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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the announcement of the Company dated 31 March 2020 in relation to the unaudited annual results of the Group for the year ended 31 December 2019 (the "**2019 Unaudited Results Announcement**").

As stated in the 2019 Unaudited Results Announcement, the annual results for the year ended 31 December 2019 contained therein have not been agreed with the Company's auditor as required under Rule 13.49(2) of the Listing Rules.

The Board is pleased to announce that the Company has obtained the agreement from the Company's auditors on the audited consolidated results of the Group for the year ended 31 December 2019, including details of the proposed final dividends for the year ended 31 December 2019 (the "**2019 Audited Annual Results**").

Save (i) the amendments to note 1(b) to the consolidated financial statements ("**Basis of preparation**") and paragraphs headed "Solar power generation in the overseas regions", "Contingent liabilities and guarantees" and "Charges on the Group's assets" in the section headed "Management Discussion and Analysis", and (ii) the additions of paragraphs headed "Scope of work of Messrs. Deloitte Touche Tohmatsu" and "Extract of the independent auditor's report", the annual results contained in the 2019 Unaudited Results Announcement are the same as the 2019 Audited Annual Results which are set out as below.

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000* (Restated)	% of Changes
Revenue			
Continuing operations			
Solar power generation in the PRC	**1,368,362**	1,308,394	4.6%
Manufacturing and sales of LED products	**362,744**	334,521	8.4%
	1,731,106	1,642,915	5.4%

	For the period from 1 January to 30 September 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000* (Restated)	% of Changes
Discontinued operations			
Manufacturing and sales of Solar Products and installation services of PV systems	**6,398,288**	8,428,399	N/A
Provision of plant operation and services	**115,433**	136,980	N/A
Solar power generation in the overseas regions	**62,406**	82,341	N/A
	6,576,127	8,647,720	N/A
Gross profit from continuing operations	**726,828**	610,338	19.1%
Loss for the year from continuing operations	**(2,013,903)**	(948,541)	112.3%
Profit/(loss) for the period/year from discontinued operations	**129,020**	(758,179)	N/A
Loss for the year	**(1,884,883)**	(1,706,720)	10.4%
Basic loss per share from continuing and discontinued operations	**RMB(38.17) cents**	RMB(38.08) cents	0.2%
Net cash from operating activities	**1,746,285**	2,723,181	(35.9)%

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited results of the Group for the year ended 31 December 2019. In 2019, the Company was under unprecedented liquidity pressure due to a delay in receiving tariff subsidies payable by the relevant financial departments of China to the solar power plants of the Company across the country while the corresponding debts are or will be due for repayment.

To ensure the continuation of the Company as a going concern while effectively protecting the Shareholders' interest, the Board adjusted the operating strategy for 2019 in an appropriate manner to dispose of certain assets in order to recover cash and reduce its overall debt level. As disclosed in the Company's announcement dated 15 July 2019, the Company held an extraordinary general meeting on 8 August 2019 and passed a resolution to dispose of the Solar Product manufacturing business. Subsequently, the Company entered into several sale and purchase agreements with Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司), an independent third party, on 15 November 2019, in relation to the disposal of the assets of 11 solar power plants in China. Such disposals were approved at an extraordinary general meeting held on 17 January 2020. As a result of the completion of these two very substantial disposals, the Company will be able to repay certain overdue debts by installments and the Group's overall highly indebted position can be improved.

On the other hand, the Company's LED business continued to maintain its growth. A number of new products are increasingly accepted by the market and key customers, thereby providing steady support to the Company's overall performance.

Future Prospect

Looking forward, the continuous drop in solar power generation costs will lead to a new era in the global clean energy market. However, as at the date of this announcement, COVID-19 is wreaking havoc in respect of the worldwide economy. Major economies such as China, the United States and Europe are suffering a heavy blow. In light of such a complicated global economy, the Group will devise clear and responsive strategies and allocate resources effectively in order to strike a balance between holding long-term assets and reducing short-term cash flow deficit for the interests of the Shareholders and the Company as a whole. It will also further reduce management costs and expenses with the aim of improving the Company's operating efficiency in a timely manner. With challenge comes opportunity. Where there's a will, there's a way. The keys are to take on the challenge and make fitting adjustments.

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 staunch support and trust. The Company will spare no efforts to generate remarkable return for the Shareholders.

Wang Yu
Chairman

29 April 2020

* *English name is for identification purpose only*

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
			(Restated)
Continuing operations			
Revenue	*3*	**1,731,106**	1,642,915
Cost of sales		**(1,004,278)**	(1,032,577)
Gross profit		**726,828**	610,338
Other income	*5*	**117,382**	128,921
Other gains and losses	*6*	**(1,302,330)**	(173,310)
Impairment losses under expected credit loss model, net of reversal		**(106,570)**	(61,005)
Distribution and selling expenses		**(9,926)**	(12,219)
Administrative expenses		**(203,948)**	(209,481)
Research and development expenditure		**(60,020)**	(41,053)
Share of gains of associates		**636**	2,774
Finance costs	*7*	**(1,163,046)**	(1,188,107)
Loss before tax	*8*	**(2,000,994)**	(943,142)
Income tax expense	*9*	**(12,909)**	(5,399)
Loss for the year from continuing operations		**(2,013,903)**	(948,541)
Discontinued operations			
Profit (loss) for the period/year from discontinued operations	*10*	**129,020**	(758,179)
Loss for the year		**(1,884,883)**	(1,706,720)
Other comprehensive income (expense):			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**(1,669)**	757
Exchange differences on translating foreign operations		**(812)**	(16)
Fair value gain (loss) on:			
Receivables at fair value through other comprehensive income ("**FVTOCI**")		**167**	(10,527)
Other comprehensive expense for the year		**(2,314)**	(9,786)
Total comprehensive expense for the year		**(1,887,197)**	(1,716,506)

		Year ended 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000* (Restated)
Loss (profit) for the year attributable to owners of the Company			
— from continuing operations		**(2,030,746)**	(947,451)
— from discontinued operations		**129,020**	(758,179)
Loss for the year attributable to owners of the Company		**(1,901,726)**	(1,705,630)
Profit (loss) for the year attributable to non-controlling interests			
— from continuing operations		**16,843**	(1,090)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**(1,903,892)**	(1,715,542)
Non-controlling interests		**16,695**	(964)
		(1,887,197)	(1,716,506)
From continuing and discontinued operations		***RMB cents***	*RMB cents*
Loss per share			
— Basic	*11*	**(38.17)**	(38.08)
— Diluted		**(38.17)**	(38.08)
From continuing operations		***RMB cents***	*RMB cents*
Loss per share			
— Basic	*11*	**(40.76)**	(21.15)
— Diluted		**(40.76)**	(21.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
Non-current assets			
Property, plant and equipment		**232,383**	2,113,165
Right-of-use assets		**203,496**	—
Solar power plants		**6,782,957**	11,558,554
Prepaid lease payments — non-current		—	445,105
Intangible assets		**2,816**	35,861
Interests in associates		**32,135**	151,824
Interests in joint ventures		—	197,976
Financial assets at fair value through profit or loss ("**FVTPL**")		**3,096**	3,096
Other non-current assets		**106,238**	877,920
Deferred tax assets		—	93,902
Value-added tax recoverable — non-current		**440,007**	550,535
Contract assets — non-current		**310,394**	206,781
		8,113,522	16,234,719
Current assets			
Inventories		**92,150**	1,065,043
Trade and other receivables	*13*	**1,747,976**	3,873,761
Contract assets		—	38,294
Receivables at FVTOCI		**17,069**	244,100
Prepaid lease payments — current		—	17,477
Value-added tax recoverable		**84,534**	307,266
Tax recoverable		—	5,990
Prepayments to suppliers		**18,890**	813,457
Amounts due from the related parties		**2,004,413**	—
Amount due from an associate		—	160
Amount due from a joint venture		—	9,261
Restricted bank deposits		**67,856**	2,039,632
Bank balances and cash		**89,703**	754,586
		4,122,591	9,169,027
Assets classified as held for sale	*14*	**3,896,381**	—
		8,018,972	9,169,027
Current liabilities			
Trade and other payables	*15*	**2,001,291**	6,507,258
Contract liabilities		**12,510**	331,696
Amount due to an associate		—	48,286
Amount due to a joint venture		—	127,374
Amounts due to the related parties		**2,224,930**	—
Obligations under finance leases		—	38,943

	NOTES	As at 31 December 2019 RMB'000	2018 RMB'000
Lease liabilities		**19,940**	—
Provisions		**177,100**	1,019,489
Tax liabilities		**5,565**	8,327
Bank and other borrowings		**5,097,942**	7,148,081
Deferred income		—	6,394
Derivative financial liabilities		**6,078**	3,336
Convertible bonds		**37,376**	681,872
Bond payables		**824,778**	830,471
		10,407,510	16,751,527
Liabilities associated with assets classified as held for sale	*14*	**2,429,815**	—
		12,837,325	16,751,527
Net current liabilities		**(4,818,353)**	(7,582,500)
Total assets less current liabilities		**3,295,169**	8,652,219
Capital and reserves			
Share capital		**40,756**	40,756
Reserves		**(909,856)**	2,222,041
Equity attributable to owners of the Company		**(869,100)**	2,262,797
Non-controlling interests		**1,453,733**	1,384,425
Total equity		**584,633**	3,647,222
Non-current liabilities			
Deferred tax liabilities		**3,652**	38,356
Bank and other borrowings		**2,229,301**	3,919,264
Obligations under finance leases		—	27,909
Lease liabilities		**13,544**	—
Deferred income		—	22,120
Convertible bonds		**464,039**	997,348
		2,710,536	5,004,997
		3,295,169	8,652,219

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 The Stock Exchange of Hong Kong Limited. The addresses of the 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 2019 and as of that date, the current liabilities exceeded its current assets by RMB4,818,353,000, decreased by RMB2,764,147,000 from RMB7,582,500,000 as at 31 December 2018.

Although the completion of the disposal of the Disposal Group (as defined in note 10) has significantly reduced the Group's highly indebted position, it can only reduce the Group's liability in the long term, while the Group's short term debt repayment pressure currently is still very high, since a number of outstanding debts (including bank and other borrowings and bond payables) have expired or will expire in the near future. In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of development plans which comprise, inter alia, (i) the disposal of 11 Target Companies (as defined in note 14), (ii) the proposed disposal of the 6 Target Companies (as defined in note 17); (iii) the Possible Disposals of Further Solar Power Plants (as defined below) and (iv) negotiation with banks, financial institutions and bondholders 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 disposal of the 11 Target Companies, the proposed disposal of the 6 Target Companies and the Possible Disposals of Further Solar Power Plants

Assuming the conditions precedent in relation to the disposal of the 11 Target Companies and the proposed disposal of the 6 Target Companies have all been satisfied, such disposals will generate an immediate cash inflow of approximately RMB1,467 million and RMB469 million, respectively, which would help the Group repay partially its debts that have been overdue or will become due in the next 12 months.

