2017: 5-year) are extrapolated using a zero growth over the remaining estimated useful life.

(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, and

(iii) During the year ended 31 December 2018, the Group disposed of one solar power plant located in Japan with an aggregate carrying amount of Japanese Yen ("JPY") 270,529,000 (equivalent to RMB12,826,000) for a cash consideration of JPY469,726,000 (equivalent to RMB24,499,000), resulting in gain on disposal of JPY199,197,000 (equivalent to RMB11,673,000). The cash consideration has been fully received by the Group during the year.

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 57.

18. PREPAID LEASE PAYMENTS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed for reporting purpose as:		
Non-current assets	**445,105**	423,800
Current assets	**17,477**	15,701
	462,582	439,501

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 57.

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

19. GOODWILL

	RMB'000
COST	
At 1 January 2017	526,264
Exchange adjustment	7,311
At 31 December 2017	533,575
Exchange adjustment	669
At 31 December 2018	534,244
IMPAIRMENT	
At 1 January 2017	520,027
Impairment loss recognised (note i)	7,311
At 31 December 2017	527,338
Impairment loss recognised (note ii)	6,237
Exchange adjustment	669
As 31 December 2018	534,244
CARRYING VALUE	
At 31 December 2018	–
At 31 December 2017	6,237

Notes:

(i) 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.

(ii) The opening balance of goodwill arose from the acquisition of Wuxi Suntech Group in previous year. During the year ended 31 December 2018, due to adverse changes in market conditions, including the release of the new governmental policy, the management of the Group reviews the recoverable amounts of the relevant CGUs (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. As a result, the goodwill of RMB6,237,000 was fully impaired during the year ended 31 December 2018, accordingly.

20. 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 2017	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 51)	(20)	—	—	—	(20)
Exchange adjustment	(41)	25	—	1,010	994
At 31 December 2017	35,364	120,776	78,431	55,688	290,259
Additions	1,340	—	—	—	1,340
Write-off (note ii)	(25,117)	—	—	—	(25,117)
Exchange adjustment	65	26	—	(15)	76
At 31 December 2018	11,652	120,802	78,431	55,673	266,558
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2017	20,986	120,247	78,431	23,393	243,057
Amortisation for the year	4,785	—	—	2,761	7,546
Write-off (note ii)	(1,083)	—	—	—	(1,083)
Eliminated on disposal of subsidiaries (note 51)	(12)	—	—	—	(12)
Exchange adjustment	(27)	2	—	140	115
At 31 December 2017	24,649	120,249	78,431	26,294	249,623
Amortisation for the year	1,957	51	—	4,126	6,134
Write-off (note ii)	(25,117)	—	—	—	(25,117)
Exchange adjustment	62	2	—	(7)	57
At 31 December 2018	1,551	120,302	78,431	30,413	230,697
CARRYING VALUES					
At 31 December 2018	10,101	500	—	25,260	35,861
At 31 December 2017	10,715	527	—	29,394	40,636

Notes: (i) As at 31 December 2018 and 2017, others mainly include 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 during the both years.

20. INTANGIBLE ASSETS (Continued)

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

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.

21. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in note 19 relating to Wuxi Suntech Group in manufacturing and sales of Solar Products. The carrying amounts of goodwill net of impairment loss is as follows:

	Goodwill As at 31 December	
	2018	2017
	RMB'000	RMB'000
Wuxi Suntech Group		
Manufacturing and sales of Solar Products	**–**	6,237

Management of the Group determines that the goodwill of RMB6,237,000 in relation to Wuxi Suntech Group in manufacturing and sales of Solar Products was fully impaired during the year ended 31 December 2018, while there was no impairment loss recognised for the goodwill arising from Wuxi Suntech Group as at 31 December 2017.

21. IMPAIRMENT TESTING ON GOODWILL (Continued)

Wuxi Suntech Group

The recoverable amount of Wuxi Suntech Group has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2017: five-year), and discount rate of 15% (2017: 15%). Wuxi Suntech Group's cash flows beyond the 5-year period (2017: 5-year) are extrapolated using a steady 3% growth rate (2017: 3%). This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

The goodwill in relation to the acquisition of Wuxi Suntech Group in manufacturing and sales of Solar Products was fully impaired during the year ended 31 December 2018, as the difference that the carrying amount of the relevant GGU over its recoverable amount has exceed the goodwill allocated.

Cash flow projection during the budget period for the CGUs is based on reasonable expected profitability and considering the inflation in raw material price during the budget period.

22. INTERESTS IN ASSOCIATES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Cost of investments, unlisted	**223,105**	221,537
Share of post-acquisition losses and other comprehensive expense	**(50,936)**	(60,932)
	172,169	160,605
Less: impairment loss recognised (note)	**(20,345)**	(20,228)
	151,824	140,377

Note:

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 accordingly.

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.

Except for the reclassification of interest in meteocontrol Electric Power of RMB3,461,000 from interests in joint ventures, which is mentioned in note 23(c), there was no material acquisition nor disposal of equity interest in associates for the year ended 31 December 2018.

22. INTERESTS IN ASSOCIATES (Continued)

As 31 December 2018 and 2017, 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 2018	Attributable interest to the Group At 31 December 2017	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 (2017: 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 (2017: 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 (2017: 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 (2017: EUR5,376,000)	Germany	**30.7%**	30.7%	Operation of a roof-top power station
Orosolar ZWEI GmbH & Co. KG	EUR5,400,000 (2017: EUR5,400,000)	France	**31.48%**	31.48%	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)	RMB50,000,000 (2017: RMB50,000,000)	The PRC	**20.0%**	20.0%	Trading of solar products, integration of solar power generation system, investment, design and construction of solar power station and related consulting services
meteocontrol Electric Power Development Co., Ltd ("meteocontrol Electric Power") ("旻投電力發展有限公司")	RMB10,000,000 (2017: RMB10,000,000)	The PRC	**27%**	N/A (note 23(c))	Provision of operation and maintenance service for solar power plants

22. INTERESTS IN ASSOCIATES (Continued)

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 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**1,734**	1,467
Non-current assets	**36,797**	34,325
Current liabilities	**(1,678)**	(364)

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**5,226**	5,501
Profit for the year	**5,425**	1,659
Dividend received from the associate during the year	**1,470**	2,450
Dividend receivable from the associate	**490**	—

22. 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 2018 RMB'000	At 31 December 2017 RMB'000
Net assets of the associate	**36,853**	35,428
Proportion of the Group's ownership interest in the associate	**49.0%**	49.0%
Carrying amount of the Group's interest in the associate	**18,058**	17,360

Ningxia Suntech

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**26,867**	18,773
Non-current assets	**101,248**	109,440
Current liabilities	**(17,837)**	(16,726)
Non-current liabilities	**(73,000)**	(74,500)

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**15,528**	14,806
Profit for the year	**291**	1,179

22. 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 2018 RMB'000	At 31 December 2017 RMB'000
Net assets of the associate	**37,278**	36,987
Proportion of the Group's ownership interest in the associate	**40.0%**	40.0%
Carrying amount of the Group's interest in the associate	**14,911**	14,795

Shanghai Everpower

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**57,749**	84,536
Non-current assets	**83,271**	71,302
Current liabilities	**(1,607)**	(34,141)
Non-current liabilities	**(11,960)**	(1,960)

	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**42,898**	200
Profit (loss) for the year	**7,716**	(26,494)

22. 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 2018 RMB'000	At 31 December 2017 RMB'000
Net assets of the associate	**127,453**	119,737
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	**54,183**	52,493

Shunfeng Suntech

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**56,035**	89,572
Non-current assets	**4,664**	1,391
Current liabilities	**(14,112)**	(39,297)

	Year ended 31 December 2018 RMB'000	From date of establishment to 31 December 2017 RMB'000
Revenue	**191,075**	212,885
Loss (profit) for the year/period	**(4,079)**	1,666
Dividends received from the associate during the year/period	**200**	–

22. INTERESTS IN ASSOCIATES (Continued)

Shunfeng Suntech (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 2018 RMB'000	At 31 December 2017 RMB'000
Net assets of the associate	46,587	51,666
Proportion of the Group's ownership interest in the associate	20.0%	20.0%
Carrying amount of the Group's interest in the associate	9,317	10,333

meteocontrol Electric Power

	At 31 December 2018 RMB'000
Current assets	79,539
Non-current assets	28,145
Current liabilities	(52,691)
Non-current liabilities	(8,000)

22. INTERESTS IN ASSOCIATES (Continued)

meteocontrol Electric Power (Continued)

	From date of transfer to 31 December 2018 RMB'000
Revenue	**134,747**
Profit for the period	**34,174**

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 2018 RMB'000
Net assets of the associate	**46,993**
Proportion of the Group's ownership interest in the associate	**27.0%**
Carrying amount of the Group's interest in the associate	**12,688**

Aggregate information of associates that are not individually material

	2018 RMB'000	2017 RMB'000
The Group's share of result	**(3,636)**	(1)
Cumulative impairment loss recognised (note (a))	**(20,345)**	(20,228)
Aggregate carrying amount of the Group's interests in these associates	**42,667**	45,396

23. INTERESTS IN JOINT VENTURES

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Cost of investment in joint ventures	**507,591**	332,391
Share of post-acquisition losses and other comprehensive expense	**(52,492)**	(73,686)
	455,099	258,705
Less: Impairment loss recognised (note (a))	**(257,123)**	(244,797)
	197,976	13,908

Details of each of the Group's joint ventures as at 31 December 2018 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 2018	2017	Proportion of voting rights held by the Group	Principal activity
Suniva (note (a))	USD12,531,219 (2017: USD12,531,219)	US	**63.13%**	63.13%	57.14% (2017: 57.14%) (note (b))	Manufacturing and sales of Solar Products
meteocontrol Electric Power Development Co., Ltd ("meteocontrol Electric Power") ("旻投電力發展有限公司")	N/A (2017: RMB10,000,000)	The PRC	**N/A**	49%	N/A (2017: 50%) (note (c))	Provision of operation and maintenance service for solar power plants
Jiangsu Shunfeng New Energy Technology Co., Ltd. ("Shunfeng New Energy") ("江蘇順風新能源科技有限公司")	RMB360,000,000 (2017: nil)	The PRC	**50%**	N/A	50% (2017: N/A (note (d))	Manufacturing and sales of Solar Products

23. 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 2017 annual report, 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 period 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 44.

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.

As at the year ended 31 December 2017, Suniva declared bankruptcy and was placed under liquidation as at the year ended 31 December 2018.

(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 Development Co., Ltd. ("meteocontrol Electric Power") ("旻投電力發展有限公司") is a company mainly engaged in solar plant operation and services established by the Group and one of its senior management on 28 May 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 is regarded as 50% and meteocontrol Electric Power is accounted for as a joint venture of the Group, accordingly. During the year ended 31 December 2018, meteocontrol Electric Power declared dividends distribution and the Group has received cash dividends of RMB10,845,000, which was proportional to 49% of the Group's equity interest in meteocontrol Electric Power. In addition, the Group transferred its 22% of equity interest in the current year to independent third parties for a cash consideration of RMB2,200,000, resulting in a loss of RMB620,000. Upon completion of the partial disposal, the voting power of the Group was reduced from 49% to 27% and the requirement of unanimous consent for the decisions about all relevant activities had been withdrawn, then the carrying amount of RMB3,461,000 of interest in meteocontrol Electric Power on that day was then accounted for as an associate of the Group since then.

