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

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

ANNUAL REPORT **2020**

WORLD'S LEADING
CLEAN ENERGY PROVIDER

LOW-CARBON & ENERGY-SAVING
INTEGRATED SOLUTIONS PROVIDER

SFCE

REDUCTION OF EMISSION*

Smoke and Dust > 45 tonne

CO_2 > 990,991 tonne

SO_2 > 221 tonne

NO_x > 231 tonne

ENERGY SAVING*

Coal

v

362,339 tonne

H_2O

v

1,430,907 m^3

ELECTRICITY GENERATED

Year 2020 > 1,182,567 MWh

Year 2019 > 1,865,390 MWh

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

CONTENTS

FINANCIAL SECTION

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Wang Yu *(appointed as Chairman on 25 March 2020 and Chief Executive Officer)*
Mr. Zhang Fubo *(ex-Chairman, stepped down on 25 March 2020)*
Mr. Lu Bin
Mr. Chen Shi

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Zhang Fubo *(ex-Chairman, resigned on 25 March 2020)*
Mr. Wang Yu *(appointed as Chairman on 25 March 2020)*
Mr. Kwong Wai Sun Wilson
Mr. Zhao Yuwen

COMPANY SECRETARY

Mr. Lu Bin

AUTHORIZED REPRESENTATIVES

Mr. Zhang Fubo *(replaced on 25 March 2020)*
Mr. Wang Yu *(appointed on 25 March 2020)*
Mr. Lu Bin

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN CHINA

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

AUDITOR

BDO Limited
Certified Public Accountants
(Registered Public Interest Entity Auditor)

LEGAL ADVISER

As to Hong Kong law
Herbert Smith Freehills

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

COMPANY WEBSITE

www.sfcegroup.com

STOCK CODE

01165

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited results of the Group for the year ended 31 December 2020. In 2020, 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, and certain debts owed to financial institutions falling due, the Board and management devised clear and responsive strategies and allocated 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. During the year, the Group has completed the disposals of certain solar power plant assets and initiated the disposal procedure of the LED business, and has conducted sufficient and friendly negotiations with major financial institutions, with whom the Group has established long cooperation, in respect of the renewal of debts due, leading to substantial improvement of the Company's cash flow position, and significant reduction of the total debts and finance costs of the Group.

An extraordinary general meeting of the Company was held on 17 January 2020, at which, the sale and purchase agreement in relation to disposal of 11 solar power plants in the PRC to an independent third party Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司), was approved by voting. On 16 March 2020, the Company further entered into a sale and purchase agreement with an independent third party, Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司), in relation to disposal of 6 solar power plants in the PRC, the transaction under which was approved by an extraordinary general meeting held on 2 July 2020. Subsequently, on 31 December 2020, Lattice Power Corporation (晶能光電有限公司*), an indirect non wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Nanchang Guanggu Group Limited* (南昌光穀集團有限公司), in relation to conditional disposal of 100% equity interests in Lattice Power (Jiangxi) Co., Ltd* (晶能光電（江西）有限公司). Upon completion of the above transactions, the Company would be able to complete the optimisation of and adjustment to its asset and liability structure, which would lay a solid foundation for the Company to become a world-leading supplier of low-carbon and energy-saving integrated solutions.

* *English name is for identification purpose only*

FUTURE PROSPECT

Looking forward, costs of the solar power generation business will continue to drop, with on-grid parity achieved and/or expected to be achieved in most markets, while technologies such as energy storage and hydrogen energy that are related to solar power generation application advance continuously. As a result, the global clean energy market will enter into a new stage of development. The Company will continue to focus on building itself into an integrated energy solutions supplier, appropriately adjust its asset allocation structure and investment direction and strive to create satisfactory returns for our Shareholders.

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.

Wang Yu
Chairman

30 March 2021

Total Power
Generated Of
1,182,567 MWh
by 2020

A Global Leading
Clean Energy Supplier

A Low-Carbon and Energy-Saving
Integrated Solutions Provider

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

Upon completion of the disposal 100% of the equity interests of Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司) 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 on 30 September 2019, the Group still retains two segments with solar power generation in the PRC and manufacturing and sales of LED products during the Year.

With reference to the announcement of the Company dated 30 July 2020, the Board announced that Deloitte Touche Tohmatsu resigned as the auditor of the Company with effect from 30 July 2020 and appointed BDO Limited with effect from 30 July 2020 as the new auditor of the Company, to fill the causal vacancy following the resignation of Deloitte Touche Tohmatsu to hold office until the conclusion of the next annual general meeting of the Company.

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.

Solar power generation in the PRC

During the Year, the solar power plants in the PRC owned by the Group generated an aggregate of approximately 1,182,567 MWh.

	For the year ended 31 December		
	2020	2019	% of Changes
	MWh	MWh	
Power generation volume:			
PRC	**1,182,567**	1,843,762	(35.9)%

Upon completion of registration for share transfer of 11 Target Companies in respect of the 2019 Disposals (as defined below) and 6 Target Companies in respect of the 2020 Disposals (as defined below) during the Year, the Group's solar power plants in the PRC realised a total installed capacity of on-grid generation of approximately 763MW as of 31 December 2020.

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 RMB561.9 million while such sales amounted to approximately RMB362.7 million in 2019.

Geographical information

During the Year, our top five customers represented approximately 47.6% of our total revenue, as compared to approximately 53.1% for the year ended 31 December 2019. Our largest customer accounted for approximately 12.1% of our total revenue, as compared to approximately 17.5% for the year ended 31 December 2019. Our largest customer is carrying on the business of manufacturing of electronic components located in the PRC, which mainly purchases LED chips and LED packages from the Group and has been maintaining business relationship with the Group for five years. The Group's sales to PRC-based and overseas customers represented approximately 98.9% and 1.1% of the total revenue for the Year, respectively.

FINANCIAL REVIEW

Revenue

Revenue decreased by RMB264.8 million, or 15.3%, from RMB1,731.1 million for the year ended 31 December 2019 to RMB1,466.3 million for the Year, primarily due to that revenue from the 11 Target Companies in respect of the 2019 Disposals and the 6 Target Companies in respect of the 2020 Disposals were recognized for twelve months for the year 2019 while revenue from the 11 Target Companies in respect of the 2019 Disposals and the 6 Target Companies in respect of the 2020 Disposals were only recognized for a few months during the Year due to the completion of registration for share transfer of the relevant 11 Target Companies in respect of the 2019 Disposals and 6 Target Companies in respect of the 2020 Disposals in January, April, June and July 2020, respectively.

Further, the solar power plants of the Group which are located in certain provinces or regions in the PRC were affected by the influence of curtailment on energy generation during the Year, resulting in a decrease in power generation. As a result, the revenue from power generation in the PRC of the Group decreased by approximately RMB102.0 million and the power generation volume also recorded an estimated loss of approximately 130,000 MWh for the Year.

For the Year, revenue from solar power generation in the PRC accounted for 61.7% of the total revenue, while manufacturing and sales of LED products accounted for 38.3%

Solar power generation in the PRC

Revenue from solar power generation decreased by RMB464.0 million, or 33.9%, from RMB1,368.4 million for the year 2019 to RMB904.4 million for the Year, primarily because of a decrease of 35.9% or 661,195 MWh in the amount of power generated for which revenue is recognised. The amount of power generated recorded 1,843,762 MWh in the year ended 31 December 2019, while 1,182,567 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 RMB199.2 million or 54.9% from RMB362.7 million for the year ended 31 December 2019 to RMB561.9 million for the Year.

Cost of sales

Cost of sales decreased by RMB226.1 million from RMB1,004.3 million for the year ended 31 December 2019 to RMB778.2 million for the Year, primarily because no depreciation of the 11 Target Companies in respect of the 2019 Disposals was recorded during the Year due to the fact that assets of each of the 11 Target Companies in respect of the 2019 Disposals were classified as held for sale as of 31 December 2019.

Gross profit

Gross profit decreased by RMB38.7 million, or 5.3%, from RMB726.8 million for the year ended 31 December 2019 to RMB688.1 million for the Year.

Other income

Other income decreased by RMB22.4 million, or 19.1%, from RMB117.4 million for the year ended 31 December 2019 to RMB95.0 million for the Year, primarily due to (i) a decrease in government grants of RMB45.6 million for the Year (for the year ended 31 December 2019: RMB66.0 million) and (ii) a decrease in imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets of RMB23.6 million for the Year (for the year ended 31 December 2019: 47.2 million).

Other gains and losses and other expenses

Other gains and losses and other expenses recorded a net loss of RMB224.2 million for the Year, which decreased by RMB1,078.1 million or 82.8% as compared to a net loss of RMB1,302.3 million recorded for the year ended 31 December 2019, which was primarily due to (i) no impairment loss on assets classified as held for sale recognised for the Year, while there was such impairment loss recognised of RMB851.4 million for the year ended 31 December 2019 and (ii) an impairment loss on solar power plant recognised of RMB79.1 million for the Year, while there was such impairment loss recognised of RMB282.8 million for the year ended 31 December 2019.

Distribution and selling expenses

Distribution and selling expenses increased by RMB1.2 million or 12.1%, from RMB9.9 million for the year ended 31 December 2019 to RMB11.1 million for the Year, primarily due to an increase in the staff cost and marketing cost in the manufacturing and sales of LED products segment.

Administrative expenses

Administrative expenses decreased by RMB24.3 million, or 11.9%, from RMB203.9 million for the year ended 31 December 2019 to RMB179.6 million for the Year.

Research and development expenditure

Research and development expenditure increased by RMB12.0 million, or 20.0%, from RMB60.0 million for the year ended 31 December 2019 to RMB72.0 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 profits of associates

Share of profits of associates increased by RMB1.0 million or 166.7%, from RMB0.6 million for the year ended 31 December 2019 to RMB1.6 million for the Year.

Finance costs

Finance costs decreased by RMB381.2 million, or 32.8%, from RMB1,163.0 million for the year ended 31 December 2019 to RMB781.8 million for the Year, primarily due to i) a decrease in the effective interest on convertible bonds by RMB146.8 million or 70.7% from RMB207.7 million for the year ended 31 December 2019 to RMB60.9 million for the Year and ii) a decrease in the interest on bank and other borrowings by RMB235.4 million or 26.4% from RMB892.6 million for the year ended 31 December 2019 to RMB657.2 million for the Year.

Loss before tax

Due to the above reasons, loss before tax decreased by RMB1,512.5 million, from a loss of RMB2,001.0 million for the year ended 31 December 2019 to a loss of RMB488.5 million for the Year.

Income tax expense

Income tax expense increased by RMB0.2 million, from RMB12.9 million for the year ended 31 December 2019 to RMB13.1 million for the Year.

Loss for the Year

As a result of the reasons stated above, loss for the Year decreased by RMB1,383.3 million, or 73.4%, from the loss of RMB1,884.9 million for the year ended 31 December 2019 to the loss of RMB501.6 million for the Year.

Inventory turnover days

The inventories of the Group mainly comprise raw materials, work-in-progress and finished goods. The decrease in inventories was mainly due to an increase in demand for the Group's LED products. Included in the inventory balance as at 31 December 2020 was an allowance for inventories of RMB48.8 million (31 December 2019: RMB68.6 million), which was mainly attributable to inventories bought in previous years at higher prices. The inventory turnover days as at 31 December 2020 was 98.1 days (31 December 2019: 144.8 days), and the decrease in inventory turnover days was mainly due to the decrease in the inventories of LED products as of 31 December 2020.

Trade receivables turnover days

The trade receivables turnover days as at 31 December 2020 was 357.4 days (31 December 2019: 364.3 days). The decrease in turnover days was primarily due to a decrease in the tariff subsidies to be received by the Group. The trade receivables turnover days as at 31 December 2020 was still within the credit period (normally 30 to 180 days) which the Group granted to its customers.

Trade payables turnover days

The trade payables turnover days as at 31 December 2020 was 117.8 days (31 December 2019: 129.8 days). Given the established business relationship and the change in the overall market environment, the Group paid to the suppliers in due course based on the credit terms during the Year.

Indebtedness, liquidity, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 31 December 2020, the Group's current ratio (current assets divided by current liabilities) was 0.56 (31 December 2019: 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 2020, the Group was in a negative net cash position of RMB6,360.8 million (31 December 2019: a negative net cash position of RMB8,563.7 million), which included cash and cash equivalents of RMB226.7 million (31 December 2019: RMB89.7 million), bank and other borrowings of RMB5,440.0 million (31 December 2019: RMB7,327.2 million), convertible bonds of RMB529.1 million (31 December 2019: RMB501.4 million) and bonds payable of RMB618.4 million (31 December 2019: RMB824.8 million).

The Group's borrowings, cash and bank balances, restricted bank deposits and pledged bank deposits were mainly denominated in RMB and HKD. The Group's net debt to equity ratio (net debt divided by shareholders' equity) increased from 1,464.8% as at 31 December 2019 to 7,658.8% as at 31 December 2020.

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 2019: Nil).

Contingent liabilities and guarantees

As at 31 December 2020, the Group provided guarantees to independent third parties and a related party with a total amount of RMB187.6 million (31 December 2019: RMB307.1 million), of which RMB187.6 million (31 December 2019: RMB177.1 million) has been provided and recognised as provision in the statement of financial position. As at 31 December 2020, 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 (2019: obligation under finance lease), the Group had pledged its 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited (2019: 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited). Meanwhile, for 31 (2019: 40) subsidiaries of the Group which operated solar power generation, their entire equity interests and related assets were also pledged in order to obtain bank and other borrowings.

As at 31 December 2020, the Group pledged certain trade and other receivables and contract asset with a carrying amount of RMB1,613.2 million (31 December 2019: RMB1,554.5 million) and solar power plants with a carrying amount of RMB2,661.7 million (31 December 2019: RMB3,879.6 million) to various banks and other financial institutions for securing loans and general credit facilities granted to the Group.

As at 31 December 2020, the Group pledged property, plant and equipment, right-of-use assets and other deposits included in other non-current assets with a carrying amount of RMB102.2 million (31 December 2019: RMB187.2 million).

As at 31 December 2020, the Group pledged cash deposits and restricted bank deposits in an aggregate amount of approximately RMB27.9 million (31 December 2019: RMB67.9 million) to banks to secure banking credit facilities granted to the Group.

Save as disclosed above, as at 31 December 2020 and 31 December 2019, 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 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 announcement of the Company dated 26 November 2019 and the circular of the Company dated 29 December 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 Agreements**") 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.* (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. The registration of share transfer of the 11 Target Companies was completed during the Year.

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 RMB181,140,000 (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.

The Shareholders' approval was obtained on 2 July 2020. The registration of share transfer of the 6 Target Companies was completed in July 2020.

As disclosed in the announcement of the Company dated 31 December 2020, 22 January 2021, 19 February 2021 and 31 March 2021, on 31 December 2020 (after trading hour), Lattice Power Corporation (晶能光電有限公司*) (an indirect non-wholly owned subsidiary of the Company) entered into the sale and purchase agreement with the Nanchang Guanggu Group Limited* (南昌光穀集團有限公司), pursuant to which the Lattice Power Corporation has conditionally agreed to sell, and the Nanchang Guanggu Group Limited has conditionally agreed to purchase the target interest, representing 100% of the equity interests in the Lattice Power (Jiangxi) Co., Ltd* (晶能光電（江西）有限公司), at an aggregate consideration of RMB670 million (the "**Potential Disposal**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the Potential Disposal and the transactions contemplated thereunder exceed 25% but all of the applicable percentage ratios are less than 75%, the Potential Disposal and the transactions contemplated thereunder constitute a major disposal of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Nanchang Guanggu Group Limited is held as to 61.54% by Mr. Wang Min, a director of Lattice Power Corporation, which is an indirect non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company, the Potential Disposal and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular is expected to be dispatched to the Shareholders on or before 30 April 2021.

Human resources

As at 31 December 2020, the Group had 1,045 employees. The remuneration packages for the existing employees include basic salaries, discretionary bonuses and social security contributions. Pay levels of the employees are commensurate with their responsibilities, performance and contribution.

Final dividend

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

Events subsequent to the Year

Except as disclosed in Note 58 to the consolidated financial statements, there was no other significant events after the Year up to the date of this report.

IMPACTS OF THE COVID-19 OUTBREAK ON THE GROUP

The COVID-19 pandemic has caused a global health emergency and significant disruptions to travel, tourism and economy worldwide. In the first half of 2020, due to the epidemic of COVID-19 and the restrictive measures 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 was significantly delayed. As a result, the collection of sales proceeds in connection with the 2019 Disposals was inevitably postponed.

The epidemic situation has stabilised since July 2020 in the PRC. As a result, the sales proceeds in connection with the 2019 Disposals have been gradually received by the Group. Nevertheless, due to the delay in collection of such sales proceeds as mentioned above, the Company has inevitably postponed the repayment of loans to the Group's creditors whose debts were due. The management of the Company has kept relevant creditors informed of the updates on the collection of the remaining sales proceeds in connection with the 2019 Disposals.

On the other hand, since the COVID-19 broke out in late January 2020, the Board has been taking all necessary measures to safeguard the Group's employees and to ensure business continuity. The Group has taken immediate action to ensure the health and safety of the Group's employees and minimize the impacts brought by the COVID-19 outbreak on the Group's business. The Company will continue to monitor the development and take steps as appropriate to mitigate risks brought by the COVID-19 outbreak.

THE VIEW OF THE BOARD AND THE AUDIT COMMITTEE ON THE DISCLAIMER OF OPINION RELATING TO THE LIMITATION OF SCOPE OF WORK ON DISPOSAL OF THE 11 TARGET COMPANIES

BDO Limited, the Group's auditor, has issued a disclaimer of opinion on, among others, the limitation of scope of work on disposal of the 11 Target Companies (as defined in note 27 to the consolidated financial statements).

BDO Limited was engaged to audit the consolidated financial statements after the disposal of the 11 Target Companies was completed during the year ended 31 December 2020. As a result, it was unable to perform audit procedures that it considered necessary and determine whether any adjustments might be necessary in respect of (i) the carrying amounts of "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" as at 1 January 2020 and respective dates of disposal of the 11 Target Companies; and (ii) the income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective dates of disposal.