Apart from the disposal of the 11 Target Companies and the proposed disposal of the 6 Target Companies, according to the Group's current funding requirement and working capital conditions, the Group intends to further dispose of its solar power plants, which are located in the PRC, on similar terms and conditions as the disposal of the 11 Target Companies and proposed disposal of the 6 Target Companies, which may include the discount arising from the lack of marketability, conditions precedent, timing and progress payments by tranches (the "**Possible Disposals of Further Solar Power Plants**"). In particular, the Company is initiating discussions and negotiations with more than one potential buyer in respect of the Possible Disposals of Further Solar Power Plants.

Extension of due dates of the relevant debts and/or alternative refinancing

The sales proceeds from the disposal of the 11 Target Companies (as defined in note 14) to Zhonghe Shandong Energy Co, Ltd.* (中核山東能源有限公司) ("**ZSEC**") is the source of funds to repay a number of debts owed by the Group which have matured as at 31 December 2019 or are to be matured in the near future. Accordingly, the Group has closely monitored the progress and attempted all possible means to smooth the completion, with a view to collecting the sales proceeds in an orderly and timely manner.

Subsequent to the end of the reporting period and up to the date of this announcement, registration for share transfer has been completed in respect of 9 entities of the 11 Target Companies, being Hami Hengxin (as defined in note 14), Hami Junxin (as defined in note 14), Hami Tianhong (as defined in note 14), Hami Yixin (as defined in note 14), Shangde (Hami) (as defined in note 14), Pingluo Zhongdianke (as defined in note 14), Wuwei Huadong (as defined in note 14), Wuwei Jiuyuan (as defined in note 14) and Hebei Guowei (as defined in note 14), while a partial amount of the Consideration, in respect of the disposal of Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Shangde (Hami) and Hebei Guowei has been paid by ZSEC into the escrow account held by the Group.

However, the remaining 2 entities of the 11 Target Companies are all located in Gansu Province of the PRC, due to the recent epidemic of COVID-19, the relevant government authorities has resumed business in late March 2020, and the Group has promptly submitted all materials to the relevant government authorities once their business is resumed to apply for the share transfer of relevant 2 entities to ZSEC. The management of the Group is optimistic and expects such will be all completed in early May 2020.

In respect of the collection of sales proceeds, apart from the successful completion of the share transfer of the equity interests of the 11 Target Companies to ZSEC, in accordance with the relevant share transfer agreements with the relevant 11 Target Companies, the timing of payment of the Consideration (as defined in note 14), to be payable by ZSEC by four to five tranches, and Dividends Payment (as defined in note 14), to be payable by the relevant Target Companies by two tranches, and the timing and amount of payment of Relevant Payables (as defined in note 14), to be payable by the relevant Target Companies by two to three tranches, are also subject to the completion of (i) the transitional period audit to be performed by the local auditor in the PRC engaged by ZSEC and (ii) certain remedial steps to be taken by the Group.

Due to the outbreak of novel coronavirus disease (COVID-19) and travel restrictions, quarantine measures and business suspension policies have been largely adopted and implemented by the PRC government since early February 2020 and therefore, the completion of transitional period audit and certain remedial steps are inevitably postponed. The transitional period audit and certain remedial steps have commenced and progressed positively, and up to the issue of the consolidated financial statements, the transitional period audit of 6 entities has been completed while the management expects that of the remaining 5 entities to be completed in May 2020. In addition, the management expects the remedial steps for the 11 Target Companies will be all substantially completed during May to June 2020.

Accordingly, the management of the Group expects that a substantial amount of the Consideration, Dividends Payment and Relevant Payables will be received prior to 30 June 2020.

Currently, the Group is negotiating with banks, financial institutions and bondholders to seek for refinancing and/or extension of due dates of the relevant debts as follows:

(a) Negotiating with banks, financial institutions and bondholders for renewal of the relevant debts and extension of the maturity date.

* *English name is for identification purpose only*

*(i) Sino Alliance Capital Ltd. ("**Sino Alliance**")*

A supplementary agreement is entered into among the Group, Asia Pacific Resources Development Investment Limited ("**Asia Pacific Resources**") and Mr. Cheng Kin Ming ("**Mr. Cheng**"), a substantial shareholder of the Company, and Sino Alliance dated 28 June 2019 to further extend the due dates, pursuant to which the outstanding principal balance of HKD1,300 million is required to be settled in two instalments, including: (i) HKD500 million or 50% of consideration for the disposal of 11 Target Companies, whichever is higher, to be extended to 31 December 2019 or 30 business days after completion of the disposal, whichever is earlier; and (ii) the remaining balances to be settled on 31 December 2020 or 30 business days after completion of the Group's other disposals of solar power plants (including the proposed disposal of the 6 Target Companies and Possible Disposals of Further Solar Power Plants), if any and whichever is earlier.

However, at the end of the reporting period, the first instalment of Sino Alliance has been overdue.

Given the recent impacts in relation to COVID-19 stated above, the management of the Company has been negotiating with Sino Alliance since early February 2020 through conference calls, emails and meetings to keep Sino Alliance informed of the progress of the disposal of the 11 Target Companies, as well as the updated information in relation to the announcement made by the Company on 18 March 2020 of the disposal of the 6 Target Companies.

Upon rounds of discussion between the management of the Company and Sino Alliance, as of the date of issue of this announcement, the management of Sino Alliance has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they also stand for the Development Plan proposed by the management of the Company.

*(ii) China Minsheng Banking Corp., Ltd Hong Kong Branch ("**CMBC-HK**")*

A supplementary agreement is entered into between the Group and CMBC-HK dated 31 October 2019 to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its 59% of equity interest in Lattice Power Group to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HKD980,000,000 (equivalent to RMB877,884,000) by instalments, including:

a. an amount of HKD320 million to be extended to 31 December 2019 or expiry of 15 business days of receipt by the Group of the consideration of the disposal of 11 Target Companies, whichever is earlier (which is determined as the higher of amount of HKD200 million, 20% of the consideration for the disposal of the 11 Target Companies or the sales capacity of the disposal of the 11 Target Companies divided by 1,500 megawatts and multiplied by HKD980 million);

b. the higher of the amount of HKD280 million and 20% of the consideration for the other disposals of solar power plants (including the proposed disposal of the 6 Target Companies and Possible Disposals of Further Solar Power Plants) on or before 15 July 2020 or the sales capacity of the Possible Disposals of Further Solar Power Plants on or before 15 July 2020 divided by 1,500 megawatts and multiplied by HKD980 million, to be extended to 15 July 2020; and

c. the remaining balance to be extended to 18 December 2020.

At the end of the reporting period, the first instalment of CMBC-HK has matured and the related accrued interest payable amounted to HKD41,429,000 (equivalent to RMB37,112,000) as at 31 December 2019.

Given the recent impacts in relation to COVID-19 stated above, the management of the Company has been negotiating with CMBC-HK since early February 2020 through conference calls, emails and meetings to keep CMBC-HK informed of the progress of the disposal of the 11 Target Companies, as well as the updated information in relation to the announcement made by the Company on 18 March 2020 of the disposal of the 6 Target Companies.

Upon rounds of discussion between the management of the Company and CMBC-HK, as of the date of issue of this announcement, the management of CMBC-HK has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they also stand for the Development Plan proposed by the management of the Company.

(iii) Chongqing International Trust Co., Ltd. (重慶國際信託股份有限公司) ("**Chongqing Trust**")*

As at 31 December 2019, the borrowings from Chongqing Trust has an outstanding principal balance of RMB666 million, which matured on 29 September 2019.

Another supplementary agreement was entered into between the Group and Chongqing Trust on 23 December 2019 to further extend the due date to 30 September 2020, with the terms and conditions unchanged.

(iv) 2015 Corporate Bond (as defined below)

As at 31 December 2019, the corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**") with an outstanding principal balance of RMB550 million which matured on 9 November 2019.

Based on the recent negotiation with the holders of the 2015 Corporate Bond, the holders have expressed their intention to agree to extend the due date to 31 March 2020 with following conditions:

a. the Group should repay the unpaid interest up to 10 November 2019 amounting to approximately RMB42.9 million once the Group receives the first tranche of the consideration for the disposal of 11 Target Companies amounting to approximately RMB64.1 million;

b. the outstanding principal balance of RMB550 million carries at the original fixed interest rate of 7.8% per annum during the extension period; and

c. the Group should give priority to use the net proceeds from the disposal of 11 Target Companies to repay the outstanding principal balance of RMB550 million together with the unpaid interest for the extension period.

Given the recent impacts in relation to COVID-19 stated above, the management of the Group has been negotiating with the bondholders of the 2015 Corporate Bond since early February 2020 through conference calls and meetings to keep them informed of the progress of the disposal of the 11 Target Companies and the proposed disposal of the 6 Target Companies. Up to the date of issue of this announcement, the Company has not received any litigation letter from these bondholders of the 2015 Corporate Bond. The management of the Group is optimistic that these bondholders of the 2015 Corporate Bond will support the Development Plan and agree to extend the due date to the time at which a sufficient amount of proceeds from the disposal of solar power plants held by the Group will be received by the Group.

* *English name is for identification purpose only*

(v) 2016 Corporate Bond (as defined below)

Corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**") had matured on 22 June 2018. The Group had entered into a supplementary agreement with the bondholders of the 2016 Corporate Bond to settle the outstanding balances by instalments. As at 31 December 2019, the unpaid principal balances with amount of RMB274,778,000 and the accrued bond interest of RMB21,458,000 have been due on 25 April 2020.

Given the recent impacts in relation to COVID-19 stated above, the management of the Group has been negotiating with the bondholder of the 2016 Corporate Bond since early February 2020 through conference calls and meetings to keep the bondholder of the 2016 Corporate Bond informed of the progress of the disposal of the 11 Target Companies and the proposed disposal of the 6 Target Companies. Up to the date of issue of this announcement, the Company has not received any litigation letter from the bondholder of the 2016 Corporate Bond and entered into an extension agreement dated 25 April 2020 with the bondholder agreeing conditionally to extend the due date to either the time at which a sufficient amount of proceeds will be received by the Group from the disposal of the 11 Target Companies or 25 October 2020, whichever is earlier.

(vi) Bondholders A of the Fourth CB

The balance of HKD564,250,000 due to the 19 individual bondholders ("**Bondholders A**") of the Fourth CB was unsecured and unguaranteed. Upon maturity of the Fourth CB on 15 June 2019, loan agreements had been entered into between the Group and the Bondholders A of the Fourth CB. The Group has extended the unpaid and outstanding principal balance totalling HKD564,250,000 (equivalent to RMB505,455,000) with a fixed annual interest rate of 4.0% to 20 December 2019, and all the rights under the original terms and conditions in relation to the Fourth CB have been waived.