23. INTERESTS IN JOINT VENTURES (Continued)

Notes: (Continued)

(d) During the year ended 31 December 2018, Jiangsu Shunfeng New Energy Technology Co., Ltd. ("Shunfeng New Energy") ("江蘇順風新能源科技有限公司") is newly established by the Group and the other independent third party. Shunfeng New Energy is a company mainly engaged in researching, manufacturing and sales of high-quality and efficient solar products with latest advanced and innovative technology in the market. The Group injected RMB180,000,000 by cash into Shunfeng New Energy with the remaining unpaid capital contribution of RMB24,000,000 for the 51% equity interest of Shunfeng New Energy, while as decisions about all relevant activities of Shunfeng New Energy require the unanimous consent of both the Group and the other shareholder of Shunfeng New Energy, the voting power of the Group in Shunfeng New Energy is regarded as 50% and Shunfeng New Energy is 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 meteocontrol Electric Power and Shunfeng New Energy prepared in accordance with IFRS was set forth below:

meteocontrol Electric Power

	At 31 December 2017 RMB'000
Current assets	47,037
Non-current assets	22,203
Current liabilities	(32,856)
Non-current liabilities	(8,000)
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	14,303

23. INTERESTS IN JOINT VENTURES (Continued)

meteocontrol Electric Power (Continued)

	From 1 January 2018 to date of transfer RMB'000	From date of establishment to 31 December 2017 RMB'000
Revenue	**25,897**	96,569
Profit for the period	**6,568**	16,417
Dividend received from the joint venture during the period	**10,845**	–

The above profit for the period includes the following:

	RMB'000	RMB'000
Depreciation and amortisation	**41**	238
Interest income	**–**	—
Interest expense	**(1)**	(10)
Income tax expense	**(410)**	(3,824)

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
Net assets of meteocontrol Electric Power	28,384
Proportion of the Group's ownership interest in meteocontrol Electric Power	49.0%
Carrying amount of the Group's interest in meteocontrol Electric Power	13,908

23. INTERESTS IN JOINT VENTURES (Continued)

Shunfeng New Energy

	At 31 December 2018 RMB'000
Current assets	**214,037**
Non-current assets	**371,130**
Current liabilities	**(189,215)**

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	**60,366**

	From date of establishment to 31 December 2018 RMB'000
Revenue	**387,831**
Profit for the period	**35,952**

The above profit for the period includes the following:

	RMB'000
Depreciation and amortisation	**(1,817)**
Interest income	**1,797**
Interest expense	**11,984**
Income tax expense	**–**

23. INTERESTS IN JOINT VENTURES (Continued)

Shunfeng New Energy (Continued)

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

	At 31 December 2018 RMB'000
Net assets of Shunfeng New Energy	**395,952**
Proportion of the Group's ownership interest in Shunfeng New Energy	**50.0%**
Carrying amount of the Group's interest in Shunfeng New Energy	**197,976**

24. AVAILABLE-FOR-SALE INVESTMENTS

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

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. On the date of disposal, the carrying amount of these investments was amounted to RMB8,820,000 resulting in no gain or loss on disposal of available-for-sale investments.

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. Upon the application of IFRS 9, it is reclassified as financial assets at fair value through profit or loss, please refer to note 25.

(ii) As at 31 December 2017, 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 are matured in 2018, while the principal and the return of these investments are not guaranteed. Upon the application of IFRS 9, it is reclassified as financial assets at fair value through profit or loss as at 1 January 2018. During the year ended 31 December 2018, it was reclassified to other receivables as security deposits on its maturity date pursuant to the maturity notice, as set out in note 29(vi).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

The amount represents the Group's unlisted equity investment of RMB3,096,000 that was previously measured at cost less impairment and was reclassified from available-for-sale investments to financial assets at FVTPL at the date of initial application of IFRS 9.

Upon the initial adoption of IFRS 9 Financial Instruments on 1 January 2018, the equity investment recorded as available-for-sale investment before 1 January 2018 was subsequently mandatorily measured at FVTPL. The fair value as at 1 January 2018 and 31 December 2018 has been arrived at on the basis of valuation carried out by an independent valuer as set out in note 54(c). The fair value of the unlisted investment is determined by the appraisal value of the equity investment, using market multiples of public companies and applying a discount on the lack of marketability on the unlisted equity investment.

26. OTHER NON-CURRENT ASSETS

	2018 **RMB'000**	2017 RMB'000
Deposits paid for:		
Acquisition of property, plant and equipment (note (ii))	**344,346**	279,340
EPC of solar power plants (notes (i) and (iii))	**57,298**	561,907
Acquisition of land use right	**—**	47,874
Receivables included in non-current assets:		
Amount due from an independent third party (note (i))	**312,541**	—
Other deposits (note (v))	**127,769**	64,448
Consideration receivable for disposal of subsidiaries (note 51)	**5,000**	15,000
Finance lease arrangement (note (iv))	**12,843**	12,843
Others	**18,123**	16,538
	877,920	997,950

Notes:

(i) Included in the balance as at 31 December 2017, RMB474,245,000 in relation to the deposits placed for a EPC contractor in the purpose of upgrading solar power plants, was reclassified to amount due from an independent third party during the year ended 31 December 2018 as a result of the termination of the relevant EPC contract. In addition, subject to the memorandum of understanding entered into by the Group and the counterparty, the EPC contractor agrees to repay the outstanding balance by instalment before the year ending 2020.

The balance of RMB312,541,000 is non-trade in nature, unsecured and no interest bearing. The difference of RMB161,704,000, as compared with the balance as at 31 December 2017, represents 1) the lifetime ECL loss without credit impaired of RMB133,735,000 recognised by the management of the Group on the basis of valuation carried out by an independent valuer; and 2) time value adjustment of RMB27,969,000 in relation to the instalment arrangement, which is calculated by using a discount rate of 5.7% and debited to the finance cost as set out in note 10.

(ii) 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.

(iii) 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.

(iv) 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.

(v) The amount represents the deposits paid for securing certain long term bank borrowings and will be returned to the Group at the relevant maturity date.

27. DEFERRED TAX

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets	**93,902**	213,608
Deferred tax liabilities	**(38,356)**	(46,759)
	55,546	166,849

The following are the major deferred tax assets and liabilities recognised and movements thereon for the year ended 31 December 2018 and 2017:

	Write-down of inventories RMB'000	Allowance for receivables RMB'000	Deferred Income RMB'000	Valuation of long-term assets RMB'000	Provision for warranty costs RMB'000	Tax losses RMB'000	Impairment and accelerated depreciation relating to property, plant and equipment RMB'000	Others RMB'000 (note)	Total RMB'000
At 1 January 2017	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 51)	–	–	–	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**
Exchange adjustments	–	–	–	(3,436)	–	–	–	–	(3,436)
Eliminated on disposal of subsidiaries (note 51)	–	–	–	7,815	–	–	–	–	7,815
Credit (debit) to profit or loss	1,905	–	(2,995)	3,910	(25,732)	(59,477)	(44,786)	11,493	(115,682)
At 31 December 2018	**7,217**	**1,226**	**4,844**	**(37,392)**	**24,780**	**9,757**	**7,569**	**37,545**	**55,546**

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.

27. DEFERRED TAX (Continued)

As at 31 December 2018, the Group has unrecognised tax losses of RMB3,641,258,000 (2017: RMB3,749,881,000) 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 RMB3,749,881,000 will expire from 2019 to 2022. During the year ended 31 December 2018, the State Taxation Administrative released a notice to extend the period for utilising tax losses from those entities qualified as High Technology Enterprises for a period of 5 years to 10 years. As a result, unrecoginsed tax losses of RMB3,641,258,000 as at 31 December 2018 will expire from each of the year 2019 to 2028.

As at 31 December 2018, the Group has deductible temporary differences of RMB2,730,436,000 (2017: RMB1,383,688,000) not 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. As at 31 December 2018, 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 RMB305,260,000 (2017: RMB650,767,000) 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.

28. INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Raw materials	**174,346**	148,667
Work-in-progress	**26,365**	64,429
Finished goods	**864,332**	579,534
	1,065,043	792,630

During the year, there was a write-down of inventories amounting to RMB52,928,000 (2017: RMB29,897,000) and was recognised in cost of sales.

29. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade receivables	**1,855,163**	1,649,041
Less: Allowance for credit losses	**(220,803)**	(229,300)
	1,634,360	1,419,741
Accrued revenue on tariff subsidy (note ii)	**1,626,801**	1,178,427
Total trade receivables and accrued revenue on tariff subsidy	**3,261,161**	2,598,168
Bills receivables (note i)	**—**	224,900
	3,261,161	2,823,068
Other receivables		
Prepaid expenses	**25,114**	49,425
Amounts due from independent third parties (notes (iii) and 36(iii))	**277,933**	438,109
Consideration receivable for disposal of subsidiaries (note 51)	**40,468**	43,388
Amounts due from disposed subsidiaries (notes (iv) and 51)	**40,171**	40,990
Dividend receivable from an associate	**490**	—
Security deposit (note vi)	**107,000**	—
Government subsidy receivable arising from the sales of LED Products (note v)	**79,053**	62,153
Other deposits	**14,381**	15,518
Others (note vii)	**27,990**	35,403
	612,600	684,986
	3,873,761	3,508,054

Notes:

(i) Upon the initial application of IFRS 9 as at 1 January 2018, bills receivables in relation to the Group's manufacturing and sales of Solar Products and LED Products was reclassified to receivables at FVTOCI, for details please refer to notes 2.2(b) and 31.

(ii) The Group's accrued revenue on tariff subsidy are receivables from the state grid company. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidy, which is subject to settlement by state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company. As the collection of accrued revenue on tariff subsidy is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date. Accrued revenue on tariff subsidy are discounted at an effective interest rate ranged from 2.65% to 3.67% per annum as at 31 December 2018.

In the opinion of the directors of the Company, the revenue recognition of tariff adjustment is proper based on their judgement and taking into account the opinion from the Group's PRC legal advisor, that the Group's operating solar power plant has qualified for registration in the Catalogue, and has met all the relevant requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidy is fully recoverable upon the allocation of funds from the PRC government.

29. TRADE AND OTHER RECEIVABLES (Continued)

(iii) As at 31 December 2018, all balances are unsecured, interest-free and repayable on demand. The amounts were non-trade in nature as at 31 December 2017, except for the amounts of RMB39,800,000 which are unsecured, carried interest being 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, amounting to RMB21,250,000 has been offset, in accordance with the offset agreements entered between the Group and other third parties during the current year, as detailed in note 36(iii).

(iv) As at 31 December 2018, the amount included RMB34,547,000 (net of ECL allowance RMB832,000) (2017: RMB40,990,000), representing the current accounts with the disposed subsidiaries of which was disposed to independent third parties during the year ended 2016. The amounts were unsecured, interest-free, and repayable within one year.