The Board, as concurred by the Audit Committee, is of the view that the inability of BDO Limited to perform necessary audit procedures as described above is an one-off incident and would only affect the financial information of the consolidated financial statements for the year ended 31 December 2020 to the extent described above under the section headed "Basis for disclaimer of Opinion — 2. Limitation of scope of work on disposal of the 11 Target Companies". As the above is one-off in nature, the Board does not expect the basis of the disclaimer of opinion relating to "Limitation of scope of work on disposal of the 11 Target Companies" to affect the opening balances of the financial year immediately subsequent to the year ended 31 December 2020 (i.e. 1 January 2021, which are the balances brought forward at the beginning of the financial year ended 31 December 2021 from the end of a previous financial year ended 31 December 2020).

The Disclaimer includes (1) multiple uncertainties relating to going concern; and (2) limitation of scope of work on disposal of the 11 Target Companies.

In relation to the multiple uncertainties relating to going concern, BDO Limited's view is that if:

(1) the plans and measures as detailed in note 1(b) to the consolidated financial statements for the financial year ended 31 December 2020 can be implemented successfully;

(2) no material adverse event which has a significant impact on the business of the Group has occurred; and

(3) no material uncertainties for the 18-month cash flow forecast for the year ending 31 December 2021 when it becomes available,

the Group will be able to operate as a going concern and it is possible to remove the disclaimer in the financial statements for the year ending 31 December 2021, which is related to the upcoming financial position and financial performance of the Group.

In relation to the limitation of scope of work on disposal of the 11 Target Companies, the auditors of the Company concur with the Board's view. Nevertheless, in addition to the Board's view, the auditors of the Company further note that the limitation of scope of work on disposal of the 11 Target Companies will affect the comparability in relation to the consolidated financial statements for the year ending 31 December 2021. The opinion of the auditors of the Company on the financial statements for the year ending 31 December 2021 will be modified in this regard.

AN UPDATE ON THE DEVELOPMENT PLAN AFTER THE BOARD'S APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS ON 30 MARCH 2021

The proposed disposal of Lattice Power (Jiangxi) Group

On 31 December 2020, the Group entered into sale and purchase agreement to dispose of Lattice Power (Jiangxi) Group at a consideration of RMB670 million. Assuming the conditions precedent (as detailed in the Company's announcement date 31 December 2020) in relation to the proposed disposal of Lattice Power (Jiangxi) Group would all be satisfied, such disposals would generate an immediate cash inflow of approximately RMB390.6 million which would help the Group repay partially its debts that have been overdue or will become due in the next twelve months. A circular is expected to be despatched to Shareholders on or before 30 April 2021.

Possible Disposals of Further Solar Power Plants

Apart from the proposed disposal of Lattice Power (Jiangxi) Group, 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 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**"). The Company has been approached by several potential buyers since January 2021. As at the date of this report, the Company has not entered into any legally binding agreements in relation to the disposal of the solar power plants with the potential buyers.

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing

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

In respect of bank and other borrowings (Note 40 to the consolidated financial statements)

(i) Sino Alliance Capital Ltd. ("**Sino Alliance**") and True Bold Global Limited ("**True Bold**")

The Group had separately agreed with Sino Alliance (as detailed in Note 40(a) to the consolidated financial statements) and True Bold (as detailed in Note 40(e) to the consolidated financial statements) to repay part of the outstanding borrowings through the use of the remaining sale proceeds of the 11 Target Companies and the 6 Target Companies and the sales proceeds of Possible Disposals of Further Solar Power Plant.

As at the publication date of this report, the outstanding amount owed by the Group to Sino Alliance and True Bold is HKD1,155.0 million and HKD171.7 million, respectively.

Upon continuing negotiation and discussion between the management of the Company and Sino Alliance and True Bold separately, as at the date of this report, the management of Sino Alliance and True Bold have been aware of the progress and details of the Development Plan and 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 support the Development Plan proposed by management of the Company.

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

On 31 December 2020, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its 20% of equity interest in Shunfeng Photovoltaic Holdings Limited to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HK$780,000,000 (equivalent to RMB656,448,000) by instalments, including:

(i) HK$300,000,000 shall be repaid on or before 31 December 2021, with paying HK$75,000,000 per quarter;

(ii) HK$300,000,000 shall be repaid on or before 31 December 2022, with paying HK$75,000,000 per quarter; and

(iii) Remaining HK$180,000,000 shall be repaid on or before 18 December 2023.

As at the publication date of this report, pursuant to the above settlement details, the Company expects the repayable amount of HK$75,000,000 in the 1st quarter in 2021 will be settled prior to May 2021. CMBC-HK has been aware of the Company's proposed settlement plan, which is on the best endeavour basis of by the Company.

(iii) Bondholders A of the Fourth CB

As detailed in Note 40(d) to the consolidated financial statements, the Company entered into loan agreements and settlement agreements with the Bondholders A on 15 June 2019 for the extension of aggregated unpaid principal of totaling HKD564,250,000 (equivalent to RMB496,800,000) with an annual interest rate of 4.0% to 20 December 2019 (the "**Loan and Settlement Agreements**"), and all the rights under the original terms and conditions in relation to the Fourth CB and any interests payable to Bondholders A will be waived by the Company. As at 31 December 2020 and up to the date of this report, there was only one bondholder of Bondholders A with outstanding amounts. On 26 March 2021, the Group entered into an extension agreement to the Loan and Settlement Agreements with that bondholder to further extend the due dates and the settlement of the outstanding principal of HK$350,000,000 (equivalent to RMB294,560,000) by instalments, including:

(i) HK$87,500,000 shall be repaid on or before 31 May 2021;

(ii) HK$87,500,000 shall be repaid on or before 30 November 2021;

(iii) HK$87,500,000 shall be repaid on or before 31 May 2022; and

(iv) Remaining HK$87,500,000 shall be repaid on or before 30 November 2022.

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

As at the publication date of this report, the principal amount of RMB666,000,000 was overdue. The Group is currently finalising the extension agreement with Chongqing Trust, and the management of the Company expects that the extension agreement will be signed in May 2021.

(v) Other remaining expired borrowings

As at the publication date of this report, other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB86,066,000 overdue.

Management of the Company assessed that RMB729,018,000 out of the total overdue balance of RMB1,524,713,000 as at 31 December 2020 and RMB738,066,000 out of total overdue balance of RMB1,872,817,000 as at the publication date of this report were held by the subsidiaries holding the solar power plants in the PRC and therefore, the bank and other borrowings held by these entities are 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 the 6 Target Companies.

Management of the Company is optimistic that the relevant lenders will also accept such arrangement in respect of the Possible Disposals of Further Solar Power Plants.

In respect of bond payables (Note 43 to the consolidated financial statements)

(vi) 2015 Corporate Bond

The corporate bond issued by the Group on 10 November 2015 (the "**2015 Corporate Bond**") with an outstanding principal balance of RMB550,000,000 matured on 9 November 2019.

During the year ended 31 December 2020, total principal amount of RMB187,100,000 was settled. As at 31 December 2020, the total principal amount of RMB362,900,000 and accrued bond interest of RMB47,097,000 were overdue.

As at the publication date of this report, the overdue principal amount and accrued bond interest were RMB362,900,000 and RMB56,247,000 respectively.

As at the publication date of this report, the Company has not received any demand of immediate payment from the bondholders of the 2015 Corporate Bond. Management of the Company has been closely communicating with the bondholders of the 2015 Corporate Bond and therefore is optimistic that they will support the Development Plan and agree to extend the due date until a sufficient amount of proceed from the disposal of solar power plants held by the Group will be received by the Group.

(vii) 2016 Corporate Bond

The corporate bond issued by the Group on 22 June 2016 (the "**2016 Corporate Bond**") matured on 22 June 2018.

On 25 April 2020, the Group entered into an extension agreement with the bondholder which agreed conditionally to extend the due date until a sufficient amount of consideration received by the Group from the disposal of the 11 Target Companies or before 25 October 2020, whichever is earlier.

During the year ended 31 December 2020, total principal amount of RMB20,000,000 has been settled. On 25 October 2020, the Group entered into an extension agreement with the bondholder which agreed conditionally to further extend the due date of outstanding principal of RMB255,463,000 to 25 April 2021. The Company will seek further extension if needed.

As at the publication date of this report, the outstanding principal and the accrued bond interest were RMB255,463,000 and RMB48,581,000 respectively.

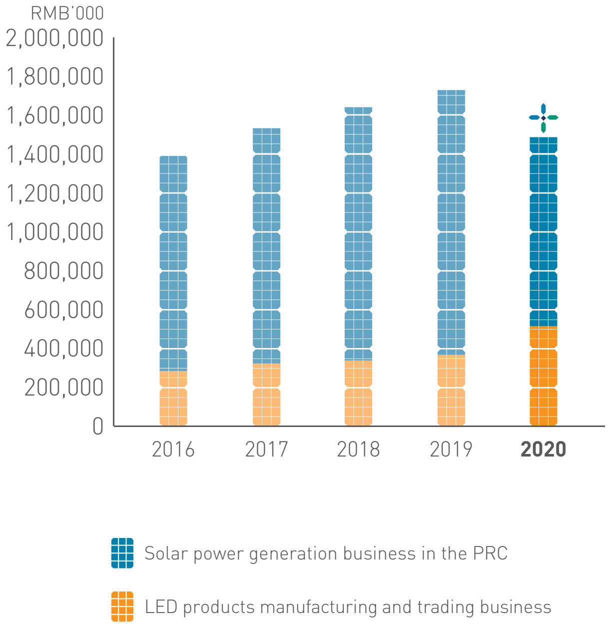
The figures and information shown in this section as at the date of this report have not been reviewed or audited by the auditors of the Company.

FIVE-YEAR STATISTICS

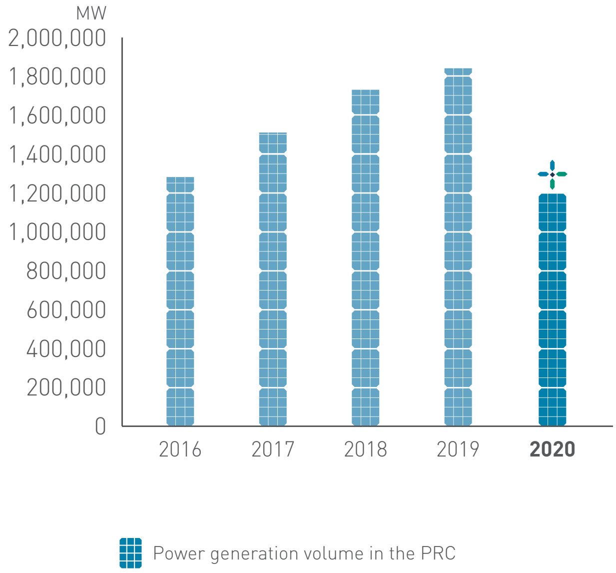
Year	2016 Continuing operations	2017 Continuing operations	2018 Continuing operations	2019 Continuing operations	2020 Continuing operations
Financial performance					
Turnover growth (%)	33.9%	10.3%	7.1%	5.4%	**(15.3)%**
Gross profit margin (%)	27.3%	35.3%	37.1%	42.0%	**46.9%**
Net profit margin (%)	N/A	N/A	N/A	N/A	**N/A**
EBITDA (in RMB thousands)	(937,176)	942,082	880,841	(176,075)	**696,856**
Adjusted EBITDA* (in RMB thousands)	457,294	1,023,593	1,094,588	1,220,246	**1,036,485**
Adjusted EBITDA margin (%)	32.9%	66.7%	66.6%	70.5%	**70.7%**
Earnings/(Loss) per share (in RMB cents)	(50.36)	(23.30)	(21.15)	(40.76)	**(11.08)**
Total indebtedness (in RMB thousands)	14,863,270	13,533,442	13,643,888	8,653,436	**6,587,477**
Gearing ratio (%)	69.6%	70.6%	77.9%	93.6%	**98.7%**
Interest coverage (times)	(1.5)	0.3	0.2	(0.7)	**0.4**
Trade receivable turnover (in days)	416.8	394.2	391.9	364.3	**357.4**
Trade payable turnover (in days)	118.7	90.1	105.1	103.3	**117.8**
Inventory turnover (in days)	167.4	186.9	166.3	144.8	**98.1**
Operation performance					
Power Generation Volume (MWh)	1,328,594	1,564,675	1,766,414	1,865,390	**1,182,567**
Assets and liabilities					
Total assets (in RMB thousands)	28,013,407	25,325,942	25,403,746	16,132,494	**9,708,470**
Total liabilities (in RMB thousands)	21,922,125	19,971,448	21,756,524	15,547,861	**9,625,419**

* Adjusted EBITDA excluded finance costs, income tax, depreciation and amortisation, net foreign exchange gain/(loss), bank interest income, share of profits of associates, impairment loss on solar power plants and assets classification as held for sales, gain on disposal of property, plant and equipment, gain/(loss) on change in fair value of derivative financial liabilities, gain on derecognition of derivative financial liabilities, loss on disposal of subsidiaries, loss on deemed disposal of a subsidiary, loss on change in fair value of financial assets at fair value through profit or loss ("FVTPL"), written off of property, plant and equipment and prepayments to suppliers and loss allowance recognised/(reversed) on trade and other receivables, contract assets, amounts due from the related parties and financial guarantee contracts, net.

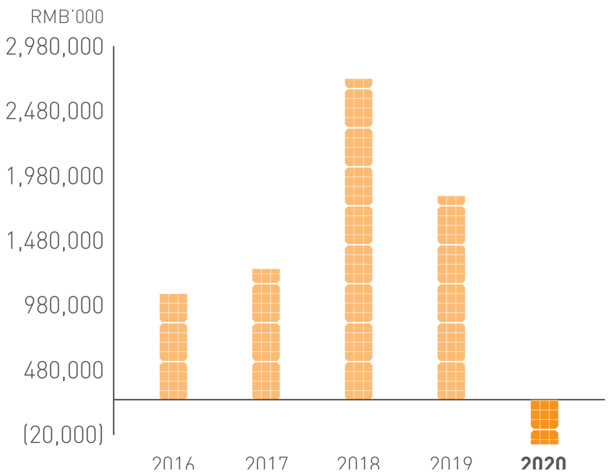
Revenue in continuing operation



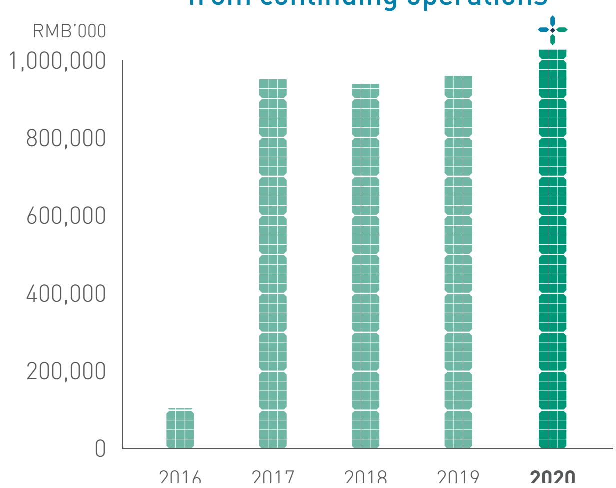
Power generation volume



Net cash (used in)/from operating activities



Adjusted EBITDA from continuing operations



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

Except for the following deviation, the Company has complied with all the code provisions set out in the Corporate Governance Code for the year ended 31 December 2020.

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 and the authorised representative of the Company 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 has been 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 at 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.

(a) Corporate Governance Functions

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

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

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

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

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

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

(b) Board of Directors

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

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

The day-to-day management, administration and operation of the Company are delegated to the Chief Executive Officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed.

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

Model Code

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

Chairman and Chief Executive Officer

Under code provision A.2.1 of the Corporate Governance Code, the roles of the Chairman of the Board and the chief executive should be separate and should not be performed by the same individual. As at the date of this annual report, Mr. Wang Yu acts as both the Chairman and the Chief Executive Officer. 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 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 at both Board and senior management levels.

Independent Non-Executive Directors

Independent Non-Executive Directors have played a significant role in the Board by bringing their independent judgment at Board meetings and scrutinizing the Group's performance. Their views carry significant weight in the Board's decisions, in particular, they bring an impartial view to bear on issues of the Group's strategy, performance and control. All Independent Non-Executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The Independent Non-Executive Directors provide independent advice on the Group's business strategy, results and management so that interests of Shareholders can be taken into account, and the interests of the Company and Shareholders can be protected. Apart from the regular Board meetings, the Chairman may hold meetings with the Independent Non-Executive Directors without the presence of other Executive Directors.

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

During the Year, the Board had three Independent Non-Executive Directors with Mr. Kwong Wai Sun Wilson possessing appropriate professional accounting qualifications and financial management expertise in compliance with the requirements set out in Rules 3.10(1) and 3.10(2) of the Listing Rules. According to code provision A.4.3 of the Corporate Governance Code, if an independent non-executive Director serves more than 9 years, any further appointment of such independent non-executive Director should be subject to a separate resolution to be approved by the Shareholders. Two Independent Non-Executive Directors (being Mr. Tao Wenquan and Mr. Zhao Yuwen) have been appointed as Independent Non-Executive Directors for more than 9 years. The Company has received annual confirmations of independence from each of the existing Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. Taking into consideration of both Mr. Tao Wenquan and Mr. Zhao Yuwen's independent scope of work in the past years, the Board considers both of them to be independent under the Listing Rules despite the fact that they have served the Company for more than 9 years. Mr. Tao Wenquan and Mr. Zhao Yuwen have confirmed that they will continue to devote sufficient time for the discharge of their functions and responsibilities as Independent Non-Executive Directors. With their background, Mr. Tao Wenquan and Mr. Zhao Yuwen are fully aware of the responsibilities and expected amount of time dedicated to the Company. Based on the foregoing, the Board believes that their positions outside the Company will not affect them in maintaining their current roles in, and their functions and responsibilities for the Company. The Board also believes that their continued tenure will bring considerable stability to the Board and the Board has benefited greatly from the presence of Mr. Tao Wenquan and Mr. Zhao Yuwen who have over time gained valuable insight of the Group. Separate resolutions will be proposed for Mr. Tao Wenquan and Mr. Zhao Yuwen for their elections at the upcoming annual general meeting.