On 20 December 2019, the total principal balance of HKD564,250,000 (equivalent to RMB505,455,000) matured, the Group has entered into certain supplementary agreements with certain Bondholders A of the Fourth CB to further extend the due date of the total outstanding principal amounts of HKD534,250,000 (equivalent to RMB478,581,000) to 25 March 2020, while the remaining outstanding principal amount of HKD30,000,000 (equivalent to RMB26,870,000) was overdue as at 31 December 2019. The total amount of HKD19,000,000 (equivalent to RMB17,020,000) has been settled in cash subsequent to the end of the reporting period and up to the date of issue of this announcement.

The total outstanding principal amount of HKD545,250,000 (equivalent to RMB488,435,000) was overdue on the date of issue of this announcement.

Given the recent impacts in relation to COVID-19 as stated above, the management of the Company has been negotiating with the Bondholders A of the Fourth CB since early February 2020 through conference calls, emails and meetings to keep the Bondholders A of the Fourth CB informed of the progress of the disposal of the 11 Target Companies, with a view to extending the due date to the time at which a sufficient amount of proceeds will be received by the Group from the disposal of solar power plants. Up to the date of issue of this announcement, the management of the Group has received confirmations in the form of written document or emails from the majority of the Bondholders A of the Fourth CB, agreeing to further delay pending payment received from the disposal of the 11 Target Companies.

(vii) True Bold

The balance of HKD189,690,000 previously converted from the Fifth CB subscribed by True Bold Global Limited ("**True Bold**") upon maturity in 2017 was scheduled to be settled in the following way, according to the amendment agreement dated 29 June 2018:

a. an amount of HKD54,690,000 will be repaid before the year ended 31 December 2018; and

b. an amount of HKD135,000,000 will be repaid before the year ended 31 December 2019.

Such balance was secured and unguaranteed, carrying a fixed interest rate of 10% per annum.

The balance of HKD189,690,000 has matured as at 31 December 2019.

Given the recent impacts in relation to COVID-19 stated above, the management of the Company has been negotiating with True Bold since early February 2020 through conference calls, emails and meetings to keep True Bold informed of the progress of the disposal of the 11 Target Companies, as well as the updated information in relation to the announcement made by the Company on 18 March 2020 of the disposal of the 6 Target Companies.

Upon rounds of discussion between the management of the Company and True Bold, as of the date of issue of this announcement, the management of True Bold has been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they also stand for the Development Plan proposed by the management of the Company.

(viii) JIC Trust Co., Ltd (中建投信託有限公司) ("**JIC**")*

In respect of the borrowing from JIC, an independent financial institution, of principal balance of RMB490,000,000 which has been overdue on 16 August 2019. JIC lodged litigation against the Group during the year ended 31 December 2019 and subsequently, the Group received the first-instance judgement from the High People's Court of Zhejiang in January 2020, requesting the Group to repay the outstanding loan principal of RMB490,000,000, interest payable of RMB97,066,000 and penalty interest payable of RMB37,146,000, totalling RMB624,212,000 immediately. Since the equity interest of the Group's subsidiary which owns and operates the solar power plant has been pledged to JIC, the management of the Group expects to repay the outstanding loan principal, related interest payable and penalty interest payable from the proceed arising from the possible disposal of the entire equity interest of the relevant subsidiary which holds such solar power plant in the near future.

(ix) Other remaining expired borrowings

Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB100,415,000 overdue on 31 December 2019 and the overdue balances further increased to RMB157,863,000 on the date of issue of this announcement but no settlement plan/further extension plan yet been finalised.

The management of the Group assessed that RMB56,931,000 out of the total overdue balance of RMB100,415,000 as at 31 December 2019 and RMB114,379,000 out of the total overdue balance of RMB157,863,000 on the date of issue of this announcement were held by the subsidiaries holding the solar power plants in the PRC (including the 6 Target Companies). The bank and other borrowings

* *English name is for identification purpose only*

held by these entities is expected to be eventually assumed by the purchasers according to the relevant sale and purchase agreements and under similar terms and conditions of the disposal of the 11 Target Companies and proposed disposal of the 6 Target Companies.

The management is optimistic that the relevant lenders will accept such arrangement in respect of the proposed disposal of the 6 Target Companies and the Possible Disposals of Further Solar Power Plants.

Since there is no detailed repayment priority or ranking or partial repayment portion of each creditor specified in the Group's relevant arrangements with creditors as stated above regarding how the Group may apply proceeds from the disposal of the 11 Target Companies, proposed disposal of the 6 Target Companies and Possible Disposals of Further Solar Power Plants, if any, the management of the Group has assumed the repayment to the lenders at its best estimate. In addition, given that (i) the extension of loans obtained by the Group as at the end of the reporting period, and the possible extension of loans which the Group anticipated based on the current negotiation with creditors which is not yet committed as at the end of the reporting period, both of which are mostly short-term, and (ii) the exact timing of the completion of, and the collection of proceeds from, the disposal of the 11 Target Companies, proposed disposal of the 6 Target Companies and Possible Disposals of Further Solar Power Plants are inherently uncertain, which may not occur in a way that enables the Group to honour its current repayment commitment/agreement in the short term, and the disposal timetable may be further delayed or may not occur as the Group has expected, the directors of the Company is of the view that the actual timing of collection of the relevant proceeds from the disposal of the 11 Target Companies, proposed disposal of the 6 Target Companies and Possible Disposals of Further Solar Power Plants may not match with the Group's current agreements or settlement arrangements with its creditors. Therefore, the Group must use its best endeavour to re-negotiate with its creditors on a continuous basis to further revise/extend the repayment timing beyond the period currently agreed by the Group's creditors, or to make payment in an amount which is less than that as expected by its creditors, in order to enable the Group to effect the collection and application of disposal proceeds in an orderly manner for the repayment of loans in the next twelve months from the end of the reporting period. If the creditors do not agree with the settlement plan/further extension plan as planned by the management of the Group, the Group will not have sufficient working capital for the next twelve months from the end of the reporting period.

Save as the above, the management of the Group is still positive that upon partial repayment of the loan principal and/or outstanding interest by the proceeds received from the disposal of the 11 Target Companies, proposed disposal of the 6 Target Companies and when the plan for the Possible Disposals of Further Solar Power Plants becomes solid, a portion of the Group's overdue bank and other borrowings can be successfully renewed and/or extended in view of the Group's historical successful experiences in refinancing expiring debts. The management of the Group expects these overdue bank and other borrowings can be further extended to the extent and in accordance with the timetable and milestones of payment of the proceeds arising from disposal of the 11 Target Companies, proposed disposal of the 6 Target Companies and the possible consideration from the Possible Disposals of Further Solar Power Plants that the Group could have received;

(b) Negotiating with banks not to exercise their rights to demand for immediate payment in respect of the Group's bank borrowings that had breached certain financial covenants, which amounted to a total of RMB514,066,000 as at 31 December 2019. The management of the Group is confident that these banks will not demand for immediate repayment based on its negotiations with these banks; and

(c) As part of the remedial plan, negotiating with banks, independent financial institutions and other counterparties, including those bank and other borrowings renewed but not yet matured and which will mature within twelve months after the end of the reporting period, to further delay the loan repayment schedule, as well as seeking other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders), in order to enable the Group to have adequate time and adequate working capital to obtain proceeds from the disposal of the 11 Target Companies, proposed disposal of the 6 Target Companies and the possible consideration of the Possible Disposals of Further Solar Power Plants to repay the matured and maturing debts from time to time.

The Directors, after due and careful enquiries and after taking into account the Development Plan and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities and available facilities, and based on the assumptions that the above events materialise, are of the opinion that the Group will have sufficient working capital for its present operating requirements and for at least the next twelve months commencing from the date of the consolidated financial statements. Hence, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to implement its Development Plan, which may be negatively affected due to the recent outbreak of the COVID-19, as described above. Whether the Group will be able to continue as a going concern would depend upon the Group' s ability to generate adequate financing and operating cash flows through successful implementation of all the following conditions:

(i) collecting the Consideration (as defined in note 14), Dividend Payments (as defined in note 14) and Relevant Payables (as defined in note 14) in respect of the disposal of the 11 Target Companies during the year ending 31 December 2020 and in accordance with the amount and timing expected by the Company;

(ii) completing the proposed disposal of the 6 Target Companies (as defined in note 17) and collecting the proceeds during the year ending 31 December 2020 and in accordance with the amount and timing expected by the Company;

(iii) sourcing buyer(s) and completing the Possible Disposals of Further Solar Power Plants (as defined in note 1(b)) during the year ending 31 December 2020 in order to collect the proceeds in accordance with the terms, conditions, amount and timing expected by the Company;

(iv) convincing its creditors (in respect of bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment priority or ranking or partial repayment portion to each creditor and allow the Group to further extend to the extent in accordance with the timetable and milestones of payment of the proceeds from the Group's disposal of 11 Target Companies, proposed disposal of the 6 Target Companies and the Possible Disposal of Further Solar Power Plants;

(v) obtaining consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the proposed disposal of the 6 Target Companies and the Possible Disposals of Further Solar Power Plants;

(vi) convincing banks to agree not to exercise their right to demand immediate payment in respect of the Group's borrowings that involved breaches of certain financial covenants;

(vii) convincing banks, independent financial institutions and other counterparties, including those bank and other borrowings which have been renewed, have not yet matured and will mature within twelve months after the end of the reporting period, to further delay the loan repayment schedule; and

(viii) seeking other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders) on the basis that the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group so as to enable the Group to have adequate time and adequate working capital to obtain proceeds from the disposal of the 11 Target Companies and proposed disposal of the 6 Target Companies and the possible consideration of the Possible Disposals of Further Solar Power Plants during the year ending 31 December 2020 and to repay the matured and maturing debts from time to time.

Should the Group fail to successfully implement the abovementioned Development Plan, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these consolidated financial statements.

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

New and 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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendments, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

2.1 IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated deficits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ending within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities as at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities ranges from 4% to 9.52%.