(v) 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. During the year ended 31 December 2018, RMB62,153,000 was received.

(vi) The unlisted managed funds was previously accounted for as available-for-sale investments, and was matured during the current year. The unlisted managed funds had been redeemed by the Group and the Group kept the balances of RMB107,000,000 and accrued the interest income of RMB4,337,000 in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right has been granted by the Group to the independent financial institution, allowing it to offset the entire security deposits against the Group's outstanding corporate bond payable upon the maturity of the corporate bond. The related interest income has been received in cash during the year ended 31 December 2018.

(vii) The amount includes custom deposits and advances to staff for operational purpose.

The following is an aged 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.

Age	As at 31 December 2018 RMB'000	2017 RMB'000
0 to 30 days	**871,041**	615,656
31 to 60 days	**414,498**	285,758
61 to 90 days	**159,149**	318,121
91 to 180 days	**366,203**	485,780
Over 180 days	**1,450,270**	892,853
	3,261,161	2,598,168

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2017: 180 days) to certain trade customers on a case by case basis.

29. TRADE AND OTHER RECEIVABLES (Continued)

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 80% in 2018 (2017: 36% 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.

The following is an aged 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.

	As at 31 December	
Age	**2018**	2017
	RMB'000	RMB'000
0 to 30 days	**802,853**	548,647
31 to 60 days	**336,838**	203,903
61 to 90 days	**57,919**	231,778
91 to 180 days	**66,607**	175,186
Over 180 days	**370,143**	260,227
	1,634,360	1,419,741

29. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of the Group's bills receivables presented based on issue date as at 31 December 2017:

Age	As at 31 December 2017 RMB'000
0 to 30 days	68,223
31 to 60 days	41,079
61 to 90 days	37,359
91 to 180 days	77,265
Over 180 days	974
	224,900

No interest is charged on the Group's trade receivables and bills receivables. 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.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB288,006,000 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.

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

	As at 31 December 2017 RMB'000
0 to 30 days	8,809
31 to 60 days	3,873
61 to 90 days	2,490
91 to 180 days	168,461
181 to 365 days	44,859
1 to 2 years	59,514
	288,006

29. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance for doubtful debts of trade receivables for the year ended 31 December 2017

	2017 RMB'000
1 January	157,804
Impairment loss recognised on trade receivables	128,172
Reversal of impairment loss recognised on trade receivables	(47,375)
Write-off as uncollectible	(6,560)
Exchange adjustment	(2,741)
31 December	229,300

Movement in the allowance for doubtful of other receivables for the year ended 31 December 2017

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

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

As at 31 December 2017, included in the allowance for doubtful debts are individually fully impaired trade receivables and other receivables with an aggregate balance of RMB132,886,000 and RMB426,462,000, respectively which have been placed in severe financial difficulties.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 54.

At 31 December 2018, carrying amount of trade and other receivables amounted to RMB1,858,443,000 (2017: RMB953,832,000) have been pledged as security for the Group's borrowing as set out in note 57.

29. TRADE AND OTHER RECEIVABLES (Continued)

Trade and other receivables that were denominated in United States Dollar ("USD"), Hong Kong Dollar ("HKD") and EURO ("EUR"), 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	
	2018	2017
	RMB'000	RMB'000
USD	**399,241**	164,947
HKD	**33,720**	1,122
EUR	**79,480**	28,093

30. CONTRACT ASSETS

	As at 31 December 2018 RMB'000	As at 1 January 2018 * RMB'000
Non-current asset – sales of renewable energy (note a)	**206,781**	335,610
Current assets – installation service (note b)	**38,462**	—
Less: Allowance for credit losses	**(168)**	—
	245,075	335,610

	As at 31 December 2018 RMB'000	As at 1 January 2018 * RMB'000
Analysed for reporting purpose as:		
Non-current assets	**206,781**	335,610
Current assets	**38,294**	—
	245,075	335,610

* The amounts in this column are after adjustments from the application of IFRS 15.

Notes:

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance. The contract assets are transferred to trade receivables when the rights become unconditional.

Contract assets, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on expected settlement dates.

30. CONTRACT ASSETS (Continued)

a. Sales of renewable energy

The contract assets relate to the Group's right to consideration for electricity sold to the local state grid in PRC. The contract assets are transferred to trade receivables when the solar power plants complete the registration to the Catalogue. The Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties. The related contract assets are classified as non-current assets as at 31 December 2018.

b. Installation services of PV systems

The Group's Installation services of PV systems include payment schedules which require stage payments over the construction period once certain specified milestones are reached. The Group classified the related contract assets as current because the Group expects to realise them in its normal operating cycle.

During the year ended 31 December 2018, ECL loss allowance of RMB168,000 has been recognised on the contract assets, details of which are set out in note 54(b).

31. RECEIVABLES AT FVTOCI

Receivables at FVTOCI comprise of:

	As at 31 December 2018 RMB'000	As at 1 January 2018 * RMB'000
Bills receivables aged within 6 months based on the issue dates of bills receivables	**244,100**	957,261

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

The balance represents bills receivables held by the Group and is measured at FVTOCI upon initial application of IFRS 9 on 1 January 2018, and as at 31 December 2018, since the bills receivables are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

32. 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 2018, 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 RMB43,020,000 and RMB1,940,915,000 (2017: RMB21,360,000 and RMB2,297,821,000), 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.

33. PREPAYMENTS TO SUPPLIERS

As at 31 December 2018, prepayments to suppliers included advance of RMB813,457,000 (net of allowance for doubtful debts of RMB12,896,000) (2017: RMB815,172,000 (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 period.

34. AMOUNTS DUE FROM AN ASSOCIATE AND A JOINT VENTURE

The amounts due from an associate and a joint venture were trade related, and the credit period granted by the Group to the associate and the joint venture was 90-180 (2017: 90–180) days. Balances as at 31 December 2018 were all aged within 90 (2017: 90) days based on the invoice date and the balance as at 31 December 2017 was subsequently fully settled during the year ended 31 December 2018.

35. 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 bills payable 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	
	2018	2017
Interest rate:		
Fixed rate	**0.55%-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, short-term banking facilities and bills payable.

Bank balances carry interest at market rates ranging from 0.00% to 0.35% (2017: 0.00% to 0.35%) per annum.

For the year ended 31 December 2018, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of restricted bank deposits for the year ended 31 December 2018 are set out in note 54(b).

Bank balances and cash and restricted bank deposits that were denominated in USD, HKD, EUR, AUD, GBP, CHF 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	
	2018	2017
	RMB'000	RMB'000
USD	**162,209**	43,828
HKD	**240,250**	416,296
EUR	**5,020**	4,590
JPY	**43,336**	229
AUD	**10**	11
GBP	**62**	99,251

Certain bank balances and cash and restricted bank deposits of the Group of approximately RMB1,845,286,000 (2017: RMB1,230,902,000) 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.

36. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Trade payables	**1,968,798**	1,198,808
Bills payables	**1,565,825**	649,525
Payables for acquisition of property, plant and equipment	**203,329**	101,116
Payables for EPC of solar power plants (note i)	**1,595,956**	1,749,173
Other tax payables	**48,540**	30,444
Amounts due to independent third parties (note ii)	**186,152**	762,182
Tendering deposits received	**57,024**	49,617
Accrued expense (note iv)	**657,665**	350,766
Accrued payroll and welfare	**109,283**	102,563
Consideration payable for previous acquisition of subsidiaries (note iii)	**25,729**	46,979
Penalty interest and termination fee (note 41(c))	**69,377**	—
Others	**19,580**	39,153
	6,507,258	5,080,326

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 period and such amounts were therefore classified as current liabilities at the end of the reporting period.

(ii) Amount as at 31 December 2017 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 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 in 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 year ended 31 December 2017, an outstanding principal balance of HKD185,310,000 and accrued interest expense of HKD3,284,000, totalling HKD188,594,000 had been settled in cash by the Group to True Bold. On 29 June 2018, the management of the Group had entered into an "Amendment Agreement" with True Bold in respect of the outstanding principal amount of HKD189,690,000 and the related accrued interest expense of HKD11,329,000, totalling HKD201,019,000 (equivalent to RMB169,480,000), and converted the outstanding balance to a loan with scheduled repayment by the following:

- amount of HKD54,690,000 will be repaid before the year ended 31 December 2018; and
- amount of HKD135,000,000 will be repaid before the year ended 31 December 2019.

The outstanding balance carried at a fixed interest rate of 10% per annum.

As at 31 December 2018, amount of a total principal balance of HKD54,690,000 (equivalent to RMB47,920,000) is matured and the management of the Group had commenced negotiation with True Bold for further extension of the maturity date.

In respect of the outstanding principal balance of the Fifth CB due to Eagle Best of HKD70,000,000 (equivalent to RMB59,206,000) as at 31 December 2017, 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). During the current year, HKD70,000,000 (equivalent to RMB56,013,000) and the related accrued interest expense of HKD4,667,000 (equivalent to RMB3,735,000), totalling HKD74,667,000 (equivalent to RMB59,748,000) had been fully settled in cash by the Group to Eagle Best.

Lastly, except for the balance of RMB106,000,000 (2017: RMB580,946,000) carried at fixed interest rates of 4.35% (2017: ranging from 4.35% to 10%) per annum, the amount is non-trade in nature, unsecured, interest-free and repayable on demand.

36. TRADE AND OTHER PAYABLES (Continued)

Notes: (Continued)

(iii) The amount represents the consideration payables resulted from the Group's acquisition of subsidiaries in previous years. During the current year, the Group entered into offset agreements with certain independent third parties and an amount of RMB21,250,000 had been offset with amounts due from independent third parties. The balance was unsecured, interest-free and repayable on demand.

(iv) Included in the balance of accrued expense as at 31 December 2018, interest expense on convertible bonds of HKD12,493,000 (equivalent to RMB10,945,000) was provided for the Second CB(as defined in note 45(b)) during the period from the date after the fifth anniversary of the date of issue of the Second CB to the year ended 31 December 2018. As set out in note 45(b), as at 31 December 2018, the Second CB arrived at its par value as the early redemption option gives the holder the right to require the Company to redeem 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. As a result, since then the relevant interest expense was calculated used fixed interest rate on 8% per annum with interest to be paid annually.

The credit period on purchases of goods is 0 to 180 days (2017: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis.

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Age		
0 to 30 days	**905,185**	609,275
31 to 60 days	**433,801**	139,198
61 to 90 days	**164,589**	130,463
91 to 180 days	**181,423**	40,177
Over 180 days	**283,800**	279,695
	1,968,798	1,198,808

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

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Age		
0 to 30 days	**452,418**	214,153
31 to 60 days	**314,961**	96,981
61 to 90 days	**345,054**	138,934
91 to 180 days	**453,392**	199,457
	1,565,825	649,525

36. TRADE AND OTHER PAYABLES (Continued)

The trade and other payables denominated in USD, HKD and EUR, 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	
	2018	2017
	RMB'000	RMB'000
USD	**250,679**	103,699
HKD	**124,053**	376,652
EUR	**613**	2,326

37. CONTRACT LIABILITIES

	As at 31 December 2018 RMB'000	As at 1 January 2018 * RMB'000
Amounts received in advance of:		
-sales of goods (including Solar Products and LED Products) (note (a))	**329,498**	177,226
-plant operating and services (note (b))	**2,198**	958
	331,696	178,184

* The amounts in this column are after adjustments from the application of IFRS 15.