Training and Support for Directors

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

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

	Corporate Governances/ Updates on laws, rules and regulations
	Read materials
Executive Directors	
Mr. Wang Yu	2/2
Mr. Zhang Fubo	2/2
Mr. Lu Bin	2/2
Mr. Chen Shi	2/2
Independent non-executive Directors	
Mr. Tao Wenquan	2/2
Mr. Zhao Yuwen	2/2
Mr. Kwong Wai Sun Wilson	2/2

Meetings

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

	Board Meeting
No. of meetings held	5
No. of meetings attended	
Executive Directors	
Mr. Wang Yu	5/5
Mr. Zhang Fubo	5/5
Mr. Lu Bin	5/5
Mr. Chen Shi	5/5
Independent non-executive Directors	
Mr. Tao Wenquan	5/5
Mr. Zhao Yuwen	3/5
Mr. Kwong Wai Sun Wilson	5/5

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have separate and independent access to the senior management of the Company and the company secretary at all time and may seek independent professional advice at the Company's expense. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Notices of at least 14 days of Board meetings are given to the Directors and Board procedures comply with the articles of association of the Company (the "**Articles**"), as well as relevant rules and regulations. In addition, Mr. Lu Bin, the company secretary of the Company, has confirmed that he has taken no less than 15 hours of relevant professional training during the Year.

Appointments, Re-election and Removal of Directors

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

Board Committees

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

Audit Committee

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

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

During the Year, four meetings were held by the audit committee. At the meetings, the annual report for the year ended 31 December 2019 and the interim report for the six months ended 30 June 2020 were reviewed in accordance with the terms of reference and other applicable policies and standards.

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

	Committee Meeting
No. of meetings held	4
No. of meetings attended	
Mr. Kwong Wai Sun Wilson	4/4
Mr. Tao Wenquan	4/4
Mr. Zhao Yuwen	3/4

Remuneration Committee

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

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

	Committee Meeting
No. of meetings held	2
No. of meetings attended	
Mr. Kwong Wai Sun Wilson	2/2
Mr. Tao Wenquan	1/2
Mr. Zhao Yuwen	1/2
Mr. Zhang Fubo	1/2

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

Remuneration band	**No. of individuals**
HKD1,500,001 to HKD2,000,000	1
HKD2,500,001 to HKD3,000,000	1
HKD4,000,001 to HKD4,500,000	3

Further particulars regarding Directors' emoluments and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 14 to the consolidated financial statements.

Nomination Committee

The Company established a nomination committee on 28 March 2012 with written terms of reference. The primary duties of the nomination committee are to review the structure, size and composition of the Board at least annually and identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable director candidates and making such recommendations to the Board, the nomination committee would also take into account various aspects of a candidate, including but not limited to his/her education background, professional experience, experience with the relevant industry and past directorships. Its written terms of reference are in line with the code provisions in the Corporate Governance Code. During the Year, the nomination committee consisted of three members, namely, Mr. Zhang Fubo (Executive Director), Mr. Zhao Yuwen (Independent Non-Executive Director) and Mr. Kwong Wai Sun Wilson (Independent Non-Executive Director). Mr. Zhang Fubo was the chairman of the nomination committee. Subsequently, with effect from 25 March 2020, Mr. Zhang Fubo has resigned as the chairman of the nomination committee of the Board, and Mr. Wang Yu (Executive Director) has been appointed as the chairman of the nomination committee.

During the Year, the nomination committee held two meeting to discuss matters relating to nomination committee's responsibilities and operating mechanism as well as areas to further utilize its functions.

	Committee Meeting
No. of meetings held	2
No. of meetings attended	
Mr. Wang Yu	1/2
Mr. Zhang Fubo	0/2
Mr. Zhao Yuwen	2/2
Mr. Kwong Wai Sun Wilson	2/2

(c) Financial Reporting

The Directors, supported by the head of group finance department and the finance department, acknowledge their responsibility for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. As set out in note 1(b) to the consolidated financial statements, the directors have given careful consideration to the going concern of the Group in light of the fact that the Group reported a loss of RMB501,622,000 for the year ended 31 December 2020 and, as at 31 December 2020 the Group's equity attributable to owners of the Company was a deficit of RMB1,474,385,000 and the Group's current liabilities exceeded its current assets by RMB3,039,060,000 as at 31 December 2020, representing a decrease of RMB1,779,293,000 from RMB4,818,353,000 as at 31 December 2019. Given that the execution of the Development Plan (as defined in note 1(b) to the consolidated financial statements) and measures by the Group involving multiple uncertainties with details as set out in note 1(b) to the consolidated financial statements, and in light of the significance of the extent of the multiple uncertainties relating to the ongoing availability of finance to the Group and the limitation of scope of work on disposal of the 11 Target Companies, the Company's auditors issued a disclaimer of opinion on the consolidated financial statements of the Group for the year ended 31 December 2020 (the "**Disclaimer**").

Further details are set out in the section headed "The view of the Board and the Audit Committee on the disclaimer of opinion relating to the limitation of scope of work on disposal of the 11 Target Companies" in "Management Discussion and Analysis" of this annual report.

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

The responsibilities of BDO Limited, the Company's external auditor, on the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

External Auditor's Remuneration

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

	RMB'000
Audit services	4,000

(d) Risk Management and Internal Controls

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

The Group established an Enterprise Risk Management (the "**ERM**") framework comprising two parts: (1) risk management structure and (2) risk management process.

Risk Management Structure

Board

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

Audit Committee

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

Management

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

Third Party Professional Internal Control Adviser

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

Risk Management Process

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

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

Main Features of Risk Management and Internal Control Systems

Maintaining an Effective Internal Control System (Operational Level)

- Definite internal control policies and procedures are in place to enable clear segregation of responsibilities, authority and accountability of different departments and positions;
- Codes of conduct have been formulated to promote integrity and ethical behaviour among the staff;
- A whistleblowing system is set up to encourage employees to report any misconduct or fraud;
- Appropriate IT system access restrictions have been set to avoid disclosure of price sensitive information;
- Policies regarding inside information disclosure are established, which involve reporting channels;

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

When carrying out the review on the risk management and internal control procedures, the Board would take into consideration the adequacy of resources for accounting, internal audit and financial reporting, the qualifications and experience of the staff, training to be provided to the staff and the relevant budget.

Ongoing Monitoring of Risks (Risk management level)

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

During the Year, the management reviewed risk management structure and procedures and submitted to the Board and the audit committee a risk assessment report, so that the Board and the audit committee can have active monitoring of the Group's key risks and better understanding of how the management handles and mitigates the risks.

Independent review

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

During the Year, the Internal Control Adviser had completed the review on internal control for the Year. The period of reviews covered transactions carried out from 1 January 2020 to 31 December 2020 and the review covered the effectiveness of internal control initiatives in respect of enterprise level and operation level. The management would closely follow up all the recommendations from the Internal Control Adviser to ensure all the rectifications had been implemented within a reasonable period of time. The Internal Control Adviser had reported the review results to the Audit Committee.

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

Annual Confirmation

During the Year under review, the risk management report and the internal control report were submitted to the audit committee for review annually. The Board, through the audit committee, has reviewed reports concerning risk management and internal control systems and the Internal Control Adviser has also conducted an annual review on the effectiveness of the risk management and internal control systems (which included financial and operational controls) and unanimously considered that the risk management and internal control systems and procedures of the Group for the financial year ended 31 December 2020 were effective and adequate. The Group will continue to strengthen its ERM framework and implementation to meet the best practice within the industry. The aforementioned risk management and internal control systems aim to provide reasonable assurance, rather than eliminate the risk of failing to achieve business objectives. Therefore, such systems can only provide reasonable but not absolute assurance of not having any material misrepresentation or losses.

(e) Shareholders' Rights

Communications with Shareholders

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

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

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

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

By telephone: (852) 2363 9138

By email: ir@sfcegroup.com

In respect of code provision A.6.7 of the Corporate Governance Code, the following lists out the individual attendance of each Director at the annual general meeting of the Company which was held on 19 June 2020 and the extraordinary general meeting which was held on 17 January 2020 and 2 July 2020, respectively:

	Meeting
No. of meetings held	3
No. of meetings attended	
Executive Directors	
Mr. Wang Yu	3/3
Mr. Zhang Fubo	3/3
Mr. Lu Bin	3/3
Mr. Chen Shi	3/3
Independent non-executive Directors	
Mr. Tao Wenquan	3/3
Mr. Zhao Yuwen	3/3
Mr. Kwong Wai Sun Wilson	3/3

Code provision A.6.7 of the Corporate Governance Code provides that the Independent Non-Executive Directors and Non-Executive Director should attend general meetings of the Company. Due to prior business engagements, certain Independent Non-Executive Directors and an Executive Director were not able to attend the annual general meeting of the Company held on 19 June 2020 and extraordinary general meeting held on 17 January 2020 and 2 July 2020 in person but attended via electronic means of communication.

Procedures for Shareholders to Convene an Extraordinary General Meeting of the Company

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Put Forward Proposals at a General Meeting

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

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

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

(f) Dividend Policy

The Company has adopted a dividend policy on payment of dividends. Subject to applicable laws, regulations and the Articles, and depending on the financial performance of the Group and factors including but not limited to the Group's business operation, level of liquidity and capital requirements, the Company's distributable reserves and dividends received from the Company's subsidiaries and associates, and limitations on dividend payment under any financing agreements, the Board may propose and/or declare dividends during a financial year and any final dividend for a financial year will be subject to an ordinary resolution of the Shareholders.

(g) Constitutional Documents

Pursuant to the Listing Rules, the Company has published its Articles that were resolved and adopted by the Shareholders on 23 May 2011 on the websites of the Company and the Hong Kong Stock Exchange. During the Year, no amendment to the Articles was made.

DIRECTORS

Executive Directors

Mr. Wang Yu (王宇), aged 50, is an Executive Director of our Company, the Chairman of the Board, the Chief Executive Officer and the chairman of the nomination committee. Mr. Wang is currently a director of Lattice Power Corporation which is a non-wholly owned subsidiary of the Company. Mr. Wang has over 23 years of management experience. Mr. Wang worked as the general manager assistant of Treasury Department of Hong Kong CADTIC (Group) Co., Ltd., the general manager of investment and management department of Shenzhen Yangguang Fund Management Co., Ltd., the president of Shenzhen Fenghua Telecom Co., Ltd., a Director of Shenzhen New Top Founder Fund Management Co., Ltd., a vice general manager of Hong Kong Huangshan Company Anhui Co., Ltd. and a partner of Tianjin Jasmine Fund Management Co., Ltd. Mr. Wang studied in Renmin University of China majoring in economics from 1988 to 1990 and studied in Florida State University majoring in finance from 1991 to 1993 as well as obtained an EMBA degree from Hong Kong University of Science and Technology in 2003.

Mr. Zhang Fubo (張伏波), aged 59, is an Executive Director of our Company and a member of the remuneration committee. Mr. Zhang has over 23 years of working experience. He was the deputy general manager of Shanghai Securities Company Limited from November 2006 to August 2012. He then served as the chairman of Hicend Futures Company Limited from January 2013 to November 2014. He currently also serves as an independent director of Wanjia Asset Management Company Limited since March 2016. Mr. Zhang was a non-executive director of Ko Yo Chemical (Group) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 0827) from May 2015 to June 2019, and an independent non-executive director of Shanghai Jin Jiang International Hotels Development Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600754) from August 2003 to May 2009, and was later reappointed as an independent non-executive director since August 2015 till now. He is currently an independent non-executive director of Shanghai Shenhua Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600653) since December 2014.

Mr. Lu Bin (盧斌), aged 51, is an Executive Director of our Company, and he is also the company secretary of our Company since 3 November 2018. Mr. Lu has over 23 years of working experience. Mr. Lu worked as a teacher of Shanghai International Studies University, an investigator of Inland Revenue Department of New Zealand and as a director of China Energy Oil Investment Limited. Mr. Lu obtained a bachelor degree in English and American literature from Shanghai International Studies University, a master degree in teaching English as a foreign language from Reading University and a master degree in business administration from Webster University. Mr. Lu also obtained a bachelor degree in commerce (double major in financing and accounting) from Auckland University and a graduate diploma in commerce from Auckland University. Mr. Lu is a chartered accountant of New Zealand Institute of Chartered Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Chen Shi (陳實), aged 59, is an Executive Director of our Company. Mr. Chen has over 29 years of working experience. Mr. Chen worked as a deputy head and then the head of the Policy Division of Social and Economic Development Research Center of the People's Government of Hainan Province from July 1989 to November 1994. He was a deputy general manager of Yat Chau Holdings Limited from December 1994 to February 1998. He then served as a deputy general manager of Cityford Dyeing & Printing Industrial Limited from March 1998 to December 2001. From January 2002 to February 2013, Mr. Chen was the president of Caricom Limited. He was previously a director of Partners Financial Holdings Limited from November 2012 to July 2013 and a non-executive director of LDK Solar Co., Ltd. (a company listed on the New York Stock Exchange Inc.) from March 2014 to May 2016. Mr. Chen also served as a non-executive director of the Company from March 2013 to September 2013. He is currently a director of Mountain China Resorts (Holdings) Limited (a company listed on the TSX Venture Exchange in Canada) since February 2012 and an executive director and chief executive office of Good Resources Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 109) since July 2019. Mr. Chen obtained a bachelor degree and a master degree in Economics from Wuhan University in August 1982 and July 1985, respectively. He later obtained his doctorate degree in Economics from the Graduate School of Chinese Academy of Social Sciences in July 1989.

Independent Non-Executive Directors

Mr. Tao Wenquan (陶文銓), aged 82, is an Independent Non-Executive Director of the Company and a member of the audit committee and the remuneration committee of the Company. Mr. Tao has been an academician of the Chinese Academy of Science since 2005. In addition, Mr. Tao is currently a member of the Advisory Board of Numerical Heat Transfer, an associate editor of International Journal of Heat & Mass Transfer and an Associate Editor of International Communications in Heat & Mass Transfer. Mr. Tao has been an independent director of THT Heat Transfer Technology, Inc. (a company listed on the Nasdaq Stock Market). Mr. Tao has also been an independent director of Beijing Shouhang Resources Saving Co., Ltd. (北京首航艾啟威節能技術股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 2665). Mr. Tao completed undergraduate studies in power machinery engineering from Xian Jiaotong University in 1962 and postgraduate studies in heat transfer science from Xian Jiaotong University in 1966.

Mr. Zhao Yuwen (趙玉文), aged 81, is an Independent Non-Executive Director of the Company and a member of the nomination committee, the remuneration committee and the audit committee of the Company. He is the supervisor of Chinese Renewable Energy Society (formerly known as China Solar Energy Society), and a honorary director of its Photovoltaic Solar Committee in 2017. Mr. Zhao had represented Beijing Solar Energy Research Institute to participate in the World Conference on Photovoltaic Energy Conversion as a member of the advisory committee. In 2005, Mr. Zhao was awarded the International Photovoltaic Science and Engineering Achievement Award at the 15th International Photovoltaic Conference. He was granted the State Council Special Allowance for Experts in recognition of his immense contribution to scientific research and development in China in 1998 and was certified as a qualified professional researcher in 1994. Mr. Zhao has been appointed as an independent director of JA Solar Holdings Co., Ltd. (晶澳太陽能有限公司) (a company listed on the Nasdaq Stock Market) since 2009 until it completed privatization and withdrew from Nasdaq Stock Market in July 2018. Mr. Zhao completed undergraduate studies in electrochemistry production engineering in the chemical engineering department of Tianjin University in 1964.

Mr. Kwong Wai Sun Wilson (鄺偉信), aged 55, is an Independent Non-Executive Director of our Company, a member of the nomination committee and the chairman of each of the audit committee and remuneration committee, respectively. Mr. Kwong obtained a bachelor degree in Arts from University of Cambridge, England in 1987, and is currently an associate member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Kwong previously worked at a number of investment banks in Hong Kong. Mr. Kwong has 12 years of experience in corporate finance and equity capital markets in Asia. From 2002 to 2003, Mr. Kwong was the director and the head of equity capital markets for Cazenove Asia Limited, an investment bank. From 2004 to 2006, Mr. Kwong held the position of the head of Hong Kong and China equity capital markets at CLSA Equity Capital Markets Limited, and was a managing director of investment banking. Mr. Kwong is currently an executive director of China Metal Resources Utilization Limited (中國金屬資源利用有限公司) (stock code: 1636), an independent non-executive director of C.banner International Holdings Limited (千百度國際控股有限公司) (stock code: 1028), China Outfitters Holdings Limited (中國服飾控股有限公司) (stock code: 1146), China New Higher Education Group Limited (中國新高教集團有限公司) (stock code: 2001) and Koolearn Technology Holding Limited (新東方在線科技控股有限公司) (stock code: 1797). These companies are listed on the Main Board of the Hong Kong Stock Exchange.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

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

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Group as at 31 December 2020 are set out in note 57 to the consolidated financial statements.

BUSINESS REVIEW

Detailed business review of the Group's business during the Year, including the analysis of Group's performance during the year by using the key financial performance indicators, is set out in the section of Management Discussion and Analysis on pages 8 to 21 this annual report. Future development of the Company's business is set out in the section "Future Prospect" in this annual report on page 7. Other than the events set out in the note 58 to the consolidated financial statements, the Directors has not identified any important events affecting the Group that have occurred subsequent to the year under review.

KEY RISKS AND UNCERTAINTIES

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

Business risks

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

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

Foreign exchange rate risk

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

Operational risk

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

Liquidity risk

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

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

RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

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

ENVIRONMENTAL POLICY

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

The Group's solar power plants generated approximately 1,182,567 MWh in 2020, which saved the consumptions of coal and water by 362,339 tonnes and 1,430,907 m^3 respectively, and reduced emissions of smoke and dust, carbon dioxide and sulfur dioxide by 45 tonnes, 990,991 tonnes and 221 tonnes respectively, in comparison with the equivalent volume of electricity generated by traditional coal-fired power plants.