	As at 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**116,566**
Less: recognition exemption — short-term leases	**(1,900)**
recognition exemption — low value assets	**(3,235)**
Undiscounted lease liabilities as at 31 December 2018	**111,431**
Lease liabilities relating to operating leases discounted at incremental borrowing rate recognised upon application of IFRS 16	**70,559**
Add: obligation under finance leases recognised as at 31 December 2018	**66,852**
payables for purchase of leasehold lands recognised as at 31 December 2018	**38,015**
Lease liabilities as at 1 January 2019	**175,426**
Analysed as	
Current	**86,277**
Non-current	**89,149**
	175,426

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	70,559
Reclassified from prepaid lease payments	462,582
Amounts included in property, plant and equipment under IAS 17	
— Assets previously under finance leases	139,790
	672,931
By class:	
Leasehold lands	498,298
Land and buildings	165,993
Machinery and office equipment	8,640
	672,931

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December 2018 *RMB'000*	**Adjustments** *RMB'000*	**Carrying amounts under IFRS 16 as at 1 January 2019** *RMB'000*
Non-current assets			
Property, plant and equipment	2,113,165	(139,790)	1,973,375
Right-of-use assets	—	672,931	672,931
Prepaid lease payments			
— non-current	445,105	(445,105)	—
Current assets			
Prepaid lease payment			
— current	17,477	(17,477)	—
Current liabilities			
Obligations under finance leases	38,943	(38,943)	—
Trade and other payables	6,507,258	(38,015)	6,469,243
Lease liabilities	—	86,277	86,277
Non-current liabilities			
Lease liabilities	—	89,149	89,149
Obligations under finance leases	27,909	(27,909)	—

For the purpose of reporting cash flows from operating activities under the indirect method for the year ended 31 December 2019, movements in working capital have been computed based on the opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers

For the year ended 31 December 2019

	For the year ended 31 December 2019		
Segments	**Sales of LED products** *RMB'000*	**Revenue from sales of electricity** *RMB'000*	**Total** *RMB'000*
Types of goods or service			
Sales of electricity	—	326,382	326,382
Tariff subsidies	—	1,041,980	1,041,980
Sales of goods	362,744	—	362,744
Total	362,744	1,368,362	1,731,106
Geographical markets			
Mainland China	355,772	1,368,362	1,724,134
Other countries	6,972	—	6,972
Total	362,744	1,368,362	1,731,106
Timing of revenue recognition			
A point in time	362,744	1,368,362	1,731,106

For the year ended 31 December 2018

Segments	For the year ended 31 December 2018 Sales of LED products *RMB'000*	Revenue from sales of electricity *RMB'000* (Restated)	Total *RMB'000* (Restated)
Types of goods or service			
Sales of electricity	—	358,623	358,623
Tariff subsidies	—	949,771	949,771
Sales of goods	334,521	—	334,521
Total	334,521	1,308,394	1,642,915
Geographical markets			
Mainland China	327,840	1,308,394	1,636,234
Other countries	6,681	—	6,681
Total	334,521	1,308,394	1,642,915
Timing of revenue recognition			
A point in time	334,521	1,308,394	1,642,915

B. Performance obligations for contracts with customers

Sales of LED products

In respect of sales of LED products, the Group recognises the revenue at a point in time when there is persuasive evidence that the control of LED products has been transferred to the customer, the customer has adequate control over the products 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 subsidies

Tariff subsidies represent subsidies received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidies are recognised at their 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 subsidies is based on the difference between the feed-in-tariff regime implemented by the government for the provision of subsidies to the solar power plants operators and the revenue from sales of electricity.

C. Transaction price allocated to the remaining performance obligation for contracts with customers

The sales contracts in relation to the sales of 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.

4. SEGMENT INFORMATION

Information has been reported to the Chief Executive Officer, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. During the current year, the Group discontinued the businesses engaging in (i) manufacturing and sales of Solar Products (as defined in note 10) and installation services of PV Systems (as defined in note 10), (ii) provision of plant operations and services and (iii) solar power generation in overseas regions along with the completion of the disposal of the Disposal Group (as defined in note 10). The Group's reportable and operating segments in respect of continuing operations were presented for the both years as follows:

(1) Solar power generation in the PRC; and

(2) 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 segments:

Continuing operations

	Solar power generation in the PRC		Manufacturing and sales of LED products		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)				(Restated)
Segment revenue						
External sales	**326,382**	358,623	**362,744**	334,521	**689,126**	693,144
Tariff subsidies	**1,041,980**	949,771	**—**	—	**1,041,980**	949,771
	1,368,362	1,308,394	**362,744**	334,521	**1,731,106**	1,642,915
Segment (loss) profit	**(816,041)**	294,421	**52,173**	2,632	**(763,868)**	297,053
Unallocated income						
— Bank interest income					**1,921**	2,017
— Change in fair value of derivative financial liabilities					**(2,742)**	—
Unallocated expenses						
— Central administration costs					**(55,128)**	(50,053)
— Finance costs					**(1,163,046)**	(1,188,107)
Loss allowance reversed/recognised on financial guarantee contracts for a joint venture					**85,673**	(6,826)
Impairment loss recognised on amounts due from the related parties					**(104,440)**	—
Share of gains of associates					**636**	2,774
Loss before tax					**(2,000,994)**	(943,142)

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

	Solar power generation in the PRC		Manufacturing and sales of LED products		Total	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)				(Restated)
Impairment loss recognised on assets classified as held for sale	**(851,428)**	—	**—**	—	**(851,428)**	—
Impairment loss on solar power plants	**(282,794)**	—	**—**	—	**(282,794)**	—
Impairment loss recognised on trade and other receivables and contract assets	**(95,539)**	(34,997)	**(1,463)**	(10,603)	**(97,002)**	(45,600)
Write-down of inventory	**—**	—	**—**	(27,350)	**—**	(27,350)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents profit earned or the loss incurred by each segment without allocation of bank interest income, change in fair value of derivative financial liabilities, central administration cost, finance costs, loss allowance reversed/recognised on financial guarantee contracts for a joint venture, impairment loss recognised on amounts due from the related parties and share of gains of associates. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Segment assets		
Continuing operations		
Solar power generation in the PRC	**13,341,704**	14,679,592
Manufacturing and sales of LED products	**593,587**	594,071
Total segment assets	**13,935,291**	15,273,663
Assets relating to discontinued operations *(note)*	**—**	9,554,925
Other unallocated assets	**2,197,203**	575,158
Consolidated assets	**16,132,494**	25,403,746
Segment liabilities		
Continuing operations		
Solar power generation in the PRC	**11,510,426**	12,006,915
Manufacturing and sales of LED products	**269,650**	273,732
Total segment liabilities	**11,780,076**	12,280,647
Liabilities relating to discontinued operations *(note)*	**—**	6,655,047
Other unallocated liabilities	**3,767,785**	2,820,830
Consolidated liabilities	**15,547,861**	21,756,524

Note: The comparative figures have been restated to represent the (i) manufacturing and sales of solar products and installation services of PV systems, (ii) provision of plant operation and services and (iii) solar power generation in overseas regions held by the Disposal Group as discontinued operations.

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, interests in associates and amounts due from the related parties, as well as assets relating to discontinued operations; and

- All liabilities are allocated to operating segments other than lease liabilities, liability component of the Group's convertible bonds, financial guarantee provision for a joint venture, derivative financial liabilities, amounts due to the related parties, amount due to an associate, and bonds payable liable for centralised financing of the Group as well as liabilities relating to discontinued operations.

Entity-wide disclosures

Revenue analysed by major products

The following table sets forth a breakdown of the Group's revenue from continuing operations for the years ended 31 December 2019 and 2018:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Sales of LED products	**362,744**	334,521
Sales of electricity	**326,382**	358,623
Tariff subsidies *(note)*	**1,041,980**	949,771
Total	**1,731,106**	1,642,915

Note: The amount represents the tariff subsidies which were approximately 37% to 92% (2018: 36% to 80%) 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.

5. OTHER INCOME

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Bank interest income	**1,921**	2,017
Interest income arising from advances to independent third parties	**—**	2,653
Government grants *(notes i and 13(iv))*	**66,041**	96,658
Gain (loss) on sales of raw and other materials	**284**	(480)
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets *(note ii)*	**47,220**	30,238
Others	**1,916**	(2,165)
	117,382	128,921

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) RMB13,685,000 (2018: RMB16,422,000) represent unconditional incentive received and recognised, (b) as set out in note 13(iv), RMB51,200,000 (2018: RMB79,053,000) represent 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) RMB1,156,000 (2018: RMB1,183,000) represent subsidies on acquisitions of land use rights and machineries amortised to profit or loss.

(ii) 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 subsidies, 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.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Other gains and losses		
Continuing operations		
Loss on change in fair value of derivative financial liabilities *(note)*	**(2,742)**	—
Impairment loss recognised on assets classified as held for sale *(note 14)*	**(851,428)**	—
Impairment loss on solar power plant	**(282,794)**	—
Net foreign exchange loss	**(155,448)**	(154,759)
Gain on disposal of property, plant and equipment	**104**	528
Others	**(10,022)**	(19,079)
	(1,302,330)	(173,310)

Note: The amount for the year ended 31 December 2019 represented the loss of change in fair value in respect of the warrants liabilities arising from the previous acquisition of Lattice Power Group of RMB2,742,000.

7. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Continuing operations		
Interest on bank and other borrowings	**892,606**	824,220
Finance charges on discounting of bills receivables	**26**	2,054
Interest on lease liabilities	**3,332**	—
Effective interest on convertible bonds	**207,704**	288,323
Effective interest on bond payables	**60,493**	71,657
Interest on amounts due to independent third parties	**—**	11,265
Total borrowing costs	**1,164,161**	1,197,519
Less: amounts capitalised	**(1,115)**	(9,412)
	1,163,046	1,188,107

Borrowing costs capitalised during the current year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 6.30% (2018: 8.63%) per annum to expenditure on qualifying assets.

8. LOSS BEFORE TAX

Continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Loss before tax has been arrived at after charging (crediting):		
Directors' remuneration	**9,480**	8,686
Other staff costs	**113,538**	109,828
Other staff's retirement benefits scheme contributions	**12,461**	12,337
Share-based payment expenses in relation to the share option scheme of the Lattice Power Group	**9,934**	50,176
Total staff costs	**145,413**	181,027
Capitalised in inventories	**(6,274)**	(7,379)
	139,139	173,648
Impairment loss recognised on assets classified as held for sale *(note 14)*	**851,428**	—
Impairment loss recognised on solar power plants	**282,794**	—
Auditor's remuneration	**9,551**	11,167
Cost of inventories recognised as expense *(note)*	**246,243**	276,552
Depreciation of property, plant and equipment	**26,859**	25,860
Depreciation of completed solar power plants	**608,845**	595,676
Depreciation of right-of-use assets	**25,650**	—
Release of prepaid lease payments	**—**	13,326
Amortisation of intangible assets	**519**	1,014
Total depreciation and amortisation	**661,873**	635,876
Capitalised in inventories	**(14,419)**	(19,865)
	647,454	616,011

Note: Included in cost of inventories recognised as expense was the write-down of inventories to net realisable values of approximately RMB27,350,000 during the year ended 31 December 2018, and there was no write-down of inventories to net realisable values during the current year.

9. INCOME TAX EXPENSE

Continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
		(Restated)
Current tax:		
PRC Enterprise Income Tax	**15,067**	4,299
	15,067	4,299
(Over) under provision in prior year:		
PRC Enterprise Income Tax	**(2,061)**	1,197
	13,006	5,496
Deferred tax expense:	**(97)**	(97)
Income tax expense	**12,909**	5,399

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 operating incomes in 2014.

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

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

10. DISCONTINUED OPERATIONS

On 10 December 2018, the Company entered into the Sale and purchase agreement with Asia Pacific Resources, a company with limited liability which is 100% owned and controlled by Mr. Cheng, a substantial shareholder of the Company (the "**Purchaser**"), pursuant to which the Purchaser has agreed, subject to certain conditions, to acquire the entire equity interest of Jiangsu Shunfeng Photovoltaic Technology Company Limited*（江蘇順風光電科技有限公司）and its subsidiaries (hereafter collectively referred to as the "**Disposal Group**") from the Company. The disposal was effected in order to improve the Group's balance sheet position by reducing its debt level which, in turn, has strengthened the Group's liquidity in the long term. The independent shareholders' approval was obtained on 8 August 2019 and the disposal has been completed on 30 September 2019.