Notes:

(a) Revenue from sales of goods (including Solar Products and LED Products) is recognised at a point in time when the customers obtain control of the goods transferred, since only by that time the Group has a present right to payment from the customers.

(b) Revenue from plant operating and services is recognised over time as the customers simultaneously receive and consume the benefits provided by the Group's performances and the Group has an enforceable right to payment for performances completed to date.

37. CONTRACT LIABILITIES (Continued)

The following table shows how much of the revenue recognised relates to brought forward contract liabilities. There was no revenue recognised during the current year that related to performance obligations that were satisfied in prior years.

Revenue recognised that was included in the contract liabilities balance at the beginning of the year:

	Year ended 31 December 2018 RMB'000
Sales of goods (including Solar Products and LED Products)	177,226
Plant operating and services	958
	178,184

38. CUSTOMERS' DEPOSITS RECEIVED

As at 31 December 2017, the Group entered into goods supply contracts and plant operating and services contracts with customers and received advance payments from customers which are unsecured and interest-free. Upon the initial application of IFRS 9 at 1 January 2018, such amount of customers' deposits received were reclassified to contract liabilities.

39. AMOUNTS DUE TO AN ASSOCIATE AND A JOINT VENTURE

The amounts due to an associate and a joint venture were trade related, unsecured and interest-free, and the credit period granted by the associate and the joint venture to the Group was is 30 days, respectively. Balance as at 31 December 2018 and 2017 was all aged within 90 days based on the invoice date.

40. OBLIGATIONS UNDER FINANCE LEASES

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed for reporting purposes as:		
Current liabilities	**38,943**	45,195
Non-current liabilities	**27,909**	66,852
	66,852	112,047

It is the Group's policy to lease certain of its buildings and machineries under finance leases. The original lease term is 12 years (2017: 4 to 12 years) and the corresponding variable interest rate is 9.15% (2017: 4.62% to 9.15%) per annum.

	Minimum lease payments As at 31 December		Present value of minimum lease payments As at 31 December	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payable under finance leases:				
Repayable on demand or within one year	**43,505**	53,089	**38,943**	45,195
In more than one year but not more than two years	**29,004**	43,505	**27,909**	38,943
In more than two years but not more than five years	**—**	29,004	**—**	27,909
	72,509	125,598	**66,852**	112,047
Less: future finance charges	**(5,657)**	(13,551)	**N/A**	N/A
Present value of lease obligations	**66,852**	112,047	**66,852**	112,047
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(38,943)**	(45,195)
Amount due for settlement after 12 months (shown under non-current liabilities)			**27,909**	66,852

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

41. 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 2017	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
Provision for the year	**68,203**	**16,235**	**8,148**	**92,586**
ECL recognised	**—**	**14,050**	**—**	**14,050**
Reversal of ECL	**—**	**(49,510)**	**—**	**(49,510)**
Reclassified to other payable	**—**	**—**	**(69,377)**	**(69,377)**
Utilisation	**(10,568)**	**(23,484)**	**—**	**(34,052)**
Exchange adjustments	**2,043**	**11,979**	**—**	**14,022**
At 31 December 2018	**742,648**	**276,841**	**—**	**1,019,489**

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.

41. PROVISIONS (Continued)

Notes: (Continued)

(b) Prior to 1 January 2018, the amounts represented:

1) Financial guarantee contracts with aggregate amounts of RMB42,754,000 provided by the Wuxi Suntech Group to a former related party and an independent third party;

2) Financial guarantee contracts of RMB620,000 provided by Shunfeng Investment to third parites; and

3) Financial guarantee contracts with aggregate amounts of USD40,434,000(equivalent to RMB264,197,000) provided by the Group and one of its subsidiary for Suniva. In light of loss incurred, Sunvia declared bankruptcy as at the year ended 31 December 2017. The Company made full provision on the financial guarantee in respect of Suniva's additional bank borrowing and the outstanding accumulated accrued interest expenses amounting to USD35,882,000 (equivalent to RMB234,456,000) and accounts payable amounting to USD4,552,000 (equivalent to RMB29,741,000), respectively.

During the year ended 31 December 2018, amounting to RMB34,630,000 in relation to the financial guarantee contracts provided by Wuxi Suntech Group to its former related parities is revered due to the termination of borrowing contracts. The outstanding borrowing has been fully settled by its former related parties.

During the year ended 31 December 2018, additional ECL of RMB14,050,000 is recognised in relation to the financial guarantee contracts provided by Shunfeng Investment to third parties due to the increase in credit risk followed by a reversal of RMB5,471,000 is recognised as certain outstanding borrowing has been settled by the third party.

During the year ended 31 December 2018, the Group made further provision of USD2,454,000 (equivalent to RMB16,235,000) relating to the additional outstanding interest expense that the Group is obliged to settle for Suniva followed by a reversal of USD962,000 (equivalent to RMB6,364,000) is recognised as certain outstanding borrowings has been settled by Suniva. Furthermore, in respect of accounts payables, USD3,653,000 (equivalent to RMB23,484,000) has been repaid by the Group as utilisation followed by a reversal of USD461,000 (equivalent to RMB3,045,000) is recognised as certain accounts payables has been settled by Sunvia.

Details of the loss allowance for financial guarantee contracts are set out in note 54.

(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 the estimated penalty interest and termination fee. On 17 April 2018, the final appeal was released by the National High People's Court that Wuxi Suntech is obliged to return the vendor payment of RMB206,000,000 and the accumulated penalty interest and termination fee totaling RMB69,377,000, including the additional provision on legal claims of RMB8,148,000 made during the current year. Wuxi Suntech returned the vendor payment of RMB100,000,000 in the current year and the remaining of RMB106,000,000 was accounted for amounts due to independent third parties and included in other payables as at 31 December 2018. As at 31 December 2018, the provision of RMB69,377,000 in respect of penalties and interests on the principal amount was reclassified to other payables.

42. BANK AND OTHER BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Bank loans (note (a))	**4,547,940**	4,826,827
Other borrowings (note (b))	**6,519,405**	6,038,466
	11,067,345	10,865,293
Secured and guaranteed	**1,478,800**	1,535,800
Secured and unguaranteed	**8,120,294**	7,976,879
Unsecured and guaranteed	**1,239,676**	1,050,040
Unsecured and unguaranteed	**228,575**	302,574
	11,067,345	10,865,293
Fixed-rate borrowings	**6,074,239**	5,840,119
Variable-rate borrowings	**4,993,106**	5,025,174
	11,067,345	10,865,293
Carrying amount repayable (note (c)):		
Within one year	**6,056,486**	4,811,122
More than one year, but not exceeding two years	**626,111**	2,305,850
More than two years, but not exceeding five years	**2,545,691**	2,327,834
More than five years	**1,839,057**	1,420,487
	11,067,345	10,865,293
Less: amounts due within one year shown under current liabilities (note (d))	**(7,148,081)**	(5,964,579)
Amounts shown under non-current liabilities	**3,919,264**	4,900,714

42. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a) As at 31 December 2017, included in the bank loans was a borrowing of HKD980,000,000 (equivalent to RMB819,280,000) advanced from China Minsheng Banking Corporation Ltd., Hong Kong Branch ("China Minsheng"), which was carried at the aggregate interest rate of 5% plus 3-month HIBOR per annum together with a management fee of 1.5% and advisory fee 1.5% per annum and matured on 21 December 2018 (the "Final Maturity Date"). During the current year, a Supplemental Deed was entered into between the Group and China Minsheng pursuant to which the Final Maturity Date of the bank loan has been conditionally extended to 20 August 2019 (the "Extended Maturity Date"). In addition, the interest rate charged by China Minsheng during the extented period was decreased from 5% to 4% while the other terms and conditions remain unchanged.

(b) As at 31 December 2018, the Group had other borrowings from twenty one (2017: eighteen) independent third parties totalling RMB6,519,405,000 (2017: RMB6,038,466,000) which were secured, carried interest at fixed interest rate ranging from 3.0% to 15.0% (2017: 5.0% to 10.5%) per annum. Besides, the balances at 31 December 2018 included RMB 33,484,000 in relation to the Consideration Received in advance as detailed in note 32 (iii) in the annual report of 2017. During the current year, the Group had returned the outstanding balance of RMB10,000,000 in accordance with the loan agreement entered into with Chongqing Future during the year ended 31 December 2017. In addition, the balances also included RMB 176,133,000 in relation to the amount due to True Bold, which were reclassified from other payable during the current year as detailed in note 36 (ii).

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 carried interest at 8.5% per annum and originally matured 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 borrowing. During the current year, the management of the Group commenced negotiation with Sino Alliance for the extension of the maturity date of the borrowing. On 4 March 2019, a "Supplementary Agreement"is entered into between the Group and Sino Alliance in respect of the outstanding principal of HKD2,500,000,000 with scheduled repayment set out as below:

(i) the repayment date of HKD600,000,000 of the principal is extended to 31 March 2019 with early repayment permitted by Sino Alliance;

(ii) the repayment of HKD700,000,000 of the principal is extended to 30 June 2019 with early repayment permitted by Sino Alliance;

(iii) the repayment of remaining HKD1,200,000,000 is extended to the date of 30 June 2019 or the completion date of share transfer of Jiangsu Shunfeng to AP Resources, whichever is earlier, and if the aforesaid share transfer could not be completed on 30 June 2019, the remaining principal should be repayable immediately (details of the share transfer are set out in note 1(b));

During the extension period, the originally stipulated interest rate of 8.5% per annum is charged and payable.

The directors of the Company have currently commenced negotiation with Sino Alliance for further extension of the maturity date.

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

(d) During the current year, in respect of a bank borrowing with a carrying amount of RMB1,091,595,000 (2017: RMB1,153,457,000) as at 31 December 2018, 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 2018, 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 liabilities, accordingly.

42. BANK AND OTHER BORROWINGS (Continued)

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

	As at 31 December	
	2018	2017
Effective interest rate:		
Fixed rate borrowings	**3.00% to 15.00%**	3.50% to 11.00%
Variable rate borrowings	**0.50% to 8.20%**	0.50% to 8.20%

At 31 December 2018 and 2017, 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 borrowings denominated in HKD and USD, the foreign currency other than functional currency of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
HKD	**3,225,309**	2,896,899
USD	**94,369**	–

43. DEFERRED INCOME

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Government grants (note (a))	**28,514**	40,652
Analysed for reporting purpose as:		
Current liabilities	**6,394**	12,755
Non-current liabilities	**22,120**	27,897
	28,514	40,652

Note:

(a) During the year, the Group received a government subsidy of approximately RMB859,000 (2017: RMB859,000) 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.

44. DERIVATIVE FINANCIAL LIABILITIES

	2018	2017
	RMB'000	RMB'000
Warrants liabilities arising from previous acquisition of Lattice Power Group	**3,336**	3,336

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.