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

SOCIAL RESPONSIBILITY

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

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

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

FINANCIAL STATEMENTS

The loss of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 57 to 225 of this annual report.

DIVIDENDS

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

RESERVES

Details of movements in reserves of the Group are set out in the consolidated statement of changes in equity on pages 61 to 62.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company has no reserves available for distribution.

OPERATING RESULTS

The operating results of the Group are set out in the consolidated statement of profit or loss and other comprehensive income on page 57 of this annual report.

CHARITABLE DONATIONS

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

PROPERTY, PLANT AND EQUIPMENT AND SOLAR POWER PLANTS

Movements in property, plant and equipment and solar power plants of the Group during the Year are set out in note 18 and note 20 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Year are set out in note 45 to the consolidated financial statements.

DIRECTORS

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

Executive Directors

Mr. Wang Yu *(appointed as Chairman on 25 March 2020 and Chief Executive Officer)*
Mr. Zhang Fubo *(ex-Chairman, stepped down on 25 March 2020)*
Mr. Lu Bin
Mr. Chen Shi

Independent Non-executive Directors

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

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

Pursuant to Articles 83(3) and 84 of the Articles and code provision A.4.3 of the Corporate Governance Code, Mr. Lu Bin, Mr. Tao Wenquan and Mr. Zhao Yuwen will retire as Directors at the forthcoming annual general meeting. All of them, being eligible, will offer themselves for re-election.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 38 to 39 of this annual report.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

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

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code were as follows:

Name of Shareholder	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Mr. Wang Yu	Beneficial owner	27,345,588 (long position)	0.55%
Mr. Zhang Fubo	Beneficial owner	9,918,000 (long position)	0.20%

Note:

Save as disclosed above, to the best knowledge of the Directors of the Company, as at 31 December 2020, none of the Directors nor the Chief Executive Officer of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) to be entered in the register referred to therein pursuant to section 352 of the SFO; or (iii) to be notified to the Company and the Hong Kong Stock Exchange pursuant to the requirements of the Model Code.

RIGHTS TO PURCHASE SHARES OR DEBENTURES OF DIRECTORS AND CHIEF EXECUTIVE

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

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

As at 31 December 2020, so far as is known to the Directors or Chief Executive Officer of the Company, the following persons (other than the Directors and the Chief Executive Officer of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of interest in total issued share capital of the Company
Peace Link Services Limited	Beneficial owner (Note 1)	2,599,335,467 (long position)	52.17%
Asia Pacific Resources Development Investment Limited	Beneficial owner and interest of controlled corporation (Note 2)	2,674,892,658 (long position)	53.69%
Mr. Cheng Kin Ming	Beneficial owner and interest of controlled corporation (Note 3)	2,681,844,658 (long position)	53.83%
Coherent Gallery International Limited	Beneficial owner (Note 4)	268,223,960 (long position)	5.38%
Faithsmart Limited	Interest of controlled corporation (Note 5)	2,674,892,658 (long position)	53.69%
Mr. Tang Guoqiang	Interest of controlled corporation (Note 6)	437,118,989 (long position)	8.77%
Bank of Communications Co., Ltd	Persons having a security interest in shares (Note 7)	619,230,457	12.43%

Notes:

1. Peace Link Services Limited is wholly owned by Faithsmart Limited which is in turn wholly owned by Mr. Cheng Kin Ming. As at 31 December 2020, 1,085,028,449 Shares were allotted and issued to Peace Link Services Limited upon the exercise in full of the conversion rights attaching to the convertible bonds subscribed by Peace Link Services Limited pursuant to the subscription agreements dated 31 December 2012, 28 June 2013 and 29 November 2013 entered into with the Company.

2. Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited and therefore, Asia Pacific Resources Development Investment Limited is deemed to be interested in 2,599,335,467 Shares held by Peace Link Services Limited for the purpose of the SFO. Asia Pacific Resources Development Investment Limited held 75,557,191 Shares in its personal capacity.

3. Mr. Cheng Kin Ming is the beneficial owner of 100% shareholding in Faithsmart Limited. In turn, Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited, and in turn, Asia Pacific Resources Development Investment Limited is the beneficial owner of 100% shareholding in Peace Link Services Limited. Therefore, Mr. Cheng Kin Ming is deemed to be interested in 2,674,892,658 Shares held by Asia Pacific Resources Development Investment Limited and Peace Link Services Limited for the purpose of the SFO, and Mr. Cheng Kin Ming held 3,452,000 Shares in his personal capacity.

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

5. Faithsmart Limited is the beneficial owner of 100% shareholding in Asia Pacific Resources Development Investment Limited and, therefore, Faithsmart Limited is deemed to be interested in 2,674,892,658 Shares held by Asia Pacific Resources Development Investment Limited for the purpose of the SFO.

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

7. Bank of Communications Co., Ltd enforced its right in 619,230,457 Shares it held by way of security as a lender on 25 November 2020.

Save as the disclosed above, to the best knowledge of the Directors, as at 31 December 2020, no person (other than the Directors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or any interest or short positions recorded in the register kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

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

With reference to the announcement of the Company dated 11 August 2020 and 12 August 2020, on 11 August 2020, Bank of China entered into the property leasing agreement with Shunfeng Photovoltaic Holdings Limited (a directly wholly-owned subsidiary of the Company), Tiancheng International Auctioneer Limited and Asia Pacific Resources Development Investment Limited (collectively as the Tenants).

Pursuant to the property leasing agreement, (i) Bank of China (Hong Kong) Limited shall lease to the Tenants the premises locate on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term of three years commencing on 15 February 2020 and expiring on 14 February 2023 (both days inclusive) for the purpose of business administration of the Tenants; (ii) Bank of China (Hong Kong) Limited shall let and Shunfeng Photovoltaic Holdings Limited shall take 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the property leasing agreement; and (iii) Shunfeng Photovoltaic Holdings Limited shall pay to Tiancheng International Auctioneer Limited the rent, government rates, service and utility charges on a monthly basis, and Tiancheng International Auctioneer Limited shall pay the relevant fees to Bank of China (Hong Kong) Limited. The payment arrangement between Shunfeng Photovoltaic Holdings Limited and Tiancheng International Auctioneer Limited is necessary for the administrative convenience in respect of the collection of the relevant fees by Bank of China (Hong Kong) Limited and such arrangement has been in place in respect of the previous property leasing Agreement. Shunfeng Photovoltaic Holdings Limited intends to settle the payment through the internal funds of the Group.

The rental payable by Shunfeng Holdings is HK$293,873 per month, the government rates payable by Shunfeng Holdings is HK$14,444 per month, and the service charges payable by Shunfeng Holdings is HK$33,326 per month. Pursuant to IFRS 16, the leased asset under the property leasing agreement will be recognised by the Group as a right-of-use asset with the aggregate consideration of approximately HK$9,911,989 (equivalent to approximately

RMB8,910,878), and the transaction contemplated under the property leasing agreement will be regarded as an acquisition of a right-of-use asset by the Group pursuant to the Listing Rules. Accordingly, the transaction contemplated under the property leasing agreement will be treated as a one-off connected transaction under the Listing Rules.

As the highest percentage ratio in respect of the transaction contemplated under the property leasing agreement, on the basis of the value of the right-of-use asset to be recognised by the Company in connection with the property leasing agreement, exceeds 0.1% but is less than 5%, the transaction contemplated under the property leasing agreement is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the date of the announcement dated 11 August 2020, Ms. Zheng Yan, being the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company), holds 100% equity share of Tiancheng International Auctioneer Limited. Therefore, Tiancheng International Auctioneer Limited is a connected person of the Company under the Listing Rules. As such, the transaction contemplated under the Property Leasing Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

With reference to the announcement of the Company dated 31 December 2020, 22 January 2021, 19 February 2021 and 31 March 2021, on 31 December 2020 (after trading hours), Lattice Power Corporation (an indirect non-wholly owned subsidiary of the Company) entered into the sale and purchase agreement with Nanchang Guanggu Group Limited* (南昌光穀集團有限公司) which has conditionally agreed to purchase the 100% of the equity interests in Lattice Power (Jiangxi) Co., Ltd, at an aggregate consideration of RMB670 million.

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the sale and purchase agreement and the transactions contemplated thereunder exceed 25% but all of the applicable percentage ratios are less than 75%, the sale and purchase agreement and the transactions contemplated thereunder constitute a major 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 61.54% by Mr. Wang Min, a director of Lattice Power Corporation which is an indirect non-wholly owned subsidiary of the Company, and is therefore a connected person of the Company, the sale and purchase agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular is expected be dispatched to the Shareholders on or before 30 April 2021.

CONTINUING CONNECTED TRANSACTIONS

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

On 2 March 2017, Bank of China (Hong Kong) Limited ("**Bank of China**") (as the landlord) entered into a property leasing agreement (the "**Property Leasing Agreement**") with Shunfeng Photovoltaic Holdings Limited ("**Shunfeng Holdings**"), a directly wholly-owned subsidiary of the Company, Tiancheng International Auctioneer Limited ("**Tiancheng International**") and Asia Pacific Resources Development Investment Limited ("**Asia Pacific Resources**") (collectively as the "**Tenants**"). Pursuant to the Property Leasing Agreement, (i) Bank of China shall lease to the Tenants the premises located on 30/F Bank of China Tower, 1 Garden Road, Central, Hong Kong for a term of 3 years

* *English name is for identification purpose only*

commencing on 15 February 2017 and expiring on 14 February 2020 for the purpose of business administration of the Tenants; (ii) Bank of China shall let and Shunfeng Holdings shall take 2,616 square feet of net lettable premises area, representing approximately 16.66% of the total net lettable premises area under the Property Leasing Agreement; and (iii) Shunfeng Holdings shall pay to Tiancheng International the rent, government rates, service and utility charges on a monthly basis, and Tiancheng International shall pay the relevant fees to Bank of China (the "**Lease Transaction**"). The payment arrangement between Shunfeng Holdings and Tiancheng International is necessary for the administrative convenience in respect of the collection of the relevant fees by Bank of China.

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

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

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

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Save as disclosed above for the Year, the Company has not entered into any other connected transaction (as defined by Chapter 14A of the Listing Rules). The related party transactions as set out in note 55 to the consolidated financial statements (save as disclosed above) do not constitute connected transaction under the Listing Rules.

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

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

CONVERTIBLE BONDS RAISING ACTIVITIES

During the Year, no convertible bond has been issued.

CONTRACTS WITH THE CONTROLLING SHAREHOLDERS

During the Year, save for the property leasing agreement disclosed in the section headed "Connected Transactions", no contract of significance has been entered into between the Company or any of its subsidiaries and the controlling shareholders of the Company.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

MANAGEMENT CONTRACTS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the laws of Cayman Islands where the Company was incorporated which oblige the Company to offer pre-emptive rights of new shares to existing shareholders in proportion to their shareholding.

PERMITTED INDEMNITY PROVISION

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

EMOLUMENT POLICY

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales with respect to the continuing operations attributable to the Group's largest and five largest customers were approximately 12.1% and approximately 47.6% of the Group's total sales, respectively.

Aggregate purchases with respect to the continuing operations attributable to the Group's largest and five largest suppliers were approximately 21.8% and approximately 52.9% of the Group's total purchases, respectively.

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

AUDITOR

BDO Limited will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

BORROWINGS

The details of borrowings of the Group for the Year are set out in note 40 to the consolidated financial statements.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions set out in the Corporate Governance Code for the year ended 31 December 2020.

COMPLIANCE WITH THE MODEL CODE

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

AUDIT COMMITTEE

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

PRODUCTION CAPACITY

As at the date of this annual report, solar power generation business has a grid-connected annual designed installed capacity of approximately 763 MW.

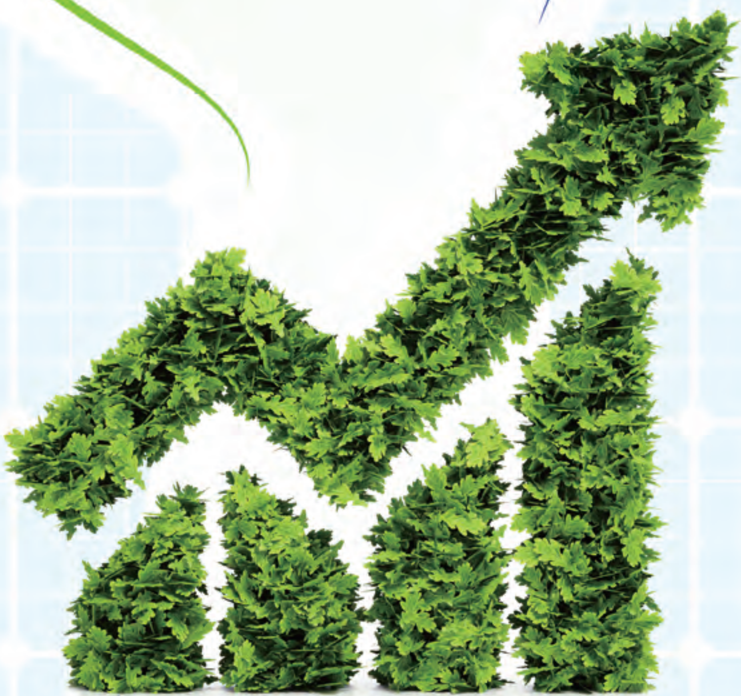
SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the five financial years ended 31 December 2020 is set out on page 226 of this annual report.

By order of the Board
Wang Yu
Chairman
Hong Kong

29 April 2021

FINANCIAL SECTION



BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Shunfeng International Clean Energy Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 57 to 225, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report. 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

1. 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 RMB501,622,000 during the year ended 31 December 2020. As at 31 December 2020, the Group's equity attributable to owners of the Company had a deficit of RMB1,474,385,000 and the Group's current liabilities exceeded its current assets by RMB3,039,060,000. The Group maintained cash and cash equivalents of RMB226,746,000 as at 31 December 2020.

As set out in Note 40 to the consolidated financial statements, the Group's bank and other borrowings amounted to RMB5,439,975,000 as at 31 December 2020, out of which RMB1,524,713,000 were overdue and became immediately repayable as at 31 December 2020 and the overdue amount increased to RMB1,872,817,000 on the date of approval of these consolidated financial statements. As at 31 December 2020, bank and other borrowings of RMB1,175,876,000 did not meet certain loan covenants in the relevant borrowing agreements and became immediately repayable as of that date.

Further, as set out in Note 43 to the consolidated financial statements, the 2015 Corporate Bond, including the outstanding principal of RMB362,900,000 and unpaid interest of RMB47,097,000 as at 31 December 2020 have been overdue and became immediately repayable as of that date.

These conditions, along with other matters as set forth in Note 1(b) to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies (as defined in Note 27 to the consolidated financial statements) and the 6 Target Companies (as defined in Note 50 to the consolidated financial statements); (ii) proceeding the proposed disposal of Lattice Power (Jiangxi) Group (as defined in Note 58 to the consolidated financial statements); (iii) proceeding with the Possible Disposals of Further Solar Power Plants (as defined in Note 1(b) to the consolidated financial statements); and (iv) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the relevant debts.

The details of the plans and measures 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 plan and measures as detailed in Note 1(b) to the consolidated financial statements and also subject to multiple uncertainties, including:

(i) whether the Group is able to collect the remaining sale proceeds in respect of the disposal of the 11 Target Companies and the 6 Target Companies in the next twelve months and in accordance with the amount and timing expected by the Company;

(ii) whether the Group is able to complete the proposed disposal of Lattice Power (Jiangxi) Group and collect the proceeds in the next twelve months and in accordance with the amount and timing expected by the Company;

(iii) whether the Group is able to seek buyers and complete the Possible Disposals of Further Solar Power Plants in the next twelve months in order to collect the proceeds in accordance with the terms and conditions, amount and timing expected by the Company;

(iv) whether the Group is able to convince its certain major creditors of RMB1,593,053,000 (including 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 the 11 Target Companies, the 6 Target Companies, Lattice Power (Jiangxi) Group 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 Possible Disposals of Further Solar Power Plants;

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

(vii) whether the Group is able to convince banks, independent financial institutions and other counterparties, including those bank and other borrowings which have been 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; and

(viii) whether the Group is able to seek for other financing resources (including but not limited to obtain financial support from controlling shareholder to the Group to meets its liabilities and obligations as and when they fall due, 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 working capital in the next twelve months and to repay the matured and maturing debts from time to time.

Should the Group fail to achieve the above-mentioned plans and measures, 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 values of the Group's assets to their net realisable 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 effects of these adjustments have not been reflected in these consolidated financial statements.

The predecessor auditor did not express an opinion on the Company's consolidated financial statements for the year ended 31 December 2019 ("2019 consolidated financial statements") due to multiple uncertainties related to going concern basis of preparing the consolidated financial statements. The balances as at 31 December 2019 and the amounts for the year then ended are presented as comparative information in the Company's consolidated financial statements for the year ended 31 December 2020 ("2020 consolidated financial statements"). We disclaimed our audit opinion on 2020 consolidated financial statements also for the possible effect of the disclaimer of audit opinion on 2019 consolidated financial statements on the comparability of 2020 figures and 2019 figures in 2020 consolidated financial statements.

2. Limitation of scope of work on disposal of the 11 Target Companies

On 15 November 2019, the Company entered into 11 sale and purchase agreements with an independent third party to dispose of its 100% equity interest in the 11 Target Companies. As detailed in Note 27 to the consolidated financial statements, the disposal has not been completed as at 31 December 2019, and the assets and liabilities of the 11 Target Companies were classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively. As disclosed in Note 50(a) to the consolidated financial statements, the disposal of the 11 Target Companies have been completed during the year ended 31 December 2020. The financial performance of the 11 Target Companies for the period from 1 January 2020 to the respective disposal dates and the loss on disposal of the 11 Target Companies amounted to RMB31,939,000 has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

We were appointed as auditors of the Company after the completion of the disposal of the 11 Target Companies. During our audit of 2020 consolidated financial statements, the directors of the Company were unable to grant us the access to the books and records and the relevant information of the 11 Target Companies because the 11 Target Companies were no longer subsidiaries of the Group and management of the 11 Target Companies denied the Group's directors and our access to the books and records and other information of the 11 Target Companies. As a result, we were unable to perform audit procedures that we considered necessary and determine whether (i) the carrying amounts of "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" as at 1 January 2020 and respective dates of disposal of the 11 Target Companies as detailed in Note 27 and Note 50(a), respectively to the consolidated financial statements; and (ii) the income and expenses of the 11 Target Companies for the period from 1 January 2020 to the respective dates of disposal were fairly stated. Any adjustments in respect of the above amounts found necessary would have a consequential effect on the (i) financial performance of the 11 Target Companies for the year ended 31 December 2020, (ii) the loss on disposal of the 11 Target Companies of RMB31,939,000; and (iii) the related disclosures of the 11 Target Companies in the consolidated financial statements.