* *English name is for identification purpose only*

There are 3 operations discontinued along with the completion of the Disposal Group as set out below:

i. Manufacturing and sales of solar sells, solar modules, photovoltaic systems ("**PV Systems**") and related products (collectively known as "**Solar Products**"); and installation services of PV Systems;

ii. 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 long term, the repowering, dismantling and recycling of plants ("**Provision of Plant Operation and Services**"); and

iii. Solar power generation in overseas regions.

The respective profit for the period from 1 January 2019 to 30 September 2019 and the year ended 31 December 2018 from the Disposal Group is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present as the discontinued operations.

	Manufacturing and sales of Solar products and installation services of PV Systems	**Provision of Plant Operation and Services**	**Solar power generation in overseas regions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Profit (loss) of the discontinued operations for the period from 1 January 2019 to 30 September 2019	73,139	(999)	16,522	88,662
Gain on disposal of discontinued operations				40,358
				129,020
(Loss) profit of the discontinued operations for the year ended 31 December 2018	(794,065)	17,840	18,046	(758,179)

For the period from 1 January 2019 to 30 September 2019	Manufacturing and sales of Solar Products and installation services of PV Systems *RMB'000*	Provision of Plant Operation and Services *RMB'000*	Solar power generation in overseas regions *RMB'000*	Total *RMB'000*
Revenue	**6,398,288**	**115,433**	**62,406**	**6,576,127**
Cost of sales	**(5,553,431)**	**(71,799)**	**(23,726)**	**(5,648,956)**
Gross Profit	**844,857**	**43,634**	**38,680**	**927,171**
Other income	**67,841**	**522**	**26**	**68,389**
Imputed interest on amount due from the Group	**234,376**	**—**	**—**	**234,376**
Other gains and losses and other expenses	**28,143**	**445**	**7,893**	**36,481**
Impairment losses under expected credit loss model, net of reversal	**(70,018)**	**(406)**	**—**	**(70,424)**
Expected credit losses ("**ECL**") recognised on amount due from the Group	**(1,668)**	**—**	**—**	**(1,668)**
Distribution and selling expenses	**(521,186)**	**(16,538)**	**(3,870)**	**(541,594)**
Administrative expenses	**(259,769)**	**(18,666)**	**(14,232)**	**(292,667)**
Research and development expenditure	**(60,955)**	**(16,055)**	**—**	**(77,010)**
Share of (losses) profits of associates	**(6,282)**	**5,375**	**—**	**(907)**
Share of profits of joint ventures	**100,008**	**—**	**—**	**100,008**
Finance costs	**(34,277)**	**(819)**	**(9,135)**	**(44,231)**
Profit (loss) before tax	**321,070**	**(2,508)**	**19,362**	**337,924**
Income tax expense	**(15,223)**	**1,509**	**(2,840)**	**(16,554)**
Profit (loss) for the period	**305,847**	**(999)**	**16,522**	**321,370**
Intragroup elimination of imputed interest on amounts due from the Group	**(234,376)**	**—**	**—**	**(234,376)**
Intragroup elimination of ECL recognised on amounts due from the Group	**1,668**	**—**	**—**	**1,668**
Profit (loss) for the period attributable to the Group	**73,139**	**(999)**	**16,522**	**88,662**

For the year ended 31 December 2018	Manufacturing and sales of Solar Products and installation services of PV Systems *RMB'000* (Restated)	Provision of Plant Operation and Services *RMB'000* (Restated)	Solar power generation in overseas regions *RMB'000* (Restated)	Total *RMB'000* (Restated)
Revenue	8,428,399	136,980	82,341	8,647,720
Cost of sales	(7,307,259)	(66,888)	(34,928)	(7,409,075)
Gross profit	1,121,140	70,092	47,413	1,238,645
Other income	82,176	6,981	2,128	91,285
Imputed interest on amount due from the Group	198,958	—	—	198,958
Other gains and losses and other expenses	(744,455)	1,706	28,069	(714,680)
Impairment losses under expected credit loss model, net of reversal	(93,038)	—	—	(93,038)
ECL recognised on amount due from the Group	(60,040)	—	—	(60,040)
Distribution and selling expenses	(553,840)	(20,693)	(8,570)	(583,103)
Administrative expenses	(335,659)	(36,675)	(28,330)	(400,664)
Research and development expenditure	(88,258)	(14,840)	—	(103,098)
Share of profits of associates	874	5,591	—	6,465
Share of profits (losses) of joint ventures	17,976	6,854	(3,636)	21,194
Finance costs	(81,327)	(1,074)	(15,415)	(97,816)
(Loss) profit before tax	(535,493)	17,942	21,659	(495,892)
Income tax expense	(119,654)	(102)	(3,613)	(123,369)
(Loss) profit for the year	(655,147)	17,840	18,046	(619,261)
Intragroup elimination of imputed interest on amounts due from the Group	(198,958)	—	—	(198,958)
Intragroup elimination of ECL recognised on amounts due from the Group	60,040	—	—	60,040
(Loss) profit for the year	(794,065)	17,840	18,046	(758,179)

11. 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:

From continuing operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(1,901,726)**	(1,705,630)
Less: (Profit) loss for the year from discontinued operations attributable to owners of the Company	**(129,020)**	758,179
Loss for the year attributable to owners of the Company from continuing operations for the purposes of basic loss per share	**(2,030,746)**	(947,451)
Effective of dilutive potential ordinary shares: Interest on convertible bonds *(note)*	**—**	—
Loss for the purposes of diluted loss per share	**(2,030,746)**	(947,451)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**4,982,375,490**	4,478,918,826
Effect of dilutive potential ordinary shares: — convertible bonds *(note)*	**—**	—
Weighted average number of ordinary shares for the purposes of diluted loss per share	**4,982,375,490**	4,478,918,826

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.

From continuing and discontinued operations

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(1,901,726)**	(1,705,630)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds *(note)*	**—**	—
Loss for the purposes of diluted loss per share	**(1,901,726)**	(1,705,630)

From discontinued operations

For the year ended 31 December 2019, the basic and diluted earnings (loss) per share for the discontinued operations were RMB2.59 (2018: RMB(16.93)) cents per share, based on the profit for the year from discontinued operations attributable to owners of the Company of RMB129,020,000 (2018: loss for the year from discontinued operations attributable to the owner of the Company of RMB758,179,000) and the denominators detailed above for both basic and diluted earnings per share.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019 and 2018, nor has any dividend been proposed since the end of the reporting period for 2019 and 2018.

13. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**326,899**	1,855,163
Accrued revenue on tariff subsidies *(note i)*	**1,217,930**	1,626,801
	1,544,829	3,481,964
Less: Allowance for credit losses	**(28,061)**	(220,803)
Total trade receivables and accrued revenue on tariff subsidies	**1,516,768**	3,261,161
Other receivables		
Prepaid expenses	**8,146**	25,114
Amounts due from independent third parties *(note (ii))*	**42,514**	277,933
Consideration receivable for disposal of subsidiaries *(note (vii))*	**12,030**	40,468
Amounts due from disposed subsidiaries *(notes (iii))*	**1,134**	40,171
Dividend receivable from an associate	**490**	490
Security deposit *(note v)*	**107,000**	107,000
Government subsidy receivable arising from the sale of LED products *(note iv)*	**51,174**	79,053
Others *(note vi)*	**8,720**	42,371
	231,208	612,600
	1,747,976	3,873,761

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB1,419,741,000.

Notes:

(i) The Group's accrued revenue on tariff subsidies 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 subsidies, 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 subsidies is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date. Accrued revenue on tariff subsidies is discounted at an effective interest rate ranged from 2.65% to 2.67% (2018: 2.65% to 3.67%) per annum as at 31 December 2019.

In the opinion of the directors of the Company, the revenue recognition of tariff subsidies 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 Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (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 subsidies is fully recoverable upon the allocation of funds from the PRC government.

(ii) All balances are 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.

(iii) As at 31 December 2019, the amount included RMB1,134,000 (net of ECL allowance of RMB33,419,000) (2018: RMB34,547,000) (net of ECL allowance of RMB832,000), representing the current accounts with the disposed subsidiaries which were disposed of to independent third parties during the year 2016. The amounts were unsecured, interest-free and repayable within one year.

(iv) The amount represented the receivable balance in respect of the incentive provided by 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 2019, RMB79,053,000 (2018: RMB62,153,000) was received.

(v) The amount represented deposits placed by the Group 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 had 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 bonds. During the current year, the Group and the bondholder have entered into another supplementary agreement to further extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 April 2020.

(vi) The amount includes mainly custom deposits and advances to staff for the operational purpose for the both years.

(vii) As at 31 December 2019, the amount included consideration receivable of RMB5,000,000 reclassified from other non-current assets, according to the timing of settlement within one year as stated in the agreement. The amount was non-trade in nature, unsecured, interest-free and repayable within one year.

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

	As at 31 December	
Age	**2019**	2018
	RMB'000	*RMB'000*
0 to 30 days	**102,050**	871,041
31 to 60 days	**72,544**	414,498
61 to 90 days	**69,398**	159,149
91 to 180 days	**212,942**	366,203
Over 180 days	**1,059,834**	1,450,270
	1,516,768	3,261,161

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2018: 180 days) to certain trade customers on a case by case basis.

14. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 15 November 2019, the Company entered into 11 sale and purchase agreements with Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司) ("**ZSEC**"), an independent third party, pursuant to which the Company has conditionally agreed to sell, and ZSEC has conditionally agreed to purchase each of equity interest in i) Hami Hengxin New Energy Technology Co., Ltd.* (哈密恒鑫新能源科技有限公司) ("**Hami Hengxin**"), ii) Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司) ("**Hami Junxin**"), iii) Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司) ("**Hami Tianhong**"), iv) Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司) ("**Hami Yixin**"), v) Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司) ("**Hebei Guowei**"), vi) Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司) ("**Jinchang Zhongke**"), vii) Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司) ("**Pingluo Zhongdianke**"), viii) Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德（哈密）太陽能發電有限公司) ("**Shangde (Hami)**"), ix) Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司) ("**Sunan Yugur**"), x) Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) ("**Wuwei Jiuyuan**") and xi) Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司) ("**Wuwei Huadong**"), (collectively referred to as the "**11 Target Companies**"), which owned and operated 11 solar power plants in total in the PRC. The proceeds arising from of the disposal of the 11 Target Companies were estimated to be RMB1,466,567,000, comprising the following:

1) the cash consideration of RMB641,420,000 (the "**Consideration**"), to be payable by ZSEC by four to five tranches;

2) the dividends payable of RMB196,848,000, which representing the undistributed profits up to 30 June 2019 declared in August 2019 in respect of the relevant Target Companies including Hebei Guowei, Jinchang Zhongke, Pingluo Zhongdianke, Shangde (Hami) and Sunan Yugur (the "**Dividends Payment**"), shall be payable by the relevant Target Companies to the Group by two tranches, of which timing of payment to the Group are conditional to the completion of certain conditions as stipulated in the relevant sale and purchase agreements; and

3) relevant payables, representing the relevant amount payable by the relevant 11 Target Companies to the Group by two to three tranches, of which the timing and amount of payment to the Group are conditional to the completion of the disposal and certain conditions and are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor of the relevant Target Companies engaged by ZSEC as stipulated in the relevant sale and purchase agreements (the "**Relevant Payables**"). The management of the Group assessed that the Relevant Payables amounted to RMB628,299,000 as at 31 December 2019.