44. 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 RMB36.80 (2017: RMB35.04)) 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 2018 and 31 December 2017 were as follows:

Valuation date	31 December 2018	31 December 2017
Applicable share value (RMB)	**19.30**	18.38
Exercise price (RMB)	**36.80**	35.04
Expected volatility	**49.70%**	49.70%
Expected life	**6.6 years**	7.6 years
Risk-free rate	**3.80%**	3.80%
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 2018, there was no significant change in fair value of the warrant liabilities, while gain on changes in fair value of RMB4,397,000 in respect of these warrants liabilities was credited to "other gain and losses and other expenses" in profit or loss for the year ended 31 December 2017.

45. 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

45. 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.

During the year ended 31 December 2018, principal sum of HKD143,000,000 (equivalent to RMB113,492,000) of the First CB was converted by the bondholder to 668,224,299 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	**Convertible bonds option reserve**	**Total**
	RMB'000	RMB'000	RMB'000
At 1 January 2017	68,555	1,351,428	1,419,983
Effective interest expense charged for the year	15,045	—	15,045
At 1 January 2018	83,600	1,351,428	1,435,028
Effective interest expense charged for the year	14,381	—	14,381
Convertible bands converted during the year	(47,805)	(674,300)	(722,105)
At 31 December 2018	50,176	677,128	727,304

As at 31 December 2018, the First CB of RMB35,666,000 (2017: RMB35,666,000) was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 10% (2017: 10%) of the First CB on demand.

45. 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.

45. 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 2015, principal sum of HKD362,000,000 of the Second CB was converted by the bondholder to 392,624,726 ordinary shares of the Company.

During the year ended 31 December 2016, principal sum of HKD100,000,000 of the Second CB was converted by the bondholder to 108,459,869 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	**Convertible bonds equity reserve**	**Total**
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2017	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
Effective interest expense charged for the year	39,516	—	39,516
Coupon interest paid during the year	(33,822)	—	(33,822)
At 31 December 2018	371,825	118,469	490,294

As at 31 December 2018, the Second CB of RMB1,710,000 (2017: RMB366,131,000) was classified as current liability as the early redemption option gives the holder the right (except for Peace Link has waived such right during the current year as detailed below) to require the Company to redeem 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.

Meanwhile, as at 31 December 2018, the Second CB of RMB370,115,000 was classified as non-current liability as the Group has obtained intention letter from Peace Link, one of the convertible bondholders of the Second CB, which expressed its consent not to exercise the right to early redemption for a period of 12 months from the end of the reporting period.

45. 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.

45. 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 2017	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
Effective interest expense charged for the year	107,656	—	107,656
At 31 December 2018	612,723	904,971	1,517,694

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.

45. 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 2017	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
Effective interest expense charged for the year	115,825	—	115,825
Coupon interest paid during the year	(27,572)	—	(27,572)
At 31 December 2018	644,496	329,922	974,418

As at 31 December 2018, the entire Fourth CB of RMB644,496,000 was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem from the date after the fifth anniversary of the date of issue of the Fourth CB to the Fourth CB Maturity Date.

45. 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.

45. 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	Convertible bonds equity reserve	Total
	RMB'000	RMB'000	RMB'000
Carrying amount at 1 January 2017	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 and 2018	—	—	—

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 by 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 36(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) of the 2017 annual report)	(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(e) of the 2017 annual report))	(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 (notes 36(ii) and 42)	(445,000)	(376,381)	(3,500)	(2,960)	(448,500)	(379,341)
	—	—	—	—	—	—

45. CONVERTIBLE BONDS (Continued)

Liability component of the convertible bonds analysed for reporting purpose as:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
within one year classified as current liabilities	**681,872**	429,369
in more than one year but not more than two years	**370,115**	528,671
in more than two one year but not more than five years	**14,510**	—
more than five years	**612,723**	553,001
Total non-current liabilities	**997,348**	1,081,672
	1,679,220	1,511,041

46. BOND PAYABLES

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Analysed for reporting purpose:		
Current liabilities	**830,471**	1,045,061

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% per annum, and with the maturity date on 10 November 2018.

On 10 November 2018, the outstanding principal sum of RMB550,000,000 of the 3-year corporate bond, together with the unpaid interest of RMB42,900,000, totalling RMB592,900,000 was matured, and the Group has repaid all interest of RMB42,900,000 to the bondholders. In addition, the Group has entered into a supplementary agreement with the bondholders, to extend the maturity date of the corporate bond to 9 November 2019, carried fixed interest rate of 7.8%. Such non-substantial modification of the corporate bond had resulted in a gain of RMB4,102,000 credited to finance costs in the current year.

46. BOND PAYABLES (Continued)

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 2017, principal amount of RMB20,000,000 of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

On 22 June 2018, the outstanding principal sum of RMB500,000,000 of the 2-year corporate bond, together with the unpaid interest of RMB38,500,000, totalling RMB538,500,000 was matured. The Group has repaid an aggregate settlement of RMB194,500,000 (including the principal sum of RMB156,000,000 and interest of RMB38,500,000).Then the Group has entered into a supplementary agreement with the bondholder during the current year and has agreed with the bondholder by the following ways of settlement:

– the repayment date of RMB60,000,000 of the principal is extended to 22 September 2018;

– the repayment date of RMB284,000,000 of the principal is extended to 22 March 2019.

During the year ended 31 December 2018, the first instalment of RMB60,000,000 was fully settled subsequent to the extension, while the remaining outstanding balances of RMB284,000,000 carried interest rate of 7.7%, and was secured as the Group placed a security deposit as at year ended 31 December 2018, detailed in note 29(vi).

As a result of the extension of maturity date relating to the corporate bond, a gain of RMB1,323,000 is recognised as non-substantial modification of the corporate bond and credited to finance costs in the current year.

As at 31 December 2018, an aggregate amount of arrangement fee totalling RMB3,529,000 (2017: RMB4,939,000) was included in the balance of bonds payable, and will be released to profit or loss as finance costs 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.

47. SHARE CAPITAL

Ordinary shares of HKD0.01 each.

Authorised:

	Number of shares	Amount HKD
At 1 January 2017, 31 December 2017 and 31 December 2018	10,000,000,000	100,000,000

Issued and fully paid:

	Number of shares	Amount HKD
At 1 January 2017, 31 December 2017 and 1 January 2018	4,314,151,191	43,141,512
Issue of new shares upon conversion of convertible bonds (note i)	668,224,299	6,682,243
At 31 December 2018	4,982,375,490	49,823,755

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Presented in the consolidated financial statements as	**40,756**	34,876

Notes:

(i) During the year ended 31 December 2018, the Company issued and allotted 668,224,299 ordinary shares of HK$0.01 each upon conversion of certain portion of the First CB as set out in note 45(a). The new ordinary shares issued upon conversion of convertible bonds ranked pari passu with the then existing shareholders in all aspects.

48. NON-CONTROLLING INTERESTS

	Total
	RMB'000
At 1 January 2017	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 loss for the year in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (note 4(i)(e))	15,984
At 31 December 2017	1,313,300
Loss and total comprehensive expense for the year	(964)
Recognition of share-based payment of Lattice Power Group	20,331
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (note 4(i)(e))	51,758
At 31 December 2018	1,384,425

48. NON-CONTROLLING INTERESTS (Continued)

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	
		31/12/2018	31/12/2017	**31/12/2018**	31/12/2017	**31/12/2018**	31/12/2017
				RMB'000	RMB'000	**RMB'000**	RMB'000
Jiangsu Changshun and Nine Disposal Entities	The PRC	**100%**	100%	**51,758**	15,984	**1,200,703**	1,148,945
Lattice Power Group	The PRC	**41%**	41%	**(1,090)**	(2,083)	**181,472**	162,188

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 2018 RMB'000**	At 31 December 2017 RMB'000
Current assets	**1,202,289**	1,145,545
Non-current assets	**1,280,919**	1,387,404
Current liabilities	**(916,884)**	(1,000,383)
Non-current liabilities	**(365,621)**	(383,621)
Equity attributable to owners of the Company (note)	**—**	—
Non-controlling interests	**1,200,703**	1,148,945

Note: 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 once upon the completion of 1) repayment of the outstanding balance of RMB33,484,000 together with the relevant interest by the Group to Chongqing Future; and 2) repayment of the borrowings of RMB738,000,000 together with the relevant interest by the Group to Chongqing Trust.

48. NON-CONTROLLING INTERESTS (Continued)

Jiangsu Changshun and Nine Disposal Entities (Continued)	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**180,358**	170,954
Cost of sales	**(101,806)**	(103,479)
Other income	**137**	349
Expenses	**(26,931)**	(51,840)
Profit for the year	**51,758**	15,984
Profit and total comprehensive income attributable to owners of the Company	**—**	—
Profit attributable to the non-controlling interests	**51,758**	15,984
Profit and total comprehensive income for the year	**51,758**	15,984
Dividends paid to non-controlling interests	**—**	—
Net cash inflow from operating activities	**33,407**	143,016
Net cash outflow from investing activities	**(8,359)**	(31,321)
Net cash outflow from financing activities	**(60,269)**	(161,663)
Net cash outflow	**(35,221)**	(49,968)

48. NON-CONTROLLING INTERESTS (Continued)

Lattice Power Group (Continued)	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Current assets	**402,475**	429,994
Non-current assets	**282,027**	253,918
Current liabilities	**(278,114)**	(303,021)
Non-current liabilities	**(11,749)**	(33,846)
Equity attributable to owners of the Company	**123,352**	95,043
Non-controlling interests	**271,287**	252,002

48. NON-CONTROLLING INTERESTS (Continued)

Lattice Power Group (Continued)	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017 RMB'000
Revenue	**334,521**	320,018
Cost of sales	**(276,552)**	(264,279)
Other income (note)	**91,402**	138,383
Expenses	**(101,883)**	(120,731)
Profit for the year (note)	**47,488**	73,391
Profit attributable to owners of the Company	**28,246**	43,653
Profit attributable to the non-controlling interests	**19,242**	29,738
	47,488	73,391
Other comprehensive income (expense) attributable to owners of the Company	**63**	(782)
Other comprehensive income (expense) attributable to the non-controlling interests	**43**	(532)
Other comprehensive income (expense) for the year	**106**	(1,314)
Total comprehensive income attributable to owners of the Company	**28,309**	42,871
Total comprehensive income attributable to the non-controlling interests	**19,285**	29,206
Total comprehensive income for the year	**47,594**	72,077
Dividends paid to non-controlling interests	**—**	—
Net cash inflow (outflow) from operating activities	**24,139**	(6,191)
Net cash outflow from investing activities	**(66,774)**	(27,037)
Net cash (outflow) inflow from financing activities	**(2,566)**	20,000
Effect of foreign exchange rate changes	**(45)**	(2,390)
Net cash outflow	**(45,246)**	(15,618)

Note: The amounts included 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. No change in fair value of Series E warrants was resulted for the year ended 31 December 2018.

49. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Non-current assets		
Investment in subsidiaries	**1,274**	312,046
Amounts due from subsidiaries	**5,628,252**	7,021,383
	5,629,526	7,333,429
Current assets		
Other receivables	**33,366**	23,043
Bank balances and cash	**7,150**	16,087
	40,516	39,130
Current liabilities		
Bank and other borrowings	**1,034,809**	806,899
Convertible bonds	**681,872**	429,369
Other payables	**53,072**	392,836
Provision	**259,517**	264,196
	2,029,270	1,893,300
Net current liabilities	**(1,988,754)**	(1,854,170)
Total assets less current liabilities	**3,640,772**	5,479,259
Capital and reserves		
Share capital	**40,756**	34,876
Reserves	**2,602,668**	4,362,711
	2,643,424	4,397,587
Non-current liability		
Convertible bonds	**997,348**	1,081,672
	3,640,772	5,479,259

49. 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 2017	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
Adjustment (note)	—	—	—	(75,160)	(75,160)
At 1 January 2018 (restated)	5,360,199	233,968	2,704,790	(4,011,406)	4,287,551
Loss and total comprehensive expense for the year	—	—	—	(1,726,808)	(1,726,808)
Issue of shares upon conversion of the First CB	716,225	—	(674,300)	—	41,925
At 31 December 2018	6,076,424	233,968	2,030,490	(5,738,214)	2,602,668

The adjustment represented the additional credit loss allowance of RMB75,160,000 had been recognised as at 1 January 2018 against accumulated deficits once upon the initial application of IFRS 9 on 1 January 2018. The additional loss allowance is charged against the amounts due from subsidiaries.

50. 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.

50. 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 2018 is 4.17 years (2017: 5.17 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.

50. 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 2018 and from 6 August 2015 (date of the Group's acquisition of Lattice Power Group) to 31 December 2018:

	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
Exercisable on 31 December 2018	12,750,037	USD0.88

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

50. 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 RMB50,176,000 for the year ended 31 December 2018 (2017: RMB57,695,000) 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.

51. DISPOSAL OF SUBSIDIARIES

During the year, the Group disposed of all of its equity interests in six subsidiaries (2017: nine subsidiaries), which holds six completed solar power plants (2017: five solar power plants under construction, two completed solar power plants and two solar products trading companies) to independent third parties for a total cash consideration of JPY1,441,000,000 (equivalent to RMB84,999,000) (2017: RMB58,033,000). The cash consideration of JPY1,441,000,000 (equivalent to RMB84,999,000) has been fully settled as at 31 December 2018. The net assets of the subsidiaries at the date of disposal were as follows:

51. DISPOSAL OF SUBSIDIARIES (Continued)

Analysis of assets and liabilities over which control was lost:

	2018 RMB'000	2017 RMB'000
Solar power plants	**167,330**	372,097
Intangible assets	**—**	8
Other non-current assets	**5,758**	—
Prepaid lease payments	**—**	29,903
Trade and other receivables	**589**	113,306
Amounts due from associates	**—**	5,431
Prepayments to suppliers	**—**	507
Interest in an associate	**—**	9,331
Value-added tax recoverable	**—**	7,474
Inventories	**—**	171
Bank balances and cash	**23,697**	2,383
Trade and other payables	**(1,047)**	(169,785)
Tax liabilities	**(592)**	—
Amounts due to the Group	**—**	(322,930)
Bank and other borrowings	**(134,507)**	—
Deferred tax liabilities	**(7,815)**	(741)
Net assets disposed of	**53,413**	47,155
Gain on disposal of subsidiaries:		
Total consideration satisfied by:	**84,999**	58,033
Consideration receivable for disposal of subsidiaries		
– Current assets (note 29)	**—**	19,620
Cash consideration received	**84,999**	38,413
Less: net assets disposed of	**(53,413)**	(47,155)
Gain on disposal (note 8)	**31,586**	10,878
Net cash inflow arising on disposal:		
Cash consideration	**84,999**	38,413
Less: bank balances and cash disposed of	**(23,697)**	(2,383)
	61,302	36,030

51. DISPOSAL OF SUBSIDIARIES (Continued)

In respect of disposal of subsidiaries in previous years

In relation to the disposal of subsidiaries in 2016, the aggregate consideration receivables of RMB38,768,000 had not yet been settled as at 31 December 2018, which consist of 1)consideration receivable of RMB33,768,000 included in other receivables, of which the additional consideration receivables of RMB10,000,000 which was reclassified from other non-current assets to other receivables during the current year pursuant to the payment schedule designated in the disposal agreement; and 2)consideration receivable of RMB5,000,000 is expect to be settled in 2020 and is accounted for as other non-current assets as at 31 December 2018.

The amounts due to the Group by the disposed subsidiaries are non-trade in nature, unsecured, interest free and payable on demand.

In relation to the disposal of subsidiaries in 2017, the consideration receivables amounting to RMB10,913,000 has been settled in the current year while RMB8,707,000 is expected to be settled within 12 months after 31 December 2018, pursuant to the disposal agreement.

52. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, 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	
	2018	2017
	RMB'000	RMB'000
Within one year	**15,399**	19,860
In the second to fifth years	**47,122**	53,805
Over five years	**54,045**	75,619
	116,566	149,284

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 (2017: one year to twenty three years).

53. CAPITAL COMMITMENTS

At the end of the reporting period, the Group was committed to the following capital expenditure:

	As at 31 December	
	2018	2017
	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	**372,528**	373,557

The Group's share of the capital commitments made jointly with the other joint investors relating to its associate and joint venture, meteocontrol Electric Power and Shunfeng New Energy, but not recognised at the end of the reporting date is as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Commitments to contribute investments in meteocontrol Electric Power	**24,300**	44,100
Commitments to contribute investments in Shunfeng New Energy	**24,000**	—

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade and other receivables	**3,848,647**	—
Receivables included in other non-current assets	**476,276**	—
Amount due from an associate	**160**	—
Amount due from a joint venture	**9,261**	—
Restricted bank deposits	**2,039,632**	—
Bank balances and cash	**754,586**	—
Total financial assets at amortised cost	**7,128,562**	—
Loans and receivables	**—**	5,605,202
Receivables at FVTOCI	**244,100**	—
Available-for-sale investments	**—**	114,433
Financial assets at FVTPL	**3,096**	—
Total	**7,375,758**	5,719,635
Financial liabilities		
Liabilities measured at amortised costs:		
Trade and other payables	**6,094,031**	4,828,644
Amount due to an associate	**48,286**	—
Amount due to a joint venture	**127,374**	32,426
Bank and other borrowings	**11,067,345**	10,865,293
Liability component of convertible bonds	**1,679,220**	1,511,041
Bond payables	**830,471**	1,045,061
Total financial liabilities at amortised cost	**19,846,727**	18,282,465
Obligations under finance leases	**66,852**	112,047
Derivative financial liabilities	**3,336**	3,336
Financial guarantee contracts	**276,841**	307,571
Total	**20,193,756**	18,705,419

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, available-for-sale investments, trade and other receivables, amount due from (to) associate, restricted bank deposits, bank balances and cash, trade and other payables, amount due from (to) a joint venture, obligations under finance leases, bank and other borrowings, liability component of convertible bonds, derivative financial liabilities, bond payables, obligations under finance leases 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 other than functional currencies of the relevant group entities, 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 other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	As at 31 December	
	2018	2017
	RMB'000	RMB'000
Assets		
USD	**561,450**	207,844
HKD	**273,970**	417,417
JPY	**43,336**	229
EUR	**84,500**	5,743
Liabilities		
USD	**(345,048)**	(1,960)
HKD	**(3,349,362)**	(3,375,645)
EUR	**(613)**	(2,326)

The Group is mainly exposed to foreign currency risk between USD/RMB, HKD/RMB, JPY/RMB and EUR/RMB.

54. 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% (2017: 5%) appreciation and depreciation in each relevant foreign currency against functional currency 5% (2017: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year for a 5% (2017: 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% (2017: 5%) against RMB.

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
USD impact		
— if USD strengthens against RMB	**8,115**	418,945
— if USD weakens against RMB	**(8,115)**	(418,945)
HKD impact		
— if HKD strengthens against RMB	**(115,327)**	(110,934)
— if HKD weakens against RMB	**115,327**	110,934
JPY impact		
— if JPY strengthens against RMB	**1,625**	9
— if JPY weakens against RMB	**(1,625)**	(9)
EUR impact		
— if EUR strengthens against RMB	**3,146**	128
— if EUR weakens against RMB	**(3,146)**	(128)

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

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 35, 42, 45 and 46 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 35, 40 and 42 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

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 period 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 (2017: 10 basis points) increase or decrease on variable-rate restricted bank deposits and bank balances, and 10 basis points (2017: 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 (2017: 10 basis points) higher/lower and all other variables were held constant, the post-tax profits for the year would have increased/decreased by RMB2,094,000 (2017: RMB1,605,000).

If the interest rate on obligations under finance lease and variable-rate borrowings had been 100 basis points (2017: 100 basis points) higher/lower and all other variables were held constant, the post-tax profits for the year would have decreased/increased by RMB37,950,000 (2017: RMB38,529,000).

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Other price risk

Assets at FVTPL as at 31 December 2018 and available-for-sale investments as at 31 December 2017

The Group is exposed to equity price risk through its investments in unlisted managed investment funds measured at FVTPL (2017: available-for-sale investments).

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.

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 period, which therefore exposed the Group to equity price risk as at 31 December 2018. 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 44.

54. 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 2018 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 2018, if the volatility to the valuation models had been 10% (2017: 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:

	2018 RMB'000	2017 RMB'000
Higher by 10%		
Derivative financial liabilities		
— Warrants liabilities arising from the acquisition of Lattice Power Group	**(1,249)**	(1,249)
Lower by 10%		
Derivative financial liabilities		
— Warrants liabilities arising from the acquisition of Lattice Power Group	**1,352**	1,352

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 and impairment assessment

As at 31 December 2018, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group include (i) 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 32 and (ii) the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in note 59.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items (note)
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resource	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: Other items included bank balances, restricted bank deposits, receivables at FVTOCI, amount due from an associate/a joint venture, other receivables and receivables included in non-current assets.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	Internal credit rating	12-month or lifetime ECL	Gross carrying amount RMB'000
Receivables at FVTOCI	31	N/A	12-month ECL	244,100
Financial assets at amortised costs				
Receivables included in other non-current assets	26	Low risk	12-month ECL	163,735
		Doubtful	Lifetime ECL (credit-impaired)	446,276
				610,011
Other receivables	29	Low risk	12-month ECL	165,270
		Watch list	12-month ECL	490,812
		Loss	Lifetime ECL (credit-impaired)	431,223
				1,087,305
Trade receivables	29	Low risk	Lifetime ECL (not credit impaired)	2,993,836
		Watch list	Lifetime ECL (not credit impaired)	137,220
		Doubtful	Lifetime ECL (not credit impaired)	202,474
		Loss	Lifetime ECL (credit-impaired)	148,434
				3,481,964
Contract assets	30	Low risk	Lifetime ECL (not credit impaired)	245,243
Restricted bank deposits	35	N/A	12-month ECL	2,039,632
Bank balances	35	N/A	12-month ECL	754,586
Amount due from an associate	34	Low risk	Lifetime ECL (not credit impaired)	160
Amount due from a joint venture	34	Low risk	Lifetime ECL (not credit impaired)	9,261

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Bank balances, restricted bank deposits, receivables at FVTOCI and amount due from an associate/a joint venture

Bank balances, restricted bank deposits, receivables at FVTOCI and amount due from an associate/a joint venture are determined to have low risk at the end of the reporting period. The credit risk on bank balances, restricted bank deposits and receivables at FVTOCI are limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low, while the credit risk on amount due from an associate/a joint venture is insignificant.