OTHER MATTER

The 2019 consolidated financial statements were audited by another auditor who expressed a disclaimer of opinion on those statements on 29 April 2020.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing and to issue an auditor's report. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

We are independent of the Group in accordance with the Hong Kong Institute of Certified Public Accountants' "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

BDO Limited
Certified Public Accountants

Au Yiu Kwan
Practising Certificate Number P05018

Hong Kong, 30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2020	2019
	NOTES	**RMB'000**	RMB'000
Continuing operations			
Revenue	6	**1,466,320**	1,731,106
Cost of sales		**(778,226)**	(1,004,278)
Gross profit		**688,094**	726,828
Other income	8	**94,960**	117,382
Other gains and losses	9	**(224,203)**	(1,302,330)
Impairment losses under expected credit loss model, net of reversal	10	**(4,517)**	(106,570)
Distribution and selling expenses		**(11,143)**	(9,926)
Administrative expenses		**(179,555)**	(203,948)
Research and development expenditure		**(71,955)**	(60,020)
Share of profits of associates		**1,629**	636
Finance costs	11	**(781,794)**	(1,163,046)
Loss before tax	12	**(488,484)**	(2,000,994)
Income tax expense	15	**(13,138)**	(12,909)
Loss for the year from continuing operations		**(501,622)**	(2,013,903)
Discontinued operations			
Profit for the year from discontinued operations	13	**–**	129,020
Loss for the year		**(501,622)**	(1,884,883)
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss:			
Share of other comprehensive income of associates and joint ventures		**–**	(1,669)
Exchange differences on translating foreign operations		**(16)**	(812)
Fair value gain on receivables at fair value through other comprehensive income ("FVTOCI")		**56**	167
Other comprehensive income for the year		**40**	(2,314)
Total comprehensive income for the year		**(501,582)**	(1,887,197)

	NOTE	Year ended 31 December 2020 RMB'000	2019 RMB'000
(Loss)/Profit for the year attributable to owners of the Company			
– from continuing operations		**(552,281)**	(2,030,746)
– from discontinued operations		**–**	129,020
Loss for the year attributable to owners of the Company		**(552,281)**	(1,901,726)
Profit for the year attributable to non-controlling interests			
– from continuing operations		**50,659**	16,843
Total comprehensive income for the year attributable to:			
Owners of the Company		**(552,365)**	(1,903,892)
Non-controlling interests		**50,783**	16,695
		(501,582)	(1,887,197)
From continuing and discontinued operations		**RMB cents**	RMB cents
Loss per share	16		
– Basic		**(11.08)**	(38.17)
– Diluted		**(11.08)**	(38.17)
From continuing operations		**RMB cents**	RMB cents
Loss per share	16		
– Basic		**(11.08)**	(40.76)
– Diluted		**(11.08)**	(40.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December 2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	18	**257,989**	232,383
Right-of-use assets	19	**155,315**	203,496
Solar power plants	20	**4,650,831**	6,782,957
Intangible assets	21	**2,410**	2,816
Interests in associates	22	**33,764**	32,135
Interest in a joint venture	23	**–**	–
Financial assets at fair value through profit or loss ("FVTPL")	24	**2,207**	3,096
Other non-current assets	25	**109,668**	106,238
Value-added tax recoverable – non-current		**294,378**	440,007
Contract assets – non-current	26	**346,664**	310,394
		5,853,226	8,113,522
Current assets			
Inventories	28	**83,092**	92,150
Trade and other receivables	29	**1,769,295**	1,747,976
Receivables at FVTOCI	30	**9,527**	17,069
Financial assets at fair value through profit or loss ("FVTPL")	24	**10,338**	–
Value-added tax recoverable		**58,265**	84,534
Prepayments to suppliers	32	**33,232**	18,890
Amounts due from the related parties	33	**1,636,801**	2,004,413
Restricted bank deposits	34	**27,948**	67,856
Bank balances and cash	34	**226,746**	89,703
		3,855,244	4,122,591
Assets classified as held for sale	27	**–**	3,896,381
		3,855,244	8,018,972
Current liabilities			
Trade and other payables	35	**1,141,654**	2,001,291
Contract liabilities	36	**12,826**	12,510
Amounts due to the related parties	37	**1,651,233**	2,224,930
Lease liabilities	38	**17,194**	19,940
Provisions	39	**187,646**	177,100
Tax liabilities		**8,143**	5,565
Bank and other borrowings	40	**3,219,869**	5,097,942
Derivative financial liabilities	41	**–**	6,078
Convertible bonds	42	**37,376**	37,376
Bond payables	43	**618,363**	824,778
		6,894,304	10,407,510

	NOTES	As at 31 December 2020 RMB'000	2019 RMB'000
Liabilities associated with assets classified as held for sale	27	–	2,429,815
		6,894,304	12,837,325
Net current liabilities		**(3,039,060)**	(4,818,353)
Total assets less current liabilities		**2,814,166**	3,295,169
Capital and reserves			
Share capital	45	**40,756**	40,756
Reserves		**(1,515,141)**	(909,856)
Equity attributable to owners of the Company		**(1,474,385)**	(869,100)
Non-controlling interests	46	**1,557,436**	1,453,733
Total equity		**83,051**	584,633
Non-current liabilities			
Deferred tax liabilities	44	**3,555**	3,652
Bank and other borrowings	40	**2,220,106**	2,229,301
Lease liabilities	38	**15,691**	13,544
Convertible bonds	42	**491,763**	464,039
		2,731,115	2,710,536
		2,814,166	3,295,169

The consolidated financial statements on pages 57 to 225 were approved and authorised for issue by the board of directors on 30 March 2021 and are signed on its behalf by:

DIRECTOR
Wang Yu

DIRECTOR
Lu Bin

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	FVTOCI reserve RMB'000	Exchange reserve RMB'000	Convertible bonds equity reserve RMB'000 (Note b)	Share-based payment reserve RMB'000 (Note c)	Statutory surplus reserve RMB'000 (Note d)	Accumulated deficits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	40,756	6,076,424	(1,070,422)	(1,586)	48,867	2,030,490	113,460	30,744	(5,005,936)	2,262,797	1,384,425	3,647,222
(Loss)/Profit for the year	–	–	–	–	–	–	–	–	(1,901,726)	(1,901,726)	16,843	(1,884,883)
Other comprehensive income for the year	–	–	–	167	(2,333)	–	–	–	–	(2,166)	(148)	(2,314)
Total comprehensive income for the year	–	–	–	167	(2,333)	–	–	–	(1,901,726)	(1,903,892)	16,695	(1,887,197)
Recognition of share-based payment of Lattice Power Group	–	–	–	–	–	–	5,909	–	–	5,909	4,025	9,934
Impact upon maturity of the Fourth CB (as defined in Note 42(d)) (Note f)	–	–	–	–	–	(329,922)	–	–	329,922	–	–	–
Disposal of the Disposal Group (Note 50)	–	–	(1,791,362)	1,007	(41,365)	–	–	(30,744)	24,445	(1,838,019)	–	(1,838,019)
Waiver of the Third CB (as defined in Note 42(c))	–	–	652,693	–	–	(820,718)	–	–	820,718	652,693	–	652,693
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note e)	–	–	–	–	–	–	–	–	(48,588)	(48,588)	48,588	–
At 31 December 2019	40,756	6,076,424	(2,209,091)	(412)	5,169	879,850	119,369	–	(5,781,165)	(869,100)	1,453,733	584,633
(Loss)/Profit for the year	–	–	–	–	–	–	–	–	(552,281)	(552,281)	50,659	(501,622)
Other comprehensive income for the year	–	–	–	56	(140)	–	–	–	–	(84)	124	40
Total comprehensive income for the year	–	–	–	56	(140)	–	–	–	(552,281)	(552,365)	50,783	(501,582)
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note e)	–	–	–	–	–	–	–	–	(52,920)	(52,920)	52,920	–
At 31 December 2020	40,756	6,076,424	(2,209,091)	(356)	5,029	879,850	119,369	–	(6,386,366)	(1,474,385)	1,557,436	83,051

Notes:

a. Special reserve mainly include:

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

ii. the carrying amount of the Group's interest in relation to Jiangsu Changshun and Nine Disposal Entities (as defined in Note 5(i)(e)) in respect of the Group's 2015 Proposed Disposal transaction as detailed in Note 5(i)(e) as at 18 December 2015 to non-controlling interests as to reflect the transfer of their equity interests to Chongqing Future completed on 18 December 2015.

A Termination Agreement (as defined in Note 5(i)(e)) was entered into to terminate the 2015 Proposed Disposal with immediate effect on 21 June 2016. As at 31 December 2016, the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities kept being accounted for as non-controlling interests.

iii. On 30 September 2019, the Group completed the disposal of the Disposal Group (as defined in Note 13). RMB1,797,661,000 was debited to special reserve, representing the excess of the carrying amount of net assets disposed of over the consideration, which was considered as a deemed distribution made to the owner of the Company, since Asia Pacific Resources Development Investment Limited ("Asia Pacific Resources") is an indirect wholly-owned company controlled by Mr. Cheng, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.

Notes: (Continued)

a. (Continued)

iv. During the year ended 31 December 2019, Peace Link Services Limited ("Peace Link"), one of the bondholders and a company beneficially owned by Mr. Cheng entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link, conditional upon completion of the disposal of the Disposal Group, agreed to waive the repayment and redemption obligations of the Company in respect of principal amount of Hong Kong Dollars ("HKD") 1,948,000,000 (equivalent to RMB1,546,032,000) of the Third CB (as defined in Note 42(c)) held by Peace Link for no consideration. The Third CB originally will be matured on 15 April 2024. The waiver of the Third CB had became effective since 14 October 2019.

As a result, the carrying amount of the Third CB of RMB652,693,000 had been derecognised and credited to special reserve as deemed capital contribution from the shareholder with the corresponding convertible bonds equity reserve of RMB820,718,000 reclassified to the accumulated deficits.

b. Convertible bonds equity reserve represents the value of the equity conversion component of the convertible bonds as set out in Note 42.

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

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

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

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

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

The Group recognised total share-based payment expense of RMB9,934,000 for the year ended 31 December 2019 in relation to the options granted by Lattice Power Corporation.

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

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

e. Profit for the year related to Jiangsu Changshun and the Nine Disposed Entities consolidated to the Group was transferred from the Group's accumulated deficits to non-controlling interests. Although the 2015 Proposed Disposed had been terminated as at 31 December 2016, the legal ownership of Jiangsu Changshun and the Nine Disposed Entities still kept by Chongqing Future had not yet been transferred back to the Group and in the opinion of the directors of the Company, the related profit for both years should also be accounted for as "non-controlling interests" as at 31 December 2020 and 2019, accordingly.

f. The Fourth CB was matured on 15 June 2019, the outstanding principal balance and interest payable totalling RMB703,071,000 had become immediately repayable, with the corresponding convertible bonds equity reserve of RMB329,922,000 were reclassified to the accumulated deficits upon maturity. Details of the Fourth CB were set out in Note 42(d).

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Operating activities		
Loss before tax from continuing and discontinued operations	**(488,484)**	(1,855,420)
Adjustments for:		
Interest income	**(3,598)**	(21,836)
Finance costs	**781,794**	1,207,277
Warranty provision	**–**	48,124
(Gain)/Loss on change in fair value of derivative financial liabilities	**(1,293)**	26,014
Gain on derecognition of derivative financial liabilities (Note 41)	**(4,785)**	–
Loss on change in fair value of financial assets at FVTPL	**551**	–
Share of profits of joint ventures	**–**	(100,008)
Share of (profits)/loss of associates	**(1,629)**	271
Net foreign exchange (gain)/loss	**(139,270)**	130,720
Depreciation of property, plant and equipment	**30,042**	153,875
Depreciation of completed solar power plants	**362,182**	644,004
Amortisation of intangible assets	**494**	4,585
Depreciation of right-of-use assets	**10,828**	42,969
Waiver of EPC payables	**(123,053)**	–
Release of deferred income related to government grants	**–**	(5,034)
Gain on release of financial guarantee contracts (Note 39)	**(3,022)**	(115,657)
(Gain)/Loss on disposal of property, plant and equipment	**(744)**	42,412
Allowance for inventories	**4,156**	6,334
(Reversal of)/Impairment loss on trade and other receivables	**(20,925)**	194,200
Impairment loss on contract assets	**169**	81
Impairment loss on other non-current assets	**–**	72,447
Impairment loss on amounts due from the related parties	**2,527**	104,440
Impairment loss on solar power plants	**79,109**	282,794
Impairment loss recognised on assets classified as held for sale	**–**	851,428
Loss/(Gain) on disposal of subsidiaries (Notes 50(a) and 50 (b))	**252,635**	(41,365)
Loss on deemed disposal of a subsidiary (Note 50(c))	**79,054**	–
Written off of property, plant and equipment	**19,108**	–
Written off of prepayments to suppliers	**2,271**	–
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets (Note 8)	**(23,645)**	(47,220)
Provision of financial guarantee contract (Note 39)	**25,768**	20,785
Provision on legal claims	**–**	1,429
Recognition of share-based payments of Lattice Power Group	**–**	9,934

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Operating cash flows before movements in working capital	**840,240**	1,657,583
Decrease in inventories	**4,902**	72,902
Increase in contract assets	**(90,139)**	(66,898)
Increase in trade and other receivables	**(179,178)**	(148,499)
(Increase)/Decrease in prepayments to suppliers	**(16,613)**	25,395
Decrease in amount due from an associate	**–**	160
Increase in amount due from a joint venture	**–**	(117,983)
Increase in amount due from the related companies	**(1,507)**	–
Decrease in amount due to an associate	**–**	(48,286)
Decrease in amount due to a joint venture	**–**	(2,454)
(Decrease)/Increase in trade and other payables	**(663,581)**	290,182
Increase/(Decrease) in contract liabilities	**316**	(140,521)
Decrease in receivables at FVTOCI	**8,059**	118,824
Decrease in provisions	**–**	(15,910)
Decrease in value-added tax recoverable	**84,554**	135,331
Cash (used in)/generated from operations	**(12,947)**	1,759,826
Income taxes paid	**(10,657)**	(13,541)
Net cash (used in)/generated from operating activities	**(23,604)**	1,746,285
Investing activities		
Withdrawal of restricted bank deposits	**46,871**	1,152,947
Receipt from government grants	**96,734**	831
Bank interest income received	**3,598**	21,836
Payments of right-of-use assets	**–**	(29,634)
Placement of restricted bank deposits	**(6,963)**	(791,874)
Payments of property, plant and equipment	**(36,771)**	(213,471)
Payment for construction cost in respect of solar power plants	**(36,600)**	(168,210)
Proceeds on disposal of property, plant and equipment	**5,315**	2,583
Proceeds on disposal of solar power plants	**13,826**	–
Payment for acquisition of financial assets at FVTPL	**(10,000)**	–
Capital contribution to joint ventures	**–**	(24,137)
Deposit paid for acquisition of additional equity interest in a joint venture	**–**	(64,239)
Deposit paid for an entity investment	**–**	(61,972)
Purchases of intangible assets	**(88)**	(988)
Loan advanced to independent third parties	**–**	(198,142)
Loan repayment from independent third parties	**24,299**	10,590
Loan repayment from the Disposal Group	**274,043**	148,269
Net cash inflow/(outflow) arising from disposal of subsidiaries	**1,620,724**	(322,758)
Dividend received from associates	**490**	980
Dividend received from a joint venture	**–**	71,800
Acquisition of assets, net (Note 49)	**(28,389)**	–
Receipt of consideration receivable in respect of subsidiaries previously disposed	**–**	8,707
Receipt of consideration receivables from deemed disposal of a subsidiary	**933**	–
Receipt of consideration receivables in respect of the disposal of Disposal Group	**92,549**	–
Settlement received from amounts due from disposed subsidiaries disposed in previous years	**1,134**	5,919
Net cash generated from/(used in) investing activities	**2,061,705**	(450,963)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Financing activities		
New bank and other borrowings raised	**100,405**	779,954
Repayment of bank and other borrowings	**(768,986)**	(1,192,290)
Interest paid for bank and other borrowings	**(369,736)**	(778,687)
Interest paid for bond payables	**(42,900)**	(11,463)
Interest paid for convertible bonds	**(33,025)**	(48,611)
Repayment of bond payables	**(207,100)**	(8,537)
Repayment of convertible bonds	**–**	(262,932)
Repayment of lease liabilities	**(10,454)**	(42,717)
Advance from independent third parties	**5,331**	43,597
Repayment to independent third parties	**(968)**	(112,300)
Repayment to the Disposal Group	**(573,697)**	(314,728)
Net cash used in financing activities	**(1,901,130)**	(1,948,714)
Net increase/(decrease) in cash and cash equivalents	**136,971**	(653,392)
Cash and cash equivalents at beginning of the year	**89,703**	754,586
Bank balances of the 6 Target Companies eliminated upon transfer to assets classified as held for sale	**–**	(9,010)
Effect of foreign exchange rate changes	**72**	(2,481)
Cash and cash equivalents at end of the year, represented by bank balances and cash	**226,746**	89,703

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 a loss of RMB501,622,000 for the year ended 31 December 2020 and, as at 31 December 2020, the Group's equity attributable to owners of the Company was a deficit of RMB1,474,385,000 and the Group's current liabilities exceeded its current assets by RMB3,039,060,000. However, the Group maintained cash and cash equivalents of RMB226,746,000 only as at 31 December 2020.