Details of terms and conditions in respect of payment of Consideration, Dividends Payment and Relevant Payables to the Group were set out in the circular of "**Very Substantial Disposal**" dated 29 December 2019 and published on the website of the Stock Exchange.

Subsequent to the announcement, the registration for share transfer legal titles of Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Shangde (Hami), Pingluo Zhongdianke, Wuwei Huadong, Wuwei Jiuyuan and Hebei Guowei has been completed.

The disposal is still underway as at 31 December 2019 as certain conditions precedent have not yet been met. The transaction was approved by the shareholders of the Group on 17 January 2020. The management of the Group believes that the sale of each of the 11 Target Companies is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of each of the 11 Target Companies, which are expected to be sold within twelve months, have been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and are presented separately in the consolidated statement of

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financial position as at 31 December 2019 (see below). The results, assets and liabilities in relation to 11 Target Companies were included in the Group's solar power generation in the PRC for segment reporting purposes (see note 6). The major classes of assets and liabilities of the 11 Target Companies as at 31 December 2019, which have been presented separately in the consolidation statement of financial position, are as follows:

	Year ended 31 December 2019 *RMB'000*
Property, plant and equipment	**362**
Right-of-use assets	**87,432**
Solar power plants	**3,518,553**
Other non-current assets	**37,517**
Value-added tax recoverable	**130,532**
Trade and other receivables	**908,060**
Receivables at FVTOCI	**7,915**
Restricted bank deposits	**48,428**
Bank balances and cash	**9,010**
	4,747,809
Impairment loss recognised on assets classified as held for sale *(note)*	**(851,428)**
Total assets classified as held for sale	**3,896,381**
Trade and other payables	**304,857**
Tax liabilities	**2,721**
Bank and other borrowings	**2,065,188**
Deferred income	**6,677**
Lease liabilities	**50,372**
Total liabilities associated with assets classified as held for sale	**2,429,815**

Note: As at 31 December 2019, taking into account the Consideration payable by ZSEC to the Group, the Dividends Payment and the Relevant Payables payable by the relevant 11 Target Companies to the Group, the expected total proceeds to be received by the Group was estimated less than the net carrying amount of the relevant assets and liabilities and an impairment loss of RMB851,428,000 was recognised in other gains and losses accordingly.

The following assets included in assets classified as held for sale have been pledged to various financial institutions for securing loans and general credit facilities granted to the Group.

	31 December 2019 *RMB'000*
Right-of-use assets	**18,877**
Solar power plants	**2,238,401**
Trade receivables and accrued revenue on tariff subsidy	**927,449**
Other deposits included in other non-current assets	**32,246**

15. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables	**121,280**	1,968,798
Bills payables	**—**	1,565,825
Payables for acquisition of property, plant and equipment	**17,542**	203,329
Payable for acquisition of leasehold lands	**—**	38,015
Payables for EPC of solar power plants *(note i)*	**1,276,421**	1,614,965
Other tax payables	**19,331**	48,540
Amounts due to independent third parties *(note ii)*	**21,740**	186,152
Accrued expense *(note iv)*	**495,701**	657,665
Accrued payroll and welfare	**21,668**	109,283
Consideration payable for previous acquisition of subsidiaries *(note iii)*	**14,497**	25,729
Penalty interest and termination fee	**—**	69,377
Others	**13,111**	19,580
	2,001,291	6,507,258

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) As at 31 December 2018, except for the balance of RMB106,000,000 carried at fixed interest rate of 4.35% per annum, the remaining amount was non-trade in nature, unsecured, interest-free and repayable on demand. During the current year, a subsidiary included in the Disposal Group had fully returned one supplier with payment of RMB106,000,000.

(iii) The amounts mainly resulted from the Group's acquisition of subsidiaries with solar power plants currently under development in the prior years, which were unsecured, interest-free and repayable on demand or upon completion of the development of solar power plants.

(iv) Included in the balance of accrued expense as at 31 December 2019, interest expense on convertible bonds of HKD37,480,000 (equivalent to RMB29,745,000) was provided for the Second CB). As at 31 December 2019, 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 (2018: 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	
	2019	2018
	RMB'000	*RMB'000*
Age		
0 to 30 days	**37,802**	905,185
31 to 60 days	**18,547**	433,801
61 to 90 days	**14,993**	164,589
91 to 180 days	**26,725**	181,423
Over 180 days	**23,213**	283,800
	121,280	1,968,798

16. CAPITAL COMMITMENTS

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

	As at 31 December	
	2019	2018
	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

As at 31 December 2018, the Group's share of the capital commitments made jointly with the other joint investors relating to its joint venture, Shunfeng New Energy, but not recognised at the end of the reporting period is as follows:

	As at 31 December 2019	As at 31 December 2018
	RMB'000	*RMB'000*
Commitments to contribute investments in Shunfeng New Energy	**N/A**	24,000

17. EVENTS AFTER THE END OF THE REPORTING PERIOD

The disposal of 11 Target Companies

As detailed in note 14, the shareholders have attended extraordinary general meeting dated 17 January 2020 and have approved, confirmed and ratified the disposal of the 11 Target Companies. For more details, please refer to the announcement made by the Company on 17 January 2020.

Subsequent to the end of the reporting period and up to the date of issue of this announcement, registration for share transfer has been completed in respect of 9 entities of the 11 Target Companies, being Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Shangde (Hami), Pingluo Zhongdianke, Wuwei Huadong, Wuwei Jiuyuan and Hebei Guowei, while partial amount of the Consideration, in respect of the disposal of Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Shangde (Hami) and Hebei Guowei has been paid by ZSEC into the escrow account held by the Group.

The proposed disposal of 6 Target Companies

As disclosed in the announcement published on 18 March 2020, the Group has entered into six sale and purchase agreements with an independent potential purchaser, pursuant to which the Group have conditionally agreed to sell, and the purchaser have conditionally agreed to purchase, 100% of the equity interests in all of the 6 Target Companies, at an aggregate consideration of RMB181,140,000.

The Catalogue is replaced by the Platform (as defined below)

In January 2020, the Ministry of Finance of the PRC release a notice that the Catalogue is replaced by National Reusable Energy Information Management Platform* (國家可再生能源信息管理平台) (the "**Platform**"). 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 Platform on a project by-project basis are required for the settlement of the tariff subsidy.

On 20 January 2020, the Ministry of Finance, the National Development and Reform Commission of the People's Republic of China (the "**NDRC**") and the National Energy Administration (the "**NEA**") jointly issued the Administrative Measures on the additional subsidies on Renewable Energy Electricity Prices (可再生能源電價附加資金管理辦法) (the "**2020 Administrative Measures**") which was effective on 20 January 2020. It sets out additional measures on providing the subsidies to renewable energy projects. Particularly:

(1) for the renewable energy generation projects launched before the issue of the 2020 Administrative Measures, such projects would be included in the list of subsidised projects after approval by the power grid enterprises;

(2) for the renewable energy generation projects launched after the issue of the 2020 Administrative Measures, the Ministry of Finance shall determine the amount of subsidies based on the amount of the Renewable Energy Development Fund, the technological advancement and the industry development; and

(3) the criteria under which the renewable energy generation projects would be included in the list of subsidised projects include the following: (i) newly launched projects are required to be counted towards the total renewable energy generation subsidy for the year in which the projects are launched. Existing projects are required to meet the requirements of the NEA, and be included in the annual construction scale management according to the scale management needs; (ii) examination, approval or filing has been completed in accordance with relevant national regulations; compliance with the national renewable energy price policy, and the on-grid electricity price

* *English name is for identification purpose only*

has been reviewed and approved by the pricing authority; (iii) the timetable for grid connection of all the units meets the subsidy requirement; and (iv) relevant examination, approval, filing and grid connection requirements have been reviewed and approved by the national renewable energy information management platform.

The management of the Group assesses that the launch of the 2020 Administrative Measures would not have any impact in respect of the Group's completed solar power plants which had been enrolled in the Catalogue, while they are still assessing the impact in respect of the Group's solar power plants under construction.

Effect assessment of the novel coronavirus disease outbreak

Since the outbreak of the novel coronavirus disease (COVID-19), ongoing prevention and control measures have been carried out throughout the whole world. The epidemic will impact the economy as well as the Group. All the industries have been impacted to varying degrees, and it will finally result in the slowdown in power demand.

Therefore, the Group's operation and revenue and the outcome of the Development Plan to reduce the Group's highly indebted position and enhance its liquidity may be negatively affected to a certain extent depending on the effects of the prevention and control measures, duration of the outbreak and implementation of various policies.

The Company will closely monitor the situation, and assess its impacts on the Group's financial position and operating results. As of the date of the issue of this announcement, such assessment is still ongoing.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon completion of the disposal 100% of the equity interests of Jiangsu Shunfeng Photovoltaic Technology Company Limited on 30 September 2019 which was engaged in (i) manufacturing and sales of solar products and installation services of PV systems, (ii) plant operation and services and (iii) solar power generation in the overseas regions, such are classified as discontinued operations. The Group still retains two segments with solar power generation in the PRC and manufacturing and sales of LED products, representing continuing operations during the Year.

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 continues 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.

Continuing operations

Solar power generation in the PRC

During the Year, the solar power plants owned by the Group in the PRC generated an aggregate of approximately 1,843,762 MWh.

	For the year ended 31 December		
	2019	2018	% of Changes
	MWh	*MWh*	
Power generation volume:			
PRC	**1,843,762**	1,736,745	6.2%

As at 31 December 2019, the Group's solar power plants successfully realised a total installed capacity of approximately 1.5GW of on-grid generation in the PRC.

Manufacturing and sales of LED products

During the Year, the sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB362.7 million while such amounted to approximately RMB334.5 million in 2018.

Geographical information

During the Year, our top five customers represented approximately 52.1% of our total revenue, as compared to approximately 51.3% for the year ended 31 December 2018. Our largest customer accounted for approximately 17.5% of our total revenue, as compared to approximately 15.2% for the ended 31 December 2018. The largest customer is State Grid Gansu Electric Power Company, which is one of the state grid companies in the PRC to which the Company sells the electricity.

Our sales to PRC-based and overseas customers represented approximately 99.6% and 0.4% of the total revenue for the years ended 31 December 2018 and 2019, respectively.