Trade receivables and contract assets

For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The assessment of ECL is based on historical observed default rates and adjusted by forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

Particularly, based on the track record of regular repayment of receivables from sales of electricity and the settlement of accrued revenue on tariff subsidy is in accordance with the prevailing government policies. The PRC government is responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. The management of the Group considers that all trade receivables from sales of electricity, including accrued revenue on tariff subsidy, are exposed to very low credit risk at the reporting date and the ECL provision on trade receivables is considered to be insignificant.

In order to minimise credit risk, the Group has tasked its operation management committee to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default.

The credit rating information is supplied by independent rating agencies where available and, if not available, the operation management committee uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Trade receivables and contract assets (Continued)

Customer assessed individually		Default rate	Gross carrying amounts *RMB'000*	Impairment loss allowance *RMB'000*	Net *RMB'000*
Trade receivables					
Customer Group A	Low risk	0.00% to 5.10%	2,865,677	(16,030)	2,849,647
Customer Group B	Watch list	10.02% to 15.71%	121,299	(16,205)	105,094
Customer Group C	Doubtful	21.43% to 31.70%	119,549	(29,247)	90,302
Customer Group D	Loss	100%	1,300	(1,300)	—
			3,107,825	(62,782)	3,045,043
Contract assets	Low risk	0.00% to 0.44%	245,243	(168)	245,075

The following table details the risk profile of trade receivables and contract assets as at 31 December 2018, which are assessed collectively.

Customer Group E assessed collectively	Trade receivables – day past due Not past due	Not more than 3 months (not credit impaired)	3-6 months	Over 6 months (credit impaired)	Total
Weighted average expected credit loss rate	4.82%	8.4%	26.47%	87.37%	
Total gross carrying amount (RMB'000)	128,159	15,921	82,925	147,134	374,139
Lifetime ECL (RMB'000)	(6,175)	(1,338)	(21,953)	(128,555)	(158,021)
Net carrying amount (RMB'000)	121,984	14,583	60,972	18,579	216,118

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Trade receivables and contract assets (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach.

Trade receivables	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2018 – As restated	96,414	132,886	229,300
Transfer to credit impaired	(5,658)	5,658	—
ECL recognised	51,900	14,709	66,609
Reversal of ECL (note)	(52,314)	–	(52,314)
Write-off	–	(30,238)	(30,238)
Exchange adjustment	606	6,840	7,446
As at 31 December 2018	90,948	129,855	220,803

Contract assets	**Lifetime ECL (not credit impaired)**	**Lifetime ECL (credit impaired)**	**Total**
	RMB'000	RMB'000	RMB'000
As at 1 January 2018 – As restated	—	—	—
ECL recognised	168	—	168
As at 31 December 2018	168	—	168

Note:

Reversal of ECL relating to trade receivables was due to the following reason:

	31/12/2018 Decrease in lifetime ECL	
	Not credit-impaired	**Credit-impaired**
	RMB'000	**RMB'000**
Settlement in full of trade debtors with a gross carrying amount of RMB410,749,000	**52,314**	**—**

The Group writes off a trade receivable and contract assets when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. The Group has taken legal action against the debtors to recover the amount due.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

The following tables show reconciliation of loss allowances that has been recognised for other receivables and receivables included in other non-current assets using the general approach under IFRS 9, with ECL allowance of RMB499,819,000 and RMB133,735,000, respectively.

Other receivables	12m ECL RMB'000	Not credit impaired RMB'000	Credit impaired RMB'000	Total RMB'000
As at 1 January 2018 – As restated	—	43,016	426,462	469,478
ECL recognised	6,443	20,377	—	26,820
Reversal of ECL	—	(1,750)	—	(1,750)
Write-off	—	—	(11)	(11)
Exchange adjustment	—	510	4,772	5,282
As at 31 December 2018	6,443	62,153	431,223	499,819

Receivables included in other non-current assets	12m ECL RMB'000	Not credit impaired RMB'000	Credit impaired RMB'000	Total RMB'000
As at 1 January 2018 – As restated	N/A	N/A	N/A	N/A
ECL recognised (Note)	—	133,735	—	133,735
As at 31 December 2018	—	133,735	—	133,735

Note:

ECL recognised for contract assets was mainly due to:

	31/12/2018			
		Increase in lifetime ECL		
	Increase in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000	Total RMB'000
One debtor with a gross carrying amount of RMB474,245,000 defaulted and recognised lifetime ECL (credit-impaired)	—	133,735	—	133,735

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

The following table show reconciliation of loss allowances that has been recognised for financial guarantee contracts.

		31/12/2018 Increase/decrease in lifetime ECL		
Financial guarantee contract	Increase/ (decrease) in 12m ECL RMB'000	Not credit-impaired RMB'000	Credit-impaired RMB'000 (note)	Total RMB'000
As at 1 January 2018 – As restated	43,374	—	264,197	307,571
Transfer	(620)	620	—	—
Provision for the year	—	—	16,235	16,235
ECL allowance recognised	—	14,050	—	14,050
Reversal of ECL	(34,630)	(5,471)	(9,409)	(49,510)
Utilisation	—	—	(23,484)	(23,484)
Exchange adjustment	—	—	11,979	11,979
As at 31 December 2018	8,124	9,199	259,518	276,841

Note: The credit impaired balance was in relation to the financial guarantee contract provided for Suniva, as detailed in note 41(b).

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB364,017,000 as at 31 December 2018.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Concentration risk on financial assets

At 31 December 2018, the credit risk of the Group is concentrated on trade receivables and accrued revenue on tariff subsidy from ten (2017: 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 RMB358,271,000 (2017: RMB305,812,000) and RMB1,891,849,000 (2017: RMB1,162,965,000) and accounted for approximately 10% (2017: 11%) and 51% (2017: 40%) 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, consideration receivable for disposal of subsidiaries and accounts due from disposal subsidiaries, all are recorded in "other receivables" in note 29, as these balances were concentrated on a limited number of counterparties. Amounts due from independent third parties are concentrated on six (2017: six) counterparties, accounting for 77% (2017: 74%) of the total balance as at 31 December 2018. 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 2018 and 2017. As at 31 December 2018, balances deposited at ten (2017: ten) banks accounted for 85% (2017: 79%) 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 period.

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 44. 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.

54. 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 2018								
Non-derivative financial liabilities								
Trade and other payables	0.07	6,401,258	180,901	–	–	–	6,582,159	6,094,031
Amount due to an associate	–	48,286	–	–	–	–	48,286	48,286
Amount due to a joint venture	–	127,374	–	–	–	–	127,374	127,374
Obligations under finance leases	10.72	21,753	21,752	29,004	–	–	72,509	66,852
Bank and other borrowings								
– Fixed rate	5.47	2,836,473	1,849,650	618,367	1,141,725	803,771	7,249,986	6,074,239
– Variable rate	5.92	1,660,734	1,293,518	473,351	1,534,796	1,118,284	6,080,683	4,993,106
Bond payables	7.77	305,868	592,900	–	–	–	898,768	830,471
Liability component of convertible bonds	20.94	726,662	–	370,115	78,302	1,704,762	2,879,841	1,679,220
Financial guarantee contracts	–	249,017	36,000	79,000	–	–	364,017	276,841
Total		12,377,425	3,974,721	1,569,837	2,754,823	3,626,817	24,303,623	20,190,420
Derivative financial liabilities								
Warrants liabilities arising from the acquisition of Lattice Power Group	–	–	–	–	–	–	–	3,336
Total	–	–	–	–	–	–	–	3,336
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

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Bank and other borrowings with a repayment on demand clause are included in the "on demand or less than 6 months" time band in the above maturity analysis. As at 31 December 2018, the aggregate carrying amounts of these bank loans amounted to RMB1,091,595,000 (2017: RMB1,153,457,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank and other borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis-Bank loans with a repayment on demand clause based on scheduled repayments					
	Less than 1 year	1-2years	2-5years	Over 5 years	Total undiscounted cash outflows	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018	–	102,900	343,550	645,145	1,091,595	1,091,595
31 December 2017	–	101,800	331,000	720,657	1,153,457	1,153,457

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 2018, 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 32 in the next six months, amounting to RMB43,020,000 and RMB1,940,915,000 (2017: RMB21,360,000 and RMB2,297,821,000), respectively.

As at 31 December 2018, 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.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(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 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.

	2018		2017	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Liability component of convertible bonds	**1,679,220**	**1,468,755**	1,511,041	1,217,378

The fair value of the liability component of convertible bonds as at 31 December 2018 and 2017 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.

54. 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

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial items	Classified as	Fair value as at 31/12/2018 RMB'000	Fair value as at 31/12/2017 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 equity investments classified as financial assets at FVTPL (2017: available-for-sale investments)	Financial assets at FVTPL	3,096	N/A	Level 3	Market approach the value is based upon what investors are paying for similar assets or securities in the market place	Market multiples	The higher the market multiples, the higher the fair value
Unlisted managed investment fund classified as at FVTPL (2017: available-for-sale investments)	Financial assets at FVTPL (2017: available-for-sale investments)	–	111,337	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
Receivables at FVTOCI	Financial assets at FVTOCI	244,100	N/A	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables	Discount rate	The higher the discount rate, the lower the fair value
Warrants liabilities arising from acquisition of Lottice Power Group (note)	Derivative financial liabilities	(3,336)	(3,336)	Level 3	Binomial model	Volatility	Refer to sensitivity analysis in note 54(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 (2017: RMB1,249,000) and RMB1,352,000 (2017: RMB1,352,000) respectively.

54. 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 2017 and 2018.

	Unlisted managed investment fund classified as available-for-sale investments	Unlisted managed investment fund classified as at FVTPL	Warrants Liabilities arising from previous acquisition of Lattice Power Group	Unlisted equity investments classified as financial assets at FVTPL	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets (liabilities) at 1 January 2017	77,000	N/A	(7,733)	N/A	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	N/A	(3,336)	N/A	108,001
From available-for-sale to financial assets at FVTPL (note)	(111,337)	111,337	–	3,096	3,096
Assets (liabilities) at 1 January 2018 – As restated	–	111,337	(3,336)	3,096	111,097
Reclassified to other receivables (note 29(vi))	–	(111,337)	–	–	(111,337)
Assets (liabilities) at 31 December 2018	–	–	(3,336)	3,096	(240)

Note: At the date of initial application of IFRS 9, the Group's unlisted equity investment of RMB3,096,000 previously all measured at cost less impairment was reclassified from available-for-sale investments to financial assets at FVTPL.

54. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(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, share capital, share premium, reserves 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.

55. 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 in the annual report of 2017	Amounts due to independent third parties	Interest payable included in accrued expenses	Total
	Note 42	Note 45	Note 40	Note 46	Note 33	Notes 36	Note 36	
	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 45(e))	–	(379,341)	–	–	–	379,341	–	–
– Offset with secured deposits (see details in note 45(e))	–	(621,663)	–	–	–	–	–	(621,663)
– Offset with other receivables (see details in note 45(e))	–	(205,149)	–	–	–	–	–	(205,149)
Transfer due to arrangement with Chongqing Future (note 32(iii) of 2017 annual report)	43,484	–	–	–	(43,484)	–	–	–
Proceeds on disposal of subsidiaries (note 51)	–	–	–	–	–	(88,500)	–	(88,500)
Transfer from customers' deposits received due to cancellation of purchase orders	–	–	–	–	–	21,483	–	21,483

55. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	Bank and other borrowings	Convertible bonds	Obligations under finance leases	Bond payables	Consideration received in advance and related accrued interest in the annual report of 2017	Amounts due to independent third parties	Interest payable included in accrued expenses	Total
	Note 42	Note 45	Note 40	Note 46	Note 33	Notes 36	Note 36	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
Financing cash flows	1,657	(61,393)	(52,948)	(216,000)	–	(415,510)	(818,523)	(1,562,717)
Non-cash changes:								
Foreign exchange translation	165,422	–	–	–	–	1,508	8,599	175,529
Finance costs incurred	–	277,377	7,753	1,410	–	7,452	973,374	1,267,366
Transfer due to arrangement with True Bold (notes 36(ii) and 42)	169,480	–	–	–	–	(169,480)	–	–
Issue of shares upon conversion of convertible bonds (note 45)	–	(47,805)	–	–	–	–	–	(47,805)
Disposal of subsidiaries (note 51)	(134,507)	–	–	–	–	–	–	(134,507)
At 31 December 2018	11,067,345	1,679,220	66,852	830,471	–	186,152	292,978	14,123,018

56. 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.

57. PLEDGE OF ASSETS

At the end of the reporting period, saved as restricted bank deposits as set out in note 35 and the leased asset (i.e., machineries) under finance lease as set out in note 40, 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	
	2018	2017
	RMB'000	RMB'000
Prepaid lease payments	**122,208**	105,385
Property, plant and equipment	**3,436,970**	5,181,648
Solar power plants	**5,430,717**	6,227,588
Trade and other receivables	**1,858,443**	953,832

58. 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.

Name of related parties	Relationship	Nature of transactions	As at 31 December 2018 RMB'000	2017 RMB'000
meteocontrol Electric Power	note (i)	Solar power plant operation and maintenance services charges	**112,097**	100,324
Tiancheng International Auctioneer Limited ("Tiancheng International") (“天成國際拍賣有限公司”)	note (ii)	Rental expense	**3,158**	2,753
Shunfeng Suntech	note (iii)	Sales of solar products	**3,102**	3,928
Shunfeng New Energy	note (iv)	Sales of solar products	**15,584**	N/A
		Purchase of solar products	**206,542**	N/A
		Rental income	**3,394**	N/A

Notes:

(i) The management considers meteocontrol Electric Power is a related party as it is accounted for as an associate (2017: a joint venture) of the Group as at 31 December 2018. Further details were set out in notes 22 and 23. This company was established by the Group and one of its senior management during the year ended 31 December 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 established by the Group and other three independent third parties during the year ended 31 December 2017.

(iv) The management considers Shunfeng New Energy is a related party as it is accounted for as a joint venture of the Group. This entity is newly established by the Group and the other independent third party during the year ended 31 December 2018.

58. 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	
	2018	2017
	RMB'000	RMB'000
Basic salaries and allowances	**9,410**	13,075
Performance-related incentive bonuses	**1,870**	1,545
Retirement benefits scheme contributions	**131**	180
	11,411	14,800

The remuneration of directors and key executives is determined with reference to the performance of individuals and market trends.

59. CONTINGENT LIABILITY

	2018	2017
	RMB'000	RMB'000
Guarantees provided to financial institutions in respect of banking facilities granted to third parties:		
Total guaranteed amounts	**364,017**	413,827
Less: amounts provided as financial guarantee contracts (note 41)	**(276,841)**	(307,571)
Unprovided amount	**87,176**	106,256

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.

During the year ended 31 December 2018, King Success and the Company had reached a mutual consent (which does not involve any payment or guarantee given by the Company or security over the Company's assets or any similar obligations of the Company) in respect of the Disputed Matter on a confidential basis to dismiss the legal proceedings with no order as to costs, and an application was made to the High Court of Hong Kong for a consent order to that effect. On 27 April 2018, the High Court of Hong Kong sealed a consent order to the effect that the claims by King Success against, amongst others, the Company be dismissed.

60. 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 2018	2017	Proportion of voting right held by the Company As at 31 December 2018	2017	Paid-in share capital/ registered capital at 31 December 2018	Principal activities
Directly held							
Shunfeng Photovoltaic Holding Limited	Hong Kong 16 August 2010	**100%**	100%	**100%**	100%	HKD500	Investment holding
Indirectly held							
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

60. 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 2018	2017	Proportion of voting right held by the Company As at 31 December 2018	2017	Paid-in share capital/ registered capital at 31 December 2018	Principal activities
Jiangxi Shunfeng Photovoltaic Investments Co., Ltd (note (a))	The PRC 24 June 2013	**100%**	100%	**100%**	100%	RMB450,000,000	Investment holding
Lattice Power Corporation	The Island of Grand Cayman 18 January 2006	**59%**	59%	**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
Lattice Power Semianductor Co., Ltd (2017: 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 issued on 10 November 2015 and the 2-year 7.7% RMB500,000,000 corporate bond issued on 22 June 2016 as detailed in note 46, 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.

61. EVENT AFTER THE REPORTING PERIOD

Disposal

On 10 December 2018, the Group entered into a sale and purchase agreement (with long stop date on 30 June 2019) with Asia Pacific Resources Development Investment Limited (亞太資源開發投資有限公司), a company wholly owned and controlled by Mr. Cheng Kin Ming, a substantial shareholder of the Company, (the"Purchaser") pursuant to which the Group has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire equity interests in Jiangsu Shunfeng Photovoltaic Technology Company Limited (江蘇順風光電科技有限公司) (the "Jiangsu Shunfeng") (the "Disposal"), at an aggregate consideration of RMB3,000 million, which comprises the amounts of (a) RMB200 million; (b) HKD1,200 million (equivalent to RMB1,055 million) and (c) RMB1,745 million. The payment method of the consideration include but are not limited to the payment by cash or the assumption of the Company's debts by the Purchaser. Details as set out below:

(i) Payment in cash by the Purchaser to the Group– a total amount of RMB1,945 million in cash payable as follows: (a) RMB200 million will be paid on or before the date of completion of Disposal; (b) an amount of RMB1,745 million will be paid in cash free of interest within three months after the date of completion of Disposal;

(ii) Assumption of debt by the Purchaser – as part of the consideration, the debt amount of HKD1,200 million out of the HKD2,500 million loan facility provided by Sino Alliance, as agreed between all relevant parties, shall be assigned to and assumed by the Purchaser with effect at the date of completion of Disposal.

In addition, as an assistance to the Group's effort of reducing its overall debt level, on 24 March 2019, Peace Link has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link has agreed to, conditional upon completion of the Disposal and completion of the Subscription both having taken place, waive the repayment and redemption obligations of the Company in respect of HK$1,948 million out of HK$2,148 million under the third batch of outstanding convertible bonds issued by the Company (the "Third CB") for no consideration. For more details, please refer to the announcement made by the Company published on 25 March 2019.

Subscription

CAM SPC – CNNCIFMC HK Industry Fund SP (the "Subscriber"), a fund jointly managed by CNNC Industry Fund Management Corporation (中核產業基金管理(北京)有限公司) ("CNNC-IFMC") and Cornucopiae Asset Management Limited ("Cornucopiae"), or its nominee, being an independent third party, has entered into a subscription agreement (with long stop date on 31 March 2019) with the Company and Jiangsu Shunfeng on 14 December 2018 regarding the subscription for ordinary shares in the capital of the Company by the Subscriber (the "Possible Subscription"). Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for 7,591,153,464 new ordinary shares (the "Subscription Shares") (representing (i) approximately 152.36% of the issued share capital of the Company as at the date of the joint announcement issued by the Group on 9 January 2019, and (ii) approximately 60.37% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming there is no change in the issued share capital of the Company other than the issue of the Subscription Shares)) at the subscription price of HKD0.214 per Subscription Share. For more details, please refer to the announcement made by the Company published on 9 January 2019.

Financial Summary

Results	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
			For the year ended 31 December		
Turnover	5,745,939	7,032,374	8,276,499	10,017,432	**10,290,635**
(Loss) profit before interest expenses and tax	1,775,927	785,370	(1,372,283)	655,659	**(292,029)**
Interest expenses	(322,165)	(699,605)	(1,031,825)	(1,423,292)	**(1,285,923)**
(Loss) profit before tax	1,453,762	85,765	(2,404,108)	(767,633)	**(1,577,952)**
Income tax credit (expense)	(149,733)	(27,805)	4,713	(66,503)	**(128,768)**
(Loss) profit for the year	1,304,029	57,960	(2,399,395)	(834,136)	**(1,706,720)**
Total comprehensive income (expense) for the year	7,675	(24,644)	31,608	41,903	**(9,786)**
(Loss) profit and total comprehensive (expense) income for the year	1,311,704	33,316	(2,367,787)	(792,233)	**(1,716,506)**
(Loss) profit for the year attributable to:					
Owner of the Company	1,307,878	44,803	(2,109,843)	(832,050)	**(1,705,630)**
Non-controlling interest	(3,849)	13,157	(289,552)	(2,086)	**(1,090)**
	1,304,029	57,960	(2,399,395)	(834,136)	**(1,706,720)**
(Loss) profit and total comprehensive (expense) income for the year attributable to:					
Owners of the Company	1,315,566	14,186	(2,080,982)	(789,730)	**(1,715,542)**
Non-controlling interests	(3,862)	19,130	(286,805)	(2,503)	**(964)**
	1,311,704	33,316	(2,367,787)	(792,233)	**(1,716,506)**

Assets and liabilities	2014 RMB'000	2015 RMB'000	2016 RMB'000	2017 RMB'000	**2018 RMB'000**
			As at 31 December		
Total assets	21,131,710	28,859,411	28,013,407	25,325,942	**25,403,746**
Total liabilities	(15,004,712)	(20,687,373)	(21,922,125)	(19,971,448)	**(21,756,524)**
	6,126,998	8,172,038	6,091,282	5,354,494	**3,647,222**
Equity attributable to owners of the Company	6,121,854	6,628,177	4,812,591	4,041,194	**2,262,797**
Non-controlling interests	5,144	1,543,861	1,278,691	1,313,300	**1,384,425**
	6,126,998	8,172,038	6,091,282	5,354,494	**3,647,222**

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 2018

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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

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