As set out in Note 40, the Group's bank and other borrowings amounted to RMB5,439,975,000 as at 31 December 2020, out of which RMB1,524,713,000 was overdue and become immediately repayable as at 31 December 2020. The overdue amount increased to RMB1,872,817,000 on the date of approval of these consolidated financial statements. As at 31 December 2020, bank and other borrowings of RMB1,175,876,000 did not meet certain loan covenants in the relevant borrowing agreements and became immediately repayable as of that date.

Further, as set out in Note 43, the 2015 Corporate Bond, including the outstanding principal of RMB362,900,000 and unpaid interest of RMB47,097,000 as at 31 December 2020, have been overdue and became immediately repayable as of that date.

Although the completion of the disposal of the Disposal Group in 2019 (as defined in Note 13), the 11 Target Companies (as defined in Note 27) and the 6 Target Companies (as defined in Note 50(b)) could relieve the Group's highly indebted position, 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.

These conditions indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern, and therefore that the Group may not be able to realise its assets and discharges its liabilities in the normal course of business.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies and the 6 Target Companies, (ii) proceeding the proposed disposal of Lattice Power (Jiangxi) Group (as defined in Note 58), (iii) proceeding with the Possible Disposals of Further Solar Power Plants (as defined below); and (iv) continuing to negotiate 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:

Progress of proceeds received from the disposal of the 11 Target Companies and the 6 Target Companies
During the year ended 31 December 2020, the Group completed the disposal of the 11 Target Companies and the 6 Target Companies at a total consideration of RMB1,395 million and RMB509 million respectively. Up to the date of approval of these consolidated financial statements, certain amount of remaining consideration receivable as disclosed in Note 29(vii) has been settled. Management of the Company expects that remaining amount of the consideration will be received prior to June 2021.

The proposed disposal of Lattice Power (Jiangxi) Group
On 31 December 2020, the Group entered into sale and purchase agreement to dispose of Lattice Power (Jiangxi) Group at a consideration of RMB670 million. Assuming the conditions precedent (as detailed in the Company's announcement date 31 December 2020) in relation to the proposed disposal of Lattice Power (Jiangxi) Group would all be satisfied, such disposals would generate an immediate cash inflow of approximately RMB390 million which would help the Group repay partially its debts that have been overdue or will become due in the next twelve months.

Possible Disposals of Further Solar Power Plants
Apart from the proposed disposal of Lattice Power (Jiangxi) Group, 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 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"). The Company has been initiating discussions and negotiations with more than one potential buyer in respect of the Possible Disposals of Further Solar Power Plants.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

Negotiation of extension of due dates of the relevant debts and/or alternative refinancing
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

In respect of bank and other borrowings (Note 40)

(i) Sino Alliance Capital Ltd. ("Sino Alliance") and True Bold Global Limited ("True Bold")

The Group had separately agreed with Sino Alliance (as detailed in Note 40(a)) and True Bold (as detailed in Note 40(e)) to repay part of the outstanding borrowings through the use of the remaining sale proceeds of the 11 Target Companies and the 6 Target Companies and the sales of proceeds of Possible Disposals of Further Solar Power Plant.

During the year ended 31 December 2020, the Group had made partial settlement to Sino Alliance and True Bold.

Upon continuing negotiation and discussion between management of the Company and Sino Alliance and True Bold separately, as of the date of approval of these consolidated financial statements, management of Sino Alliance and True Bold have 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 stand for the Development Plan proposed by management of the Company.

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

On 31 December 2020, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its 20% of equity interest in Shunfeng Photovoltaic Holdings Limited to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HKD780,000,000 (equivalent to RMB656,448,000) by instalments, including:

(i) HKD300,000,000 shall be repaid on or before 31 December 2021, with paying HKD75,000,000 per quarter;

(ii) HKD300,000,000 shall be repaid on or before 31 December 2022, with paying HKD75,000,000 per quarter; and

(iii) Remaining HKD180,000,000 shall be repaid on or before 18 December 2023.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

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

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

In respect of bank and other borrowings (Note 40) (Continued)

(iii) Bondholders A of the Fourth CB

The Group has made settlement (as detailed in Note 40(d)) to the Bondholders A. As at 31 December 2020 and up to the date of approval of these consolidated financial statements, there was only one bondholder of Bondholders A in outstanding. On 26 March 2021, the Group entered into an extension agreement with that bondholder to further extend the due dates and the settlement of the outstanding principal of HKD350,000,000 (equivalent to RMB294,560,000) by instalment, including:

(i) HKD87,500,000 shall be repaid on or before 31 May 2021;

(ii) HKD87,500,000 shall be repaid on or before 30 November 2021;

(iii) HKD87,500,000 shall be repaid on or before 31 May 2022; and

(iv) Remaining HKD87,500,000 shall be repaid on or before 30 November 2022.

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

As at 31 December 2020, the principal amount of RMB666,000,000 was overdue. The Group is currently finalising the extension agreement with Chongqing Trust, management of the Company expects the extension agreement will be signed in April 2021.

(v) 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 RMB83,018,000 overdue on 31 December 2020.

Management of the Company assessed that RMB729,018,000 out of the total overdue balance of RMB1,524,713,000 as at 31 December 2020 and RMB738,066,000 out of total overdue balance of RMB1,872,817,000 on the date of approval of these consolidated financial statements were held by the subsidiaries holding the solar power plants in the PRC and therefore, the bank and other borrowings held by these entities are 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 the 6 Target Companies.

Management of the Company is optimistic that the relevant lenders will also accept such arrangement in respect of the Possible Disposals of Further Solar Power Plants.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

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

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

In respect of bond payables (Note 43)

(vi) 2015 Corporate Bond

The corporate bond issued by the Group on 10 November 2015 (the "2015 Corporate Bond") with an outstanding principal balance of RMB550,000,000 was matured on 9 November 2019.

During the year ended 31 December 2020, total principal amount of RMB187,100,000 has been settled. As at 31 December 2020, the total principal amount of RMB362,900,000 and accrued bond interest of RMB47,097,000 were overdue.

Up to the date of approval of these consolidated financial statements, the principal amount and accrued bond interest of RMB362,900,000 and RMB53,999,000 were overdue respectively.

Management of the Company 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 that a sufficient amount of proceed from the disposal of solar power plants held by the Group will be received by the Group.

(vii) 2016 Corporate Bond

The corporate bond issued by the Group on 22 June 2016 (the "2016 Corporate Bond") was matured on 22 June 2018.

On 25 April 2020, the Group had entered into an extension agreement with the bondholder which agreed conditionally to extend the due date to the time that a sufficient amount of consideration received by the Group from the disposal of the 11 Target Companies or on or before 25 October 2020, whichever is earlier.

During the year ended 31 December 2020, total principal amount of RMB20,000,000 has been settled. On 25 October 2020, the Group had entered into an extension agreement with the bondholder which agreed conditionally to further extend the due date of outstanding principal of RMB255,463,000 to 25 April 2021.

As at 31 December 2020, the outstanding carrying amount of principal and the accrued bond interest was RMB255,463,000 and RMB42,241,000 respectively.

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 remaining proceeds from the disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds from proposed disposal of Lattice Power (Jiangxi) Group and Possible Disposals of Further Solar Power Plants, if any, management of the Company has assumed the repayment to the lenders at its best estimate.

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

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

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

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, are mostly short-term, and (ii) the exact timing of the completion of, and the collection of proceeds from the proposed disposal of Lattice Power (Jiangxi) Group and the 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 proposed disposal of Lattice Power (Jiangxi) Group and the 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 renegotiate with its creditors on an ongoing 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 management of the Company, the Group will not have sufficient working capital for the next twelve months from the end of the reporting period.

Save as the above, management of the Company is still positive that upon partial repayment of the loan principal and/or outstanding interest by the remaining proceeds received from the disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds received from the proposed disposal of Lattice Power (Jiangxi) Group 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. Management of the Company 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 remaining proceeds arising from disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds arising from the proposed disposal of Lattice Power (Jiangxi) Group and the possible consideration from the Possible Disposals of Further Solar Power Plants that the Group could have received;

(b) Negotiating with creditors not to exercise their rights to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants, which amounted to a total of RMB1,175,876,000 as at 31 December 2020. Management of the Company is confident that these creditors will not demand for immediate repayment based on its negotiations with these creditors; and

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

(c) As part of the Development plan, negotiating with banks, independent financial institutions and other counterparties, including those bank and other borrowings renewed but not yet matured and which will become mature within twelve months after the end of the reporting period, to further delay the loan repayment schedule, as well as seeking for other financing resources (including but not limited to obtain financial support from controlling shareholder to the Group to meet its liabilities and obligations as and when they fall due, advances from its shareholders and/or from those entities owned and controlled by the shareholders), in order to enable the Group to have adequate working capital in the next twelve months to repay the matured and maturing debts from time to time.

The directors of the Company, after due and careful enquiry 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 will be materialised, 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 approval of these consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its Development Plan 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 the successful fulfilment of all the following conditions:

(i) collecting the remaining sale proceeds in respect of the disposal of the 11 Target Companies and the 6 Target Companies in the next twelve months in accordance with the amount and timing expected by the Company;

(ii) completing the proposed disposal of the Lattice Power (Jiangxi) Group and collecting the proceeds in the next twelve months in accordance with the amount and timing expected by the Company;

(iii) seeking buyers and completing the Possible Disposals of Further Solar Power Plants in the next twelve months in order to collect the proceeds in accordance with the terms and conditions, amount and timing expected by the Company;

(iv) convincing its certain major creditors of RMB1,593,053,000 (including 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 remaining proceeds from the Group's disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds from the proposed disposal of Lattice Power (Jiangxi) Group 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 Possible Disposals of Further Solar Power Plants;

(vi) convincing creditors to agree not to exercise their right to demand for immediate payment in respect of the Group's bank and other borrowings that had breached certain loan covenants;

1. GENERAL AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

(vii) convincing banks, independent financial institutions and other counterparties, including those bank and other borrowings which have been 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; and

(viii) seeking other financing resources (including but not limited to obtain financial support from controlling shareholder to the Group to meet its liabilities and obligations as and when they fall due, advances from its shareholders and/or from those entities owned and controlled by the shareholders) and 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 working capital in the next twelve months 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 values of the Group's assets to their net realisable 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 effects of these adjustments have not been reflected in these consolidated financial statements.

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

(a) New and amended IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by International Accounting Standards Board (the "IASB"), which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised)
- Amendments to IFRS 3 – Definition of a Business
- Amendments to International Accounting Standards ("IAS") 1 and IAS 8 – Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform

The application of these new and amended IFRSs have 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. APPLICATION OF NEW AND AMENDED TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

(b) New and amended IFRSs in issue but not yet effective

The following new and amended IFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Annual Improvements to IFRSs 2018–2020	Annual improvement project[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[6]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 16	COVID-19-Related Rent Concessions[1]
Amendments to IFRS 17	Insurance Contracts[4]
IFRS 17	Insurance Contracts[4]

1 Effective for annual periods beginning on or after 1 June 2020.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 January 2023.
5 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.
6 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

The directors of the Company anticipate that the application of other new and amended IFRSs will have no material impact on the Group's consolidated financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

3. THE IMPACT OF COVID-19 IN THE CURRENT REPORTING PERIOD

The outbreak of COVID-19 has developed rapidly in 2020 and significantly impacted entities and economic activities in varying scales globally. While there have been more immediate and pronounced disruptions in certain industries, its impact on the energy industry in the countries where the Group operates has been rather modest during the current reporting period. Nevertheless, as the outbreak of COVID-19 continues to evolve, it is challenging at this juncture to predict the full extent and duration of its impact to the business and the economy. Management of the Company has assessed the impact of COVID-19 across the Group, and up to the date of approval of these consolidated financial statements, management of the Company has not identified any areas that could have a material impact on the financial performance or position of the Group as at 31 December 2020.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities assumed by the Group and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and liabilities assumed as at acquisition date. If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

Goodwill

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

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit (or group of cash-generating units) may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

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

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

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

Changes in net assets of the associates/joint ventures other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interest that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal groups) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal groups) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for financial assets within the scope of IFRS 9 which continued to be measured in accordance with the accounting policies as set out in respective sections.

Revenue from contracts with customers

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

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

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

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

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation.

Output method

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

Variable consideration

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

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

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

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

Principal versus agent

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Incremental costs of obtaining a contract

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

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

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and office equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)
Lease liabilities (Continued)
After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications
The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)
Lease modifications (Continued)
When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

Property, plant and equipment

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

Freehold land is carried at cost less subsequent accumulated impairment loss, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than construction in progress and freehold land) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Solar power plants

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

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

Depreciation is recognised so as to write off the cost of assets (other than solar power plants under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

Intangible assets acquired in a business combination

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

Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on property, plant and equipment, solar power plants, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, solar power plants, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, solar power plants, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on property, plant and equipment, solar power plants, right-of-use assets and intangible assets other than goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than its functional currency (foreign currency) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and annual leave) after deducting any amount already paid.

Share-based payment arrangements

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions (Continued)

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

Warranties

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

By default, all other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

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

(ii) Receivables at FVTOCI

Subsequent changes in the carrying amounts for receivables at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income (the "OCI") and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, receivables at FVTOCI, receivables included in other non-current assets and amounts due from the related parties, bank balances and restricted bank deposits), and other items (contract assets and financial guarantee contracts) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables, contract assets and amount due from a related party. The ECL on these assets are assessed individually for customers with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

(i) Significant increase in credit risk

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)
Financial liabilities at FVTPL (Continued)
A financial liability is held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at amortised cost
Financial liabilities including trade and other payables, amounts due to the related parties, bank and other borrowings, liability component of convertible bonds, and bond payables are subsequently measured at amortised cost, using the effective interest method.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Convertible bonds (Continued)

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

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

Derivative financial instruments

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 or IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

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

Derecognition of financial liabilities

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

(i) Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in these consolidated financial statements.

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

Notes 4 and 6 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by management of the Group in determining the timing of satisfaction of performance obligations.

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

For the sales of Solar Products and LED Products (as defined in Note 6), the directors of the Company have assessed that the Group has a present right to payment from the customers for the goods transferred at a point in time upon customers' acceptance of the deliverable units. In addition, in accordance with industry business practice, the Group provides warranty in connection with the sale of solar module product, with post-sale tasks including the replacement and repair service for defects in material and workmanship as set out in Note 39(a). First of all, the customer does not have the option to purchase a warranty separately. Secondly, it is necessary for the Group to perform the tasks to provide the assurance that a product complies with agreed-upon specifications, then the tasks, in the opinion of the directors of the Company do not give rise to a performance obligation. The warranty is not distinct and therefore, management of the Group has satisfied that there is only a single performance obligation and recognise the revenue at a point in time. The warranty provision is the Group accounts for the warranty in the provision.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

For tariff subsidies generated from those solar power plants which had been registered to the Reusable Energy Tariff Subsidy Catalogue (可再生能源電價附加資金補助目錄) (the "Catalogue"), the Group has obtained unconditional and present right to payment since the electricity generated and transmitted. On the other hand, for tariff subsidies generated from those solar power plants which had not been registered into Catalogue, since the Group has not obtained unconditional right to payment yet, the Group recognised accrued revenue on tariff subsidies with corresponding debit to contract assets, accordingly.

For the provision of installation services of PV Systems (as defined in Note 13) on rooftop of building owned by the customers, the related revenue is recognised over time as the directors of the Company have assessed that the Group's performance creates or enhances an assets that the customer controls as the Group performs.

For the provision of Plant Operation and Services (as defined in Note 13), the directors of the Company have assessed that the customers simultaneously receive and consume the benefits provided by the Group's performances as the Group performs and the Group has an enforceable right to payment for performances completed to date. Therefore, the directors of the Company have satisfied that the performance obligation is satisfied over time and recognised revenue on a monthly basis at the specified service fee over the contract period.

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

Tariff subsidy represents subsidy received and receivables from the government authorities in respect of the Group's solar power generation business. The financial resource for the tariff subsidies is the national renewable energy fund that accumulated through a special levy on the consumption of electricity of end users. The government authorities are responsible to collect and allocate the fund and make settlement through state-owned grid companies to the solar power companies. Tariff subsidies are recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

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

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

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

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

In April 2019, NDRC released another updated tariff notice (the "2019 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 30 June 2019 and those registered before 30 June 2019 but which did not commence in generating electricity until 30 June 2019 (the "New Solar Power Plants"). According to 2019 Tariff Notice, the benchmark on-grid price was set at RMB0.4/KWh, RMB0.45/KWh and RMB0.55/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

In March 2020, NDRC released another updated tariff notice (the "2020 Tariff Notice") to renew the subsidising policy for distributed solar power plants and adjust benchmark on-grid price for electricity generated by centralised solar power plants registered after 31 May 2020 and those registered before 31 May 2020 but which did not commence in generating electricity until 31 May 2020 (the "New Solar Power Plants"). According to 2020 Tariff Notice, the benchmark on-grid price was set at RMB0.35/KWh, RMB0.40/KWh and RMB0.49/KWh for the New Solar Power Plants in energy zones I, II and III respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

In January 2020, the Ministry of Finance of the PRC released 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 Tariff Notice issued by NDRC, 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 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 includes 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 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.

Pursuant to the Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies have come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, the state grid companies upon receipt of funds would then make settlement to the Group. Registrations to the Catalogue is an ongoing process and the Catalogue is opened for registrations on a batch by batch basis. Revenue on tariff subsidies on electricity sales of RMB659,632,000 (2019: RMB1,041,980,000) from the state grid companies in the PRC has been recognised for the year ended 31 December 2020 in which tariff subsidies amounting to RMB76,053,000 (2019: RMB86,885,000) relating to certain of the on-grid solar power plants of the Group are still pending for registration to the Catalogue.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

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

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

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

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

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

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

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

As part of the transaction, the Group also entered into a management contract with Chongqing Future ("Management Contract"), pursuant to which management team of the Nine Disposal Entities, which continued to be appointed by the Group for a period of four years from 2016 to 2019, is responsible for management and operation of the nine solar power plant projects held by the Nine Disposal Entities, (including all the decisions of their relevant activities), and the Group in return would receive a fixed amount of management fee and entitled to certain variable amount of return, determined based on the performance of the Nine Disposal Entities. In the opinion of the directors, the Group was still able to control the Nine Disposal Entities. In addition, the 2015 Proposed Disposal was also subject to the fulfilment of certain conditions precedent (including to obtain necessary permits related to the development of the solar power plants, consents and approvals from the relevant government authorities) prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015.