Discontinued operations

Solar power generation in overseas

For the nine months ended 30 September 2019, the solar power plants owned by the Group overseas generated an aggregate of approximately 21,628 MWh with a total installed capacity of approximately 24.7MW of on-grid generation overseas.

Manufacturing and sales of solar products and installation services of PV systems

For the nine months ended 30 September 2019, the sales volume of solar products amounted to 3,919.8MW.

	For the nine months ended 30 September 2019 *MW*
Sales volume to independent third parties:	
Cells	1,010.4
Modules	2,909.4
Total	3,919.8

Plant 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 14GW. 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. For the nine months ended 30 September 2019, meteocontrol has brought revenue of RMB115.4 million to the Group.

Geographical information

For the nine months ended 30 September 2019, our top five customers represented approximately 18.1% of the discontinued operations' total revenue. The largest customer accounted for approximately 4.8% of the discontinued operations' total revenue for the nine months ended 30 September 2019. The largest customer is a company situated in India, which offers sustainable solar solutions and electric vehicle charging services. It mainly acquires solar modules from the Group and has maintained a business relationship with the Group for more than three years.

The sales to PRC-based and overseas customers represented approximately 23.8% and 76.2% of the discontinued operations' total revenue for the nine months ended 30 September 2019, respectively.

FINANCIAL REVIEW

Revenue

Continuing operations

Revenue increased by RMB88.2 million, or 5.4%, from RMB1,642.9 million for the year ended 31 December 2018 to RMB1,731.1 million for the Year, primarily due to the restriction on limiting the use of electricity has been partly relieved in the provinces and regions where the power plants of the Group are located for the Year as compared to the year 2018.

Despite the above, the power plants of the Group which are located in certain provinces or regions in the PRC were still 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 in the PRC of the Group decreased by approximately RMB150.0 million and the power generation volume also recorded an estimated loss of approximately 200,000 MWh.

For the Year, revenue from solar power generation in the PRC accounted for 79.0% of the total revenue with respect to the continuing operations, while manufacturing and sales of LED products accounted for 21.0%

Solar power generation in the PRC

Revenue from solar power generation increased by RMB60.0 million, or 4.6%, from RMB1,308.4 million for the year 2018 to RMB1,368.4 million for the Year, primarily because of an increase of 5.0% or 87,235 MWh in the amount of power generated for which revenue is recognised. The amount of power generated recorded 1,754,873 MWh in the year ended 31 December 2018, while 1,842,108 MWh was recorded as the amount of power generated for the Year.

LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB28.2 million or 8.4% from RMB334.5 million for the year ended 31 December 2018 to RMB362.7 million for the Year.

Revenue

Discontinued operations

Revenue recorded RMB6,576.1 million for the nine months ended 30 September 2019.

Revenue from sales of solar products and installation services of PV systems, plant operation and services and solar power generation in the overseas regions accounted for 97.3%, 1.8% and 0.9%, respectively, of the discontinued operations' total revenue for the nine months ended 30 September 2019.

Solar modules

Revenue from the sales of solar modules recorded RMB5,431.0 million for the nine months end 30 September 2019. The average selling price of solar modules was at RMB1.83 per watt for the nine months ended 30 September 2019.

Solar cells

Revenue from the installation services of PV systems recorded RMB783.5 million for the nine months end 30 September 2019. The average selling price of solar cells was at RMB0.77 per watt for the nine months ended 30 September 2019.

Installation services of PV systems

Revenue from the sales of installation services of PV systems recorded RMB183.8 million for the nine months end 30 September 2019.

Solar power generation in the overseas regions

Revenue from the sales of solar power generation in the overseas regions recorded RMB62.4 million with the power generation volume of 21,628 MWh for the nine months end 30 September 2019.

Plant operation and services

Revenue from plant operation and services recorded RMB115.4 million for the nine months end 30 September 2019.

Cost of sales

With respect to the continuing operations, cost of sales decreased by RMB28.3 million from RMB1,032.6 million for the year ended 31 December 2018 to RMB1,004.3 million for the Year, primarily due to the increase in power generation volume from the solar power plants in the PRC which exceeds the increase in the depreciation costs, which leads to a decrease in the unit price of power generation costs.

Gross profit

With respect to the continuing operations, gross profit increased by RMB116.5 million, or 19.1%, from RMB610.3 million for the year ended 31 December 2018 to RMB726.8 million s for the Year.

Other income

With respect to the continuing operations, other income decreased by RMB11.5 million, or 8.9%, from RMB128.9 million for the year ended 31 December 2018 to RMB117.4 million for the Year, primarily due to a decrease in government grants of RMB66.0 million for the Year (for the year ended 31 December 2018: RMB96.7 million).

Other gains and losses and other expenses

With respect to the continuing operations, other gains and losses and other expenses recorded a net loss of RMB1,302.3 million for the Year, which increased by RMB1,129.0 million or 651.5% as compared to a net loss of RMB173.3 million recorded for the year ended 31 December 2018, which was primarily due to (i) an impairment loss recognised on assets classified as held for sale of RMB851.4 million recorded for the Year, while there was no such impairment loss recognised for the year ended 31 December 2018 and (ii) an impairment loss on solar power plant recognised of RMB282.8 million for the Year, while there was no such impairment loss recognised for the year ended 31 December 2018.

Distribution and selling expenses

With respect to the continuing operations, distribution and selling expenses decreased by RMB2.3 million or 18.9%, from RMB12.2 million for the year ended 31 December 2018 to RMB9.9 million for the Year, primarily due to a reduction in the staff cost and marketing cost in the manufacturing and sales of LED products segment.

Administrative expenses

With respect to the continuing operations, administrative expenses decreased by RMB5.6 million, or 2.7%, from RMB209.5 million for the year ended 31 December 2018 to RMB203.9 million for the Year.

Research and development expenditure

With respect to the continuing operations, research and development expenditure increased by RMB18.9 million, or 46.0%, from RMB41.1 million for the year ended 31 December 2018 to RMB60.0 million for the Year, primarily due to the increase in the expenses on research and development investment and related costs in the manufacturing and sales of LED products segment.

Share of gains of associates

With respect to the continuing operations, share of gains of associates decreased by RMB2.2 million or 78.6%, from RMB2.8 million for the year ended 31 December 2018 to RMB0.6 million for the Year.

Finance costs

With respect to the continuing operations, finance costs decreased by RMB25.1 million, or 2.1%, from RMB1,188.1 million for the year ended 31 December 2018 to RMB1,163.0 million for the Year, primarily due to a decrease in the effective interest on convertible bonds by RMB80.6 million or 28.0% from RMB288.3 million for the year ended 31 December 2018 to RMB207.7 million for the Year.

Loss before tax

With respect to the continuing operations, due to the above reasons, loss before tax increased by RMB1,057.9 million, from a loss of RMB943.1 million for the year ended 31 December 2018 to a loss of RMB2,001.0 million for the Year.

Income tax expense

With respect to the continuing operations, income tax expense increased by RMB7.5 million, from RMB5.4 million for the year ended 31 December 2018 to RMB12.9 million for the Year.

Loss for the Year from the continuing operations

As a result of the reasons stated above, loss for the Year from the continuing operations increased by RMB1,065.4 million, or 112.3%, from the loss of RMB948.5 million for the year ended 31 December 2018 to the loss of RMB2,013.9 million for the Year.

Profit for the period from discontinued operations

Profit from the discontinued operations of RMB129.0 million was recorded for the nine months ended 30 September 2019.

Loss for the Year

As a result of the reasons stated above, loss for the Year increased by RMB178.2 million, or 10.4%, from the loss of RMB1,706.7 million for the year ended 31 December 2018 to the loss of RMB1,884.9 million for the Year.

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The inventory turnover days as at 31 December 2019 was 144.8 days.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2019 was 364.3 days.

Trade payables turnover days

The trade payables turnover days as at 31 December 2019 was 103.3 days. Given the established business relationship and the change in overall market environment, the Group paid to the suppliers in due course in accordance with 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 2019, the Group's current ratio (current assets divided by current liabilities) was 0.62 and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places a 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 its future development demands for capital. As at 31 December 2019, the Group was in a negative net cash position of RMB8,563.7 million (31 December 2018: RMB12,889.3 million), which included cash and cash equivalents of RMB89.7 million (31 December 2018: RMB754.6 million), bank and other borrowings of RMB7,327.2 million (31 December 2018: RMB11,067.3 million), convertible bonds of RMB501.4 million (31 December 2018: RMB1,679.2 million), bond payables of RMB824.8 million (31 December 2018: RMB830.5 million) and no obligations under finance lease (31 December 2018: RMB66.9 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 debts divided by shareholders' equity) recorded 1,464.8%.

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 2018: Nil).

Contingent liabilities and guarantees

As at 31 December 2019, the Group provided guarantees to independent third parties and a related party with a total amount of RMB307.1 million (31 December 2018: RMB364.0 million), of which RMB177.1 million (31 December 2018: RMB276.8 million) has been provided and recognised as provision in the statement of financial position. As at 31 December 2019, save as disclosed above, the Group had no significant contingent liabilities.

Charges on the Group's assets

At the end of the reporting period, saved as restricted bank deposits and the leased asset (i.e., machineries) under lease liabilities (2018: obligation under finance lease), the Group had pledged its 59% of equity interest in Lattice Power Group (2018: 100% equity interests in Wuxi Suntech Power Co., Ltd., Jiangsu Shunfeng Photovoltaic Technology Co., Ltd. and Shunfeng Photovoltaic Holdings Limited). Meanwhile, 40 (2018: 51) subsidiaries of the Group, which operated solar power generation, 100% equity interests and related assets were also pledged in order to obtain bank and other borrowing.

As at 31 December 2019, the Group had pledged certain trade and other receivables with a carrying amount of RMB1,554.5 million (31 December 2018: RMB1,965.4 million) and certain property, plant and equipment, prepaid lease payments, right-of-use assets, other deposits included in other non-current assets and solar power plants with a carrying amount of approximately RMB4,066.8 million (31 December 2018: RMB9,117.7 million) to various banks and other financial institutions for securing loans and general credit facilities granted to the Group.

As at 31 December 2019, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB67.9 million (31 December 2018: RMB2,039.6 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 2019 and 31 December 2018, none of the other assets of the Group was pledged in favour 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 arrangements 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 circular of the Company dated 30 June 2019, as well as the announcement dated 25 March 2019, on 10 December 2018 (after trading hours), Shunfeng Photovoltaic Holdings Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (as amended and supplemented on 24 March 2019) (the "**2018 Disposal Sale and Purchase Agreement**") with Asia Pacific Resources Development Investment Limited, pursuant to which the Shunfeng Photovoltaic Holdings Limited agreed to sell 100% of the equity interest in Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司) at an aggregate consideration of RMB3,000 million (the "**2018 Disposal**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2018 Disposal Sale and Purchase Agreement and the transactions contemplated thereunder exceed 75%, the 2018 Disposal constituted 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 2018 Disposal Sale and Purchase Agreement and the transactions contemplated thereunder also constituted a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rule. The independent shareholders' approval was obtained on 8 August 2019 and the 2018 Disposal has been completed on 30 September 2019.