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

In the opinion of the directors, the directors considered that the eventual completion of the 2015 Proposed Disposal was subject to the fulfilment of certain conditions precedent prior to the payment due date of the second instalment of the cash consideration on 30 September 2016, the 2015 Proposed Disposal was considered as incomplete as at 31 December 2015. In addition, the directors considered that the Group was able to exercise control over Jiangsu Changshun and the Nine Disposal Entities as at 31 December 2015 due to the Management Contract (as defined and detailed in Note 32(iii) in the annual report of 2017) entered into between the Group and Chongqing Future, hence, the carrying amounts of net assets of Jiangsu Changshun and the Nine Disposal Entities were consolidated to the Group. However, since the Group has already transferred the legal ownership in respect of the entire equity interests of Jiangsu Changshun and the Nine Disposal Entities to Chongqing Future on 18 December 2015, in the opinion of the directors, the Group's entire interests in them should be accounted for as non-controlling interests since then and will be subject to re-assessment upon progress of the development of the above-mentioned proposed transactions.

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

On 21 June 2016, an agreement to terminate the 2015 Proposed Disposal (the "Termination Agreement") was entered into with immediate effect, as certain conditions precedent were expected not to be fulfilled on or before 30 June 2016. Pursuant to the Termination Agreement, the Group should return the consideration received in advance of RMB650,000,000 together with the interest calculated at 9% per annum from 21 December 2015 within one year after execution of the Termination Agreement. The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities would be transferred back to the Group after the return of the entire amount of RMB650,000,000 together with the relevant interest by the Group to Chongqing Future, and the repayment of the borrowings of RMB500,000,000 together with the relevant interest by the Group to Chongqing Trust (as defined in Note 32(iii) in the annual report of 2017).

Details of the developments of the consideration received in advance from Chongqing Future and the borrowings from Chongqing Trust were set out in Note 32(iii) in the annual report of 2017.

Such borrowings from Chongqing Future and Chongqing Trust, of which due date had been extended in the prior years, were both matured on 29 September 2020. The Group's outstanding principal balances of RMB33,484,000 and RMB666,000,000 due to Chongqing Future and Chongqing Trust respectively were overdue as at 31 December 2020.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

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

As at 31 December 2020, the legal ownership in respect of the entire equity interest of Jiangsu Changshun has not yet been transferred back to the Group, and the Group's entire interests in Jiangsu Changshun and the Nine Disposal Entities were continued to be accounted for as non-controlling interests and the related profit for the current year amounting to RMB52,920,000 (2019: RMB48,588,000) has been transferred from accumulated deficits to non-controlling interests as at 31 December 2020.

(f) The 11 Target Companies classified as held for sale

As set out in Note 27, on 15 November 2019, the Group entered into 11 share sale and purchase agreements with an independent third party, pursuant to which the Company has agreed to sell, and the buyer has agreed to purchase each of the equity interest of the 11 Target Companies, which owns and operates solar power plants in the PRC. The transaction was approved by the shareholders of the Company on 17 January 2020 and management assessed that each of the 11 Target Companies are available for immediate sale in its present condition and the sale is expected to be highly probable and would be completed within twelve months after the end of the reporting period. As at 31 December 2019, assets and liabilities relating to the 11 Target Companies amounting to RMB3,896,381,000 and RMB2,429,815,000 had been classified as held for sale and presented as current assets and current liabilities, respectively.

The disposal of the 11 Target Companies were completed during the year ended 31 December 2020. Details refer to Note 50(a).

(ii) Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months after the end of the reporting period.

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

Property, plant and equipment and solar power plants are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount or, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Key sources of estimation uncertainty (Continued)

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

As at 31 December 2020, the carrying amount of property, plant and equipment and solar power plants is RMB257,989,000 (net of impairment of RMB189,704,000) and RMB4,650,831,000 (net of impairment of RMB568,064,000), respectively.

As at 31 December 2019, the carrying amount of property, plant and equipment and solar power plants is RMB232,383,000 (net of impairment of RMB189,704,000) and RMB6,782,957,000 (net of impairment of RMB519,843,000), respectively.

During the year ended 31 December 2020, impairment loss of RMB79,109,000 (2019: RMB282,794,000) was recognised for solar power plants. Details of the impairment of property, plant and equipment and solar power plants are disclosed in Notes 18 and 20, respectively.

(b) Provision of ECL for trade and other receivables, contract assets, receivables included in other non-current assets and amounts due from the related parties

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

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

During the year ended 31 December 2020, loss allowance of RMB18,229,000 was reversed (2019: recognition of loss allowance of RMB201,442,000) for trade and other receivables, contract assets, receivables included in other non-current assets and amounts due from the related parties.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and other receivables, contract assets, receivables included in other non-current assets and amounts due from the related parties are disclosed in Notes 29, 26, 25, 33 and 51 respectively.

(c) Write-down of inventories

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. When the Group identifies items of inventories which have a market price that is lower than its carrying amount or are slow-moving or obsolete, the Group would write down inventories in that period. As at 31 December 2020, the carrying amount of the Group's inventories was approximately RMB83,092,000 (net of allowance for inventories of RMB48,798,000) (2019: RMB92,150,000 (net of allowance for inventories of RMB68,575,000)). During the year ended 31 December 2020, allowance for inventories of RMB4,156,000 was recognised in profit or loss (2019: Nil).

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(ii) Key sources of estimation uncertainty (Continued)

(d) Impairment of prepayments to suppliers

The Group makes prepayments and deposits to suppliers in accordance with the purchase contracts entered into with the suppliers. These prepayments are to be offset against future purchases from suppliers.

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

As at 31 December 2020, the carrying amount of prepayments to suppliers was RMB33,232,000 (2019: RMB18,890,000).

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

The directors of the Company determine the residual values, useful lives and related depreciation charges for the Group's property, plant and equipment and solar power plants. These estimates are based on the historical experience of the actual residual values and useful lives of plant and equipment and solar power plants of similar nature and functions. As at 31 December 2020, the total carrying amount of the Group's property, plant and equipment and solar power plants was RMB4,908,820,000 (2019: RMB7,015,340,000).

(f) Accounting for the Group's disposal of the Disposal Group

As set out in Note 13, the Group entered into a share transfer agreement with the 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 had agreed, subject to certain conditions, to acquire the entire equity interest of the Disposal Group from the Company. The transaction was approved by the shareholders of the Company on 8 August 2019 and completed on 30 September 2019.

As the transaction was carried out with Mr. Cheng, a substantial shareholder of the Company, the Group was required to assess the fair value of net assets of the Disposal Group on date of disposal, was involved significant estimation uncertainty. The Group engaged an independent professional valuer in the assessment of the fair value of the net assets of the Disposal Group and determined that the difference between the fair value and carrying amount of net asset of the Disposal Group to be recognised in profit or loss and any difference between the consideration and fair value of net assets to be recognised in equity.

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

(ii) Key sources of estimation uncertainty (Continued)

(f) Accounting for the Group's disposal of the Disposal Group (Continued)

The valuation result showed that the fair value of the net assets disposed was approximated to their carrying amounts as at 30 September 2019 and no impact to profit or loss, accordingly. In addition, the Group would debit RMB1,798 million to special reserve in equity, representing the shortfall of the fair value of consideration over the fair value of net assets disposed, as deemed capital contribution made by owner of the Company, since the Purchaser is wholly owned by Mr. Cheng, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.

(g) Income taxes

The Group is subject to income taxes in the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current tax liabilities in the period in which such determination is made.

Certain subsidiaries of the Group were each entitled to a preferential enterprise income tax rate for a specified period subject to certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax (Note 15) on the assumption that the subsidiaries will meet the conditions and qualify for the preferential treatment. The consequence of any failure to meet the conditions and any change in the applicable tax rate is adjusted in the year in which the information becomes known.

(h) Fair value measurements and valuation processes

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

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

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

6. REVENUE

Disaggregation of revenue

A. Disaggregation of revenue from contracts with customers
For the year ended 31 December 2020

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	–	244,790	244,790
Tariff subsidies	–	659,632	659,632
Sales of goods	561,898	–	561,898
Total	561,898	904,422	1,466,320
Geographical markets			
Mainland China	545,378	904,422	1,449,800
Other countries	16,520	–	16,520
Total	561,898	904,422	1,466,320
Timing of revenue recognition			
A point in time	561,898	904,422	1,466,320

6. REVENUE (Continued)

Disaggregation of revenue (Continued)

A. Disaggregation of revenue from contracts with customers (Continued)

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

B. Performance obligations for contracts with customers

Sales of GaN-on-Silicon substrate light-emitting diode ("LED") epitaxial wafers and chips (collectively known as "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 product and the Group has no unfulfilled obligations that effect customer acceptance products.

Sales of electricity

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

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.

6. REVENUE (Continued)

Disaggregation of revenue (Continued)

B. Performance obligations for contracts with customers (Continued)

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.

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.

7. SEGMENT INFORMATION

Information has been reported to the Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. During the year ended 31 December 2019, (i) manufacturing and sales of Solar Products (as defined in Note 13) and installation services of PV Systems, (ii) provision of Plant Operations and Services; and (iii) solar power generation in overseas regions were presented as discontinued operations details of which set out in Note 13. 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.

7. SEGMENT INFORMATION (Continued)

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	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
External sales	**244,790**	326,382	**561,898**	362,744	**806,688**	689,126
Tariff subsidies	**659,632**	1,041,980	**–**	–	**659,632**	1,041,980
	904,422	1,368,362	**561,898**	362,744	**1,466,320**	1,731,106
Segment profit/(loss)	**243,903**	(816,041)	**92,050**	52,173	**335,953**	(763,868)
Unallocated income						
– Bank interest income					**3,598**	1,921
– Gain/(loss) on change in fair value of derivative financial liabilities					**1,293**	(2,742)
– Gain on derecognition of derivative financial liabilities					**4,785**	–
Unallocated expenses						
– Central administration costs					**(39,027)**	(55,128)
– Finance costs					**(781,794)**	(1,163,046)
Loss allowance (recognised)/reversed on financial guarantee contracts for a joint venture					**(13,746)**	85,673
Loss allowance recognised on amounts due from the related parties					**(2,527)**	(104,440)
Loss allowance reversed on other receivables					**1,352**	–
Share of profit of associates					**1,629**	636
Loss before tax					**(488,484)**	(2,000,994)

7. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Continuing operations (Continued)

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

	Solar power generation in the PRC		Manufacturing and sales of LED Products		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Impairment loss on assets classified as held for sale	**–**	(851,428)	**–**	–	**–**	(851,428)
Impairment loss on solar power plants	**(79,109)**	(282,794)	**–**	–	**(79,109)**	(282,794)
Loss allowance (recognised)/reversed on trade and other receivables and contract assets, net	**36,542**	(95,539)	**(17,138)**	(1,463)	**19,404**	(97,002)
Write-down of inventories	**–**	–	**(4,156)**	–	**(4,156)**	–

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

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2020 RMB'000	2019 RMB'000
Segment assets		
Continuing operations		
Solar power generation in the PRC	**7,214,148**	13,341,704
Manufacturing and sale of LED Products	**556,518**	593,587
Total segment assets	**7,770,666**	13,935,291
Other unallocated assets	**1,937,804**	2,197,203
Consolidated assets	**9,708,470**	16,132,494
Segment liabilities		
Continuing operations		
Solar power generation in the PRC	**6,416,497**	11,510,426
Manufacturing and sale of LED Products	**198,656**	269,650
Total segment liabilities	**6,615,153**	11,780,076
Other unallocated liabilities	**3,010,266**	3,767,785
Consolidated liabilities	**9,625,419**	15,547,861

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; 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, bonds payable liable for centralised financing of the Group.

7. SEGMENT INFORMATION (Continued)

Entity-wide disclosures

The following table sets forth a breakdown of the Group's revenue from continuing operations for the years ended 31 December 2020 and 2019:

	2020 RMB'000	2019 RMB'000
Sale of LED Products	**561,898**	362,744
Sales of electricity	**244,790**	326,382
Tariff subsidies (Note)	**659,632**	1,041,980
Total	**1,466,320**	1,731,106

Note: The amount represents the tariff subsidies which were approximately 37% to 91% (2019: 37% to 92%) of the total electricity sales, adjusted with the amount of significant financing component. 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.

Geographical information

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

	Revenue from external customers		Non-current assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Continuing operations				
Mainland China	**1,449,800**	1,724,134	**5,817,255**	8,078,291
Other countries	**16,520**	6,972	**–**	–
Total	**1,466,320**	1,731,106	**5,817,255**	8,078,291

All the Group's non-current assets presented above, excluded those relating to interests in associates and joint ventures and financial assets at FVTPL.

7. SEGMENT INFORMATION (Continued)

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group from continuing operation are as follows:

	2020 RMB'000	2019 RMB'000
Company A[1]	**N/A[3]**	302,674
Company B[1]	**N/A[3]**	183,700
Company C[2]	**177,658**	N/A[3]
Company D[1]	**148,905**	N/A[3]

1 Revenue from sales of electricity and tariff subsidies.
2 Revenue from manufacturing and sales of LED products.
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group.

8. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Continuing operations		
Bank interest income	**3,598**	1,921
Compensation income	**5,932**	–
Government grants (Notes i and 29(iv))	**45,560**	66,041
Gain on sales of raw and other materials	**3,004**	284
Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets (Notes ii and 29(i))	**23,645**	47,220
Contingent tariff subsidies received (Note 49)	**10,161**	–
Others	**3,060**	1,916
	94,960	117,382

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) RMB16,761,000 (2019: RMB13,711,000) represent unconditional incentives received and recognised, (b) as set out in Note 29(iv), RMB28,139,000 (2019: RMB51,174,000) represents unconditional subsidies to support the Group's business development of the LED industry in Nanchang City, Jiangxi Province, PRC and (c) RMB660,000 (2019: RMB1,156,000) represents subsidies on acquisitions of land use rights and machineries amortised to profit or loss over respective useful life of land use rights and machineries.

(ii) The imputed interest income is released to other income, as a result of the significant financing component on accrued revenue of tariff subsidies in the PRC. 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.

9. OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Continuing operations		
Gain/(Loss) on change in fair value of derivative financial liabilities (Notes i and 41)	**1,293**	(2,742)
Gain on derecognition of derivative financial liabilities (Note 41)	**4,785**	–
Gain on disposal of property, plant and equipment	**744**	104
Impairment loss on assets classified as held for sale (Note 27)	**–**	(851,428)
Impairment loss on solar power plants (Note ii)	**(79,109)**	(282,794)
Loss on disposal of subsidiaries (Notes 50(a) and 50(b))	**(252,635)**	–
Loss on deemed disposal of a subsidiary (Note 50(c))	**(79,054)**	–
Loss on change in fair value of financial assets at FVTPL	**(551)**	–
Waiver of EPC payables (Note iii)	**123,053**	–
Written off of property, plant and equipment	**(19,108)**	–
Written off of prepayments to suppliers	**(2,271)**	–
Net foreign exchange gain/(loss)	**85,567**	(155,448)
Others	**(6,917)**	(10,022)
	(224,203)	(1,302,330)

Notes:

(i) The amount represented the gain/(loss) on change in fair value in respect of the warrants liabilities arising from the previous acquisition of Lattice Power Group.

(ii) During the year ended 31 December 2020, due to the adverse change of market conditions, in the opinion of the directors of the Company, the recoverable amounts of the solar power plants are estimated to be less than their carrying amounts, and the carrying amounts of the relevant solar power plants are reduced to the extent of their recoverable amounts, with an impairment loss of RMB79,109,000 (2019: RMB282,794,000).

(iii) During the year ended 31 December 2020, the Group reached a settlement agreement with an EPC creditor to waive its outstanding EPC payables.

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000
Continuing operations		
Loss allowances recognised/(reversed) on:		
Trade receivables – goods and services	**612**	(14,603)
Contract assets	**169**	79
Other receivables	**(21,537)**	111,526
Amounts due from related parties	**2,527**	104,440
Financial guarantee contracts, net (Note 39(b))	**22,746**	(94,872)
	4,517	106,570

Details of impairment assessment on ECL for the years ended 31 December 2020 and 2019 are set out in Note 51.

11. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Continuing operations		
Interest on bank and other borrowings	**657,172**	892,606
Finance charges on discounting of bills receivables	**39**	26
Interest on lease liabilities	**1,417**	3,332
Effective interest on convertible bonds	**60,902**	207,704
Effective interest on bond payables	**62,454**	60,493
Total finance costs	**781,984**	1,164,161
Less: amounts capitalised	**(190)**	(1,115)
	781,794	1,163,046

Finance costs capitalised during the current year arose from the general borrowing pool and are calculated by applying a capitalisation rate of 4.90% (2019: 6.30%) per annum to expenditure on qualifying assets.

12. LOSS BEFORE TAX

Continuing operations

	2020 RMB'000	2019 RMB'000
Loss before tax has been arrived at after charging/(crediting):		
Directors' remuneration (Note 14)	**13,183**	9,480
Other staff costs	**111,882**	113,538
Other staff's retirement benefits scheme contributions	**1,356**	12,461
Share-based payment expenses in relation to the share option scheme of the Lattice Power Group	**–**	9,934
Total staff costs	**126,421**	145,413
Capitalised in inventories	**(8,320)**	(6,274)
	118,101	139,139
Impairment loss on assets classified as held for sale	**–**	851,428
Impairment loss on solar power plants	**79,109**	282,794
Auditor's remuneration	**4,570**	9,551
Cost of inventories recognised as expense (Note)	**321,707**	246,243
Depreciation of property, plant and equipment	**30,042**	26,859
Depreciation of completed solar power plants	**362,182**	608,845
Depreciation of right-of-use assets	**10,828**	25,650
Amortisation of intangible assets	**494**	519
Total depreciation and amortisation	**403,546**	661,873
Capitalised in inventories	**(8,735)**	(14,419)
	394,811	647,454

Note: Cost of inventories recognised as expenses included amounts relating to staff costs and depreciation of property, plant and equipment, which are also included in the respective expenses disclosed separately above. During the year ended 31 December 2020, amounts also included the write-down of inventories to net realisable values of approximately RMB4,156,000 (2019: Nil).