As disclosed in the circular of the Company dated 29 December 2019, as well as the announcement dated 26 November 2019, on 15 November 2019 (after trading hours), Jiangxi Shunfeng Photovoltaic Investment Co., Ltd,* (江西順風光電投資有限公司) Shanghai Shunneng Investment Co., Ltd* (上海順能投資有限公司) and Shijiazhuang Yakai New Energy Development Ltd* (石家莊亞凱新能源開發有限公司) (the "**Vendors**"), the indirectly wholly-owned subsidiaries of the Company, entered into 11 sale and purchase agreements (the "**2019 Disposal Sale and Purchase Agreement**") with Zhonghe Shandong Energy Co., Ltd,* (中核山東能源有限公司) pursuant to which the Vendors agreed to sell 100% of the equity interest in Hami Hengxin New Energy Technology Co., Ltd* (哈密恒鑫新能源科技有限公司), Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司), Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司), Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司), Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司), Jinchang Zhongke New Energy Co., Ltd.*

* *English name is for identification purpose only*

(金昌市中科新能源有限公司), Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司), Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德（哈密）太陽能發電有限公司), Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司), Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司), and Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) at aggregate consideration of RMB641,420,000 (the "**2019 Disposals**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2019 Disposal Sale and Purchase Agreements and the 2019 Disposals in aggregate exceed 75%, the 2019 Disposals constituted 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.

The shareholders' approval was obtained on 17 January 2020.

As disclosed in the announcement of the Company dated 18 March 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd* (江西順風光電投資有限公司) and Shanghai Shunneng Investment Co., Ltd* (上海順能投資有限公司), the indirectly wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements (the "**2020 Disposal Sale and Purchase Agreement**") with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) on 16 March 2020, pursuant to which Jiangxi Shunfeng Photovoltaic Investment Co., Ltd and Shanghai Shunneng Investment Co., Ltd agreed to sell 100% of the equity interest in Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) at an aggregate consideration of RMB181,139,954.86 (the "**2020 Disposals**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2020 Disposal Sale and Purchase Agreements and the 2020 Disposals in aggregate exceed 75%, the 2020 Disposals constituted 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.

A circular is expected to be dispatched to the Shareholders on or before 8 May 2020.

Human resources

As at 31 December 2019, the Group had 5,896 employees (31 December 2018: 6,330). 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.

* *English name is for identification purpose only*

Final dividend

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

Events subsequent to the Year

Save as disclosed in "Significant investments held and material acquisitions or disposals" above, due to the recent epidemic of COVID-19 and the curbing and quarantine policies adopted and/or implemented by the PRC government since February 2020, the satisfaction of the conditions precedent to completion of the 2019 Disposals has been significantly delayed. As a result, the expected timeline of sales proceeds in connection with the 2019 Disposals will be inevitably postponed and the Company has started negotiating with the creditors in relation to those debts falling due on or before 31 March 2020 to keep them informed of the update on the sales proceeds and seek further extension.

COMPLIANCE WITH 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.

As disclosed in the Company's announcement dated 24 March 2020, Mr. Zhang Fubo stepped down as the chairman of the Board and the authorised representative of the Company with effect from 25 March 2020 while remaining as an executive Director. Mr. Wang Yu has been appointed as the chairman of the Board with effect from 25 March 2020.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and chief executive of listed issuers should be segregated and should not be performed by the same individual. As Mr. Wang will be appointed as both the Chairman and the Chief Executive Officer, such practice would deviate from code provision A.2.1 of the Corporate Governance Code. The Board believes that, after the previous disposals as set out in the Company's announcements dated 25 March 2019, 26 November 2019 and 18 March 2020 respectively, the Group's business has streamlined so that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its streamlined operation. Therefore, the Board considers that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance. In addition, the Board further believes that the combined role of Chairman and Chief Executive Officer will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) all the Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among others, that he/she acts for the benefit and in the best interests of the Company as a whole and will make decisions for the Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of four executive Directors and three independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion sat both Board and senior management levels. The Company will continue to review its corporate governance policies and compliance with the Listing Rules, and will continue to adhere to the relevant principles as set out in the Corporate Governance Code.

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 standards set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

REVIEW OF AUDITED ANNUAL RESULTS

The Audit Committee has reviewed and agreed with the management on the accounting principles, treatment and practices adopted by the Group and discussed the internal controls and financial reporting matters (including the review of the audited annual results and the consolidated annual financial statements) for the Year with the Directors.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year as approved by the Board of Directors on 29 April 2020. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2019.

"Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to form an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

Multiple Uncertainties Relating to Going Concern

As set out in note 1(b) to the consolidated financial statements, the Group incurred a net loss of RMB1,884,883,000 during the year ended 31 December 2019. As at 31 December 2019, the Group's equity attributable to owners of the Company had a deficit of RMB869,100,000 and the Group' s current liabilities exceeded its current assets by RMB4,818,353,000. The Group maintained cash and cash equivalents of RMB89,703,000 as at 31 December 2019.

As set out in note 43 to the consolidated financial statements, the Group's bank and other borrowings amounted to RMB7,327,243,000 as at 31 December 2019, RMB1,521,764,000 out of which were overdue as at 31 December 2019 and the overdue amount increased to RMB2,040,777,000 on the date of issue of this consolidated financial statements.

In addition, as set out in note 47 to the consolidated financial statements, the 2015 Corporate Bond, including the outstanding principal of RMB550,000,000 and unpaid interest of RMB49,012,000 as at 31 December 2019 have been overdue.

These conditions, together with others described in note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

The Group during the year ended 31 December 2019 has completed the disposal of the entire equity interest of Jiangsu Shunfeng Photovoltaic Technology Company Limited*（江蘇順風光電科技有限公司）and its subsidiaries (hereafter collectively referred to as the "**Disposal Group**"), which has reduced the Group's highly indebted position, however, it can only reduce the Group's liability in the long term, while the Group's short term debt repayment pressure currently is still very high, since a number of outstanding debts (including bank and other borrowings and bond payables) have expired or will expire in the near future.

In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of development plans which comprise, inter alia, (i) the disposal of 11 Target Companies (as defined in note 12B), (ii) the proposed disposal of the 6 Target Companies (as defined in note 62); (iii) the Possible Disposals of Further Solar Power Plants (as defined below) and (iv) negotiation with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the relevant debts (collectively, the "**Development Plan**").

Details of the Development Plan have been set out in note 1(b) to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the Development Plan, as well as the potential negative impact as a result of the recent outbreak of the novel coronavirus disease (COVID-19), which are also subject to multiple uncertainties, including:

(i) whether the Group is able to collect the Consideration (as defined in note 12B), Dividend Payments (as defined in note 12B) and Relevant Payables (as defined in note 12B) in respect of the disposal of the 11 Target Companies during the year ending 31 December 2020 and in accordance with the amount and timing expected by the Company;

(ii) whether the Group is able to complete the proposed disposal of the 6 Target Companies (as defined in note 62) and collect the proceeds during the year ending 31 December 2020 and in accordance with the amount and timing expected by the Company;

(iii) whether the Group is able to source buyer and complete the Possible Disposals of Further Solar Power Plants (as defined in note 1(b)) in order to collect the proceeds during the year ending 31 December 2020 and in accordance with the terms and condition, amount and timing expected by the Company;

(iv) whether the Group is able to convince its creditors (bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment priority or ranking or partial repayment portion to each creditor and allow the Group to further extend to the extent and in accordance with the timetable and milestones of payment of the proceeds from the Group's disposal of 11 Target Companies, proposed disposal of the 6 Target Companies and the Possible Disposal of Further Solar Power Plants;

(v) whether the Group is able to obtain consent from both the lenders and buyers in respect of the debt assumption arrangement for the buyers to assume the bank and other borrowings held by the group entities involving in the proposed disposal of the 6 Target Companies and the Possible Disposals of Further Solar Power Plants;

(vi) whether the banks will agree not to exercise their right to demand for immediate payment in respect of the Group's borrowings that had breached certain financial covenants;

(vii) whether the Group is able to convince banks, independent financial institutions and other counterparties, including those bank and other borrowings renewed but not yet matured and which will be matured within twelve months after the end of the reporting period, to further delay the loan repayment schedule; and

(viii) whether the Group is able to seek for other financing resources (including but not limited to advances from its shareholders and/or from those entities owned and controlled by the shareholders) and whether the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group as to enable the Group to have adequate time and adequate working capital to obtain proceeds from the disposal of the 11

Target Companies, proposed disposal of the 6 Target Companies and the possible consideration of the Possible Disposals of Further Solar Power Plants during the year ending 31 December 2020 and to repay the matured and maturing debts from time to time.

Should the Group fail to achieve the above-mentioned Development Plan, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

Given the execution of the Development Plan and measures by the Group involving multiple uncertainties with details as set out in note 1(b) to the consolidated financial statements, and in views of the significance of the extent of the multiple uncertainties relating to the ongoing availability of finance to the Group, we disclaim our opinion in respect of the year ended 31 December 2019."

Details of "note 1(b) to the consolidated financial statements" have been included in "note 1(b) to consolidated financial statements" of this announcement.

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.

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 announcement, 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.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sfcegroup.com). The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the aforementioned websites in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

"Audit Committee"	the audit committee of the Board
"Board"	the board of director(s) of the Company

"Company"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Directors(s)"	the director(s) of the Company
"Fourth CB"	the convertible bond issued by the Company on 16 June 2014 with an aggregated amount of HKD2,137,230,000
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals one billion watts
"HKD" or "HK$"	Hong Kong dollar, 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
"JPY"	Japanese Yen, the lawful currency of Japan
"Lattice Power"	Lattice Power Corporation, a company incorporated in Cayman Islands and a non-wholly owned subsidiary of the Company
"Lattice Power Group"	Lattice Power and its subsidiaries
"LED"	light-emitting diode
"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 one million watts
"MWh"	megawatt hour
"PRC" or "China"	the People's Republic of China
"PV"	photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC
"Second CB"	the convertible bond issued by the Company on 19 August 2013 with an aggregated amount of HKD930,500,000

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Shunfeng New Energy"	Jiangsu Shunfeng New Energy Technology Co., Ltd
"United States" or "U.S."	the United States of America
"USD" or "US$"	U.S. dollar, the lawful currency of the U.S.
"we", "our" or "us"	the Company or the Group (as the context requires)
"Wuxi Suntech"	Wuxi Suntech Power Co., Ltd
"Year"	twelve months ended 31 December 2019

By order of the Board
Shunfeng International Clean Energy Limited
Wang Yu
Chairman

Hong Kong, 29 April 2020

As at the date of this announcement, the executive Directors are Mr. Wang Yu, Mr. Zhang Fubo, Mr. Lu Bin and Mr. Chen Shi; and the independent non-executive Directors are Mr. Tao Wenquan, Mr. Zhao Yuwen and Mr. Kwong Wai Sun Wilson.