13. DISCONTINUED OPERATIONS

For the year ended 31 December 2019

On 10 December 2018, the Company entered into a share transfer 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 transaction was approved by the shareholders on 8 August 2019 and completed on 30 September 2019.

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

i. Manufacturing and sales of solar cells, 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.

Profit for the period from 1 January 2019 to 30 September 2019 from the Disposal Group is set out below.

	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
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 (Note 50)				40,358
				129,020

13. DISCONTINUED OPERATIONS (Continued)

For the year ended 31 December 2019 (Continued)

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)
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/(credit)	(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

13. DISCONTINUED OPERATIONS (Continued)

For the year ended 31 December 2019 (Continued)

Profit for the period from discontinued operations includes the following:

	For the period from 1 January 2019 to 30 September 2019 RMB'000
Loss before tax has been arrived at after charging/(crediting):	
Other staff costs	330,757
Other staff's retirement benefits scheme contributions	30,967
Total staff costs	361,724
Capitalised in inventories	(39,706)
	322,018
Warranty provided (included in cost of sales)	48,124
Cost of inventories recognised as expense (Note)	5,505,307
Depreciation of property, plant and equipment	127,016
Depreciation of completed solar power plants	35,159
Depreciation of right-of-use assets	17,319
Amortisation of intangible assets	4,066
Total depreciation and amortisation	183,560
Capitalised in inventories	(14,773)
	168,787
Subsidy on acquisition of land use right and machineries amortised to profit or loss	3,878

Note: Cost of inventories recognised as expenses included amounts relating to staff costs and depreciation of property, plant and equipment, which are also included in the respective expenses disclosed separately above. During the year ended 31 December 2019, amounts also included the write-down of inventories to net realisable values of approximately RMB6,334,000.

13. DISCONTINUED OPERATIONS (Continued)

For the year ended 31 December 2019 (Continued)

Cash flows from discontinued operations:

	For the period from 1 January 2019 to 30 September 2019 RMB'000
Net cash inflows from operating activities	924,264
Net cash outflows from investing activities	(775,947)
Net cash outflows from financing activities	(314,615)
Net cash outflows	(166,298)

The carrying amounts of the assets and liabilities of the Disposal Group at the date of disposal are disclosed in Note 50.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 7 (2019: 7) directors of the Company were as follow:

	Fees RMB'000	Other emoluments: Basic salaries and allowances RMB'000	Other emoluments: Retirement benefit scheme contributions RMB'000	Other emoluments: Performance related bonuses RMB'000 (Note)	Total RMB'000
For the year ended 31 December 2020					
Executive directors: (Note (a))					
Mr. Zhang Fubo	**–**	**1,779**	**16**	**1,912**	**3,707**
Mr. Wang Yu	**–**	**1,779**	**16**	**1,912**	**3,707**
Mr. Lu Bin	**–**	**1,779**	**16**	**1,912**	**3,707**
Mr. Chen Shi	**–**	**1,334**	**16**	**–**	**1,350**
Independent non-executive directors: (Note (b))					
Mr. Tao Wenquan	**178**	**–**	**–**	**–**	**178**
Mr. Zhao Yuwen	**178**	**–**	**–**	**–**	**178**
Mr. Kwong Wai Sun Wilson	**356**	**–**	**–**	**–**	**356**
	712	**6,671**	**64**	**5,736**	**13,183**
For the year ended 31 December 2019					
Executive directors: (Note (a))					
Mr. Zhang Fubo	–	1,760	16	704	2,480
Mr. Wang Yu	–	1,760	16	704	2,480
Mr. Lu Bin	–	1,760	16	704	2,480
Mr. Chen Shi	–	1,320	16	–	1,336
Independent non-executive directors: (Note (b))					
Mr. Tao Wenquan	176	–	–	–	176
Mr. Zhao Yuwen	176	–	–	–	176
Mr. Kwong Wai Sun Wilson	352	–	–	–	352
	704	6,600	64	2,112	9,480

Note: The performance related bonus is determined having regard to the performance of individuals and market trend.

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Neither the chief executive officer nor any of the directors waived any emoluments received, compensation for the loss of office and inducement to join or upon joining the Group during the years ended 31 December 2020 and 2019.

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

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

(b) Employees' emoluments

The five highest paid individuals of the Group included four (2019: four) directors of the Company during the year ended 31 December 2020. Details of whose emoluments are set out above. The emoluments of the remaining one (2019: one) individual during the year ended 31 December 2020 were as follows:

	2020 **RMB'000**	2019 RMB'000
Employee		
– basic salaries and allowances	**1,668**	1,201
– performance-related bonuses	**660**	200
– retirement benefit scheme contributions	**161**	122
	2,489	1,523

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

	2020	2019
HKD1,500,001 to HKD2,000,000	**1**	2
HKD2,000,001 to HKD2,500,000	**–**	–
HKD2,500,001 to HKD3,000,000	**1**	3
HKD3,000,001 to HKD4,000,000	**–**	–
HKD4,000,001 to HKD5,000,000	**3**	–

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. INCOME TAX EXPENSE

Continuing operations

	2020 RMB'000	2019 RMB'000
PRC Enterprise Income Tax:		
Current year	13,178	15,067
Under/(Over) provision in prior year	57	(2,061)
	13,235	13,006
Deferred tax credit (Note 44)	(97)	(97)
Income tax expense	13,138	12,909

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.

On 14 September 2020, 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 2020 to 2022 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 both years.

15. INCOME TAX EXPENSE (Continued)

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

Continuing operations	**2020** **RMB'000**	2019 RMB'000
Loss before tax	**(488,484)**	(2,000,994)
Tax credit at the PRC tax rate of 25% (2019: 25%)	**(122,121)**	(500,249)
Tax effect of share of profits of associates	**(407)**	(159)
Tax effect of expenses not deductible for tax purpose	**104,369**	203,411
Tax effect of income not taxable for tax purpose	**(126,051)**	(32,414)
Tax effect of deductible temporary differences not recognised	**111,623**	354,041
Under/(Over) provision in prior year	**57**	(2,061)
Effect of tax losses not recognised	**63,115**	54,305
Utilisation of temporary differences or tax losses previously not recognised	**(7,877)**	(60,135)
Tax effect of concessions granted to PRC subsidiaries	**(8,459)**	(3,462)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,111)**	(368)
Income tax expense for the year	**13,138**	12,909

16. 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:

	2020 RMB'000	2019 RMB'000
From continuing operations		
Loss		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	(552,281)	(1,901,726)
Less: Profit for the year from discontinued operations attributable to owners of the Company	–	(129,020)
Loss for the year attributable to owners of the Company from continuing operations for the purposes of basic loss per share	(552,281)	(2,030,746)
Effective of dilutive potential ordinary shares: – convertible bonds (Note)	–	–
Loss for the purposes of diluted loss per share	(552,281)	(2,030,746)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	4,982,375,490	4,982,375,490
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	4,982,375,490

16. LOSS PER SHARE – BASIC AND DILUTED (Continued)

	2020 RMB'000	2019 RMB'000
From continuing and discontinued operations		
Loss for the year attributable to owners of the Company for the purposes of basic loss per share	**(552,281)**	(1,901,726)
Effect of dilutive potential ordinary shares: – convertible bonds (Note)	**–**	–
Loss for the purposes of diluted loss per share	**(552,281)**	(1,901,726)

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 discontinued operations

For the year ended 31 December 2019, basic and diluted earnings per share for the discontinued operations was RMB2.59 cent per share, based on the profit for the year from discontinued operations attributable to owners of the Company of RMB129,020,000 and the denominators detailed above for both basic and diluted loss per share.

17. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, nor has any dividend been proposed since the end of the reporting period for 2020 and 2019.

18. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2019	63,068	1,363,184	3,150,418	16,870	156,811	196,752	4,947,103
Additions	–	951	23,617	210	1,826	160,698	187,302
Transfers	–	10,819	162,205	272	11,590	(184,886)	–
Disposal	–	–	(354,172)	(1,607)	(21,125)	(12,860)	(389,764)
Disposal of the Disposal Group (Note 50)	(66,821)	(1,304,648)	(2,608,608)	(4,620)	(111,154)	(120,099)	(4,215,950)
Reclassified to assets classified as held for sale (Note 27)	–	–	–	(1,297)	(2,194)	–	(3,491)
Exchange adjustment	3,753	2,237	1,228	6	569	9	7,802
At 31 December 2019	–	72,543	374,688	9,834	36,323	39,614	533,002
Additions	–	–	9,948	–	933	25,890	36,771
Acquisition of assets (Note 49)	–	–	–	–	–	42,794	42,794
Transfers	–	–	41,992	359	52	(42,403)	–
Disposal/Written off	–	–	(29,732)	(412)	(96)	–	(30,240)
Disposal of subsidiaries (Note 50(b))	–	–	–	(1,258)	(168)	–	(1,426)
Deemed disposal of a subsidiary (Note 50(c))	–	–	–	(141)	(403)	–	(544)
Exchange adjustment	–	–	–	–	46	–	46
At 31 December 2020	–	72,543	396,896	8,382	36,687	65,895	580,403
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
At 1 January 2019	–	433,163	2,458,865	11,521	59,140	11,039	2,973,728
Provided for the year	–	67,905	71,787	1,736	12,447	–	153,875
Eliminated on disposal	–	–	(313,436)	(1,551)	(19,105)	(7,840)	(341,932)
Eliminated on disposal of the Disposal Group (Note 50)	–	(477,948)	(1,962,977)	(2,109)	(38,771)	(3,199)	(2,485,004)
Eliminated upon reclassification to assets classified as held for sale (Note 27)	–	–	–	(1,231)	(1,898)	–	(3,129)
Exchange adjustment	–	1,661	911	6	503	–	3,081
At 31 December 2019	–	24,781	255,150	8,372	12,316	–	300,619
Provided for the year	–	5,772	23,490	312	468	–	30,042
Eliminated on disposal/written off	–	–	(6,099)	(372)	(90)	–	(6,561)
Eliminated on disposal of subsidiaries (Note 50(b))	–	–	–	(1,065)	(159)	–	(1,224)
Eliminated on deemed disposal of a subsidiary (Note 50(c))	–	–	–	(134)	(381)	–	(515)
Exchange adjustment	–	–	–	–	53	–	53
At 31 December 2020	–	30,553	272,541	7,113	12,207	–	322,414
CARRYING VALUES							
At 31 December 2020	–	41,990	124,355	1,269	24,480	65,895	257,989
At 31 December 2019	–	47,762	119,538	1,462	24,007	39,614	232,383

18. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Freehold land	0%
Buildings	20 years
Plant and machinery	10 years
Motor vehicles	4–5 years
Furniture, fixtures and equipment	3–5 years

The freehold land is located in Japan arising from the acquisition of Wuxi Suntech Power Co., Ltd ("Wuxi Suntech") and its subsidiaries (collectively referred to as the "Wuxi Suntech Group") during the year 2014, of which has been eliminated along with the completion of the disposal of the Disposal Group on 30 September 2019.

Certain property, plant and equipment of the Group had been pledged as securities for securing loans and general credit facilities granted to the Group as at 31 December 2019 as detailed in Note 54.

19. RIGHT-OF-USE ASSETS

CARRYING AMOUNT	**Leasehold land** RMB'000	**Leased properties** RMB'000	**Machinery** RMB'000	**Total** RMB'000
At 1 January 2019	498,298	165,993	8,640	672,931
Additions	48,756	–	–	48,756
Depreciation charged during the year	(28,493)	(12,981)	(1,495)	(42,969)
Eliminated on disposal of the Disposal Group (Note 50)	(228,365)	(152,280)	(7,145)	(387,790)
Reclassified to assets classified as held for sale (Note 27)	(87,432)	–	–	(87,432)
At 31 December 2019	202,764	732	–	203,496
Additions	119	8,254	–	8,373
Acquisition of assets (Note 49)	12,749	–	–	12,749
Depreciation charged during the year	(7,425)	(3,403)	–	(10,828)
Eliminated on disposal of subsidiaries (Note 50(b))	(44,264)	–	–	(44,264)
Eliminated on deemed disposal of a subsidiary (Note 50(c))	(14,211)	–	–	(14,211)
At 31 December 2020	149,732	5,583	–	155,315

19. RIGHT-OF-USE ASSETS (Continued)

	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16	**36**	1,900
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**–**	3,235
Total cash outflows for leases	**10,490**	77,486

For both years, the Group leases leasehold land, various offices, and equipment for its operations. Lease contracts are entered into for fixed term of 1 year to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Certain right-of-use assets for the Group has been pledged as securities for securing loans and general credit facilities granted to the Group in both years as detailed in Note 54.

The Group regularly entered into short-term leases for machinery and leased properties. Lease liabilities of RMB6,703,000 (2019: RMB16,639,000) are recognised with related right-of-use assets of RMB6,902,000 (2019: RMB14,628,000) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

20. SOLAR POWER PLANTS

	Solar power plants under construction RMB'000	Completed solar power plants RMB'000	Total RMB'000
COST			
At 1 January 2019	926,363	13,329,851	14,256,214
Additions	106,124	–	106,124
Disposal of the Disposal Group (Note 50)	(104,604)	(621,354)	(725,958)
Reclassified to assets classified as held for sale (Note 27)	(15,600)	(4,581,110)	(4,596,710)
Transfer	(192,004)	192,004	–
Exchange adjustment	6,916	24,755	31,671
At 31 December 2019	727,195	8,344,146	9,071,341
Additions	36,600	–	36,600
Disposal/Write off	–	(39,729)	(39,729)
Disposal of subsidiaries (Note 50(b))	(39,010)	(1,363,436)	(1,402,446)
Deemed disposal of a subsidiary (Note 50(c))	–	(894,849)	(894,849)
Transfer to completed solar power plants	(680,942)	680,942	–
At 31 December 2020	43,843	6,727,074	6,770,917
ACCUMULATED DEPRECIATION AND IMPAIRMENT			
At 1 January 2019	243,214	2,454,446	2,697,660
Impairment loss recognised in profit or loss	46,838	235,956	282,794
Depreciation for the year	–	644,004	644,004
Eliminated on disposal of the Disposal Group (Note 50)	–	(264,300)	(264,300)
Eliminated on upon reclassification to assets classified as held for sale (Note 27)	–	(1,078,157)	(1,078,157)
Exchange adjustment	–	6,383	6,383
At 31 December 2019	290,052	1,998,332	2,288,384
Impairment loss recognised in profit or loss	–	79,109	79,109
Depreciation for the year	–	362,182	362,182
Eliminated on disposal/write off	–	(25,903)	(25,903)
Eliminated on disposal of subsidiaries (Note 50(b))	–	(416,236)	(416,236)
Eliminated on deemed disposal of a subsidiary (Note 50(c))	–	(167,450)	(167,450)
Transfer to completed solar power plants	(284,247)	284,247	–
At 31 December 2020	5,805	2,114,281	2,120,086
CARRYING AMOUNT			
At 31 December 2020	38,038	4,612,793	4,650,831
At 31 December 2019	437,143	6,345,814	6,782,957

20. SOLAR POWER PLANTS (Continued)

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

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

Impairment assessment

Due to changes in market conditions and certain price competition requirement introduced by the relevant government authority in the market, management of the Group concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of solar power plants under construction and completed solar plants with then carrying amounts of RMB4,729,940,000 (2019: RMB7,065,751,000) during the year ended 31 December 2020.

The recoverable amount of each CGU, representing each solar power plant, has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management of the respective subsidiary covering the remaining useful lives (ranging from 16 to 22 years (2019: 18 to 25 years)) with a pre-tax discount rate is 7.2% (2019: 7%) as at 31 December 2020, respectively. The cash flows beyond the twenty-year period are extrapolated using 3% (2019: 3%) growth rate as at 31 December 2020. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculated is the budgeted gross margin, which is determined based on each CGUs' past performance and management expectations for the market development. Management believes that any reasonably possible change in this assumption would not cause the aggregate carrying amounts to exceed the aggregate recoverable amounts.

Based on the result of the assessment, management of the Group determined that the recoverable amount of the CGU in respect of certain solar power plants located in Xinjiang Uygur Autonomous Region (2019: Xinjiang Uygur Autonomous Region, Yunnan Province, Gansu Province and Hebei Province) is lower than the carrying amount. Based on the value in use calculation and the allocation, an impairment of RMB79,109,000 has been recognised against the carrying amounts of completed solar power plants (2019: RMB46,838,000 and RMB235,956,000 had been recognised against the carrying amount of solar power plants under construction and completed solar power plants, respectively).

Certain solar power plants of the Group have been pledged as securing loans and general credit facilities granted to the Group in both years as detailed in Note 54.

21. INTANGIBLE ASSETS

	Computer software RMB'000	Technical know-how RMB'000	Trademarks RMB'000	Others RMB'000	Total RMB'000
COST					
At 1 January 2019	11,652	120,802	78,431	55,673	266,558
Additions	988	–	–	–	988
Write-off	(136)	–	–	–	(136)
Disposal of the Disposal Group (Note 50)	(7,104)	(548)	(21,865)	(54,893)	(84,410)
Exchange adjustment	75	(7)	(292)	(733)	(957)
At 31 December 2019	5,475	120,247	56,274	47	182,043
Additions	88	–	–	–	88
At 31 December 2020	5,563	120,247	56,274	47	182,131
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 January 2019	1,551	120,302	78,431	30,413	230,697
Amortisation for the year	1,477	30	–	3,078	4,585
Eliminated on the disposal of the Disposal Group (Note 50)	(426)	(38)	(21,865)	(33,146)	(55,475)
Exchange adjustment	57	(47)	(292)	(298)	(580)
At 31 December 2019	2,659	120,247	56,274	47	179,227
Amortisation for the year	494	–	–	–	494
At 31 December 2020	3,153	120,247	56,274	47	179,721
CARRYING VALUES					
At 31 December 2020	2,410	–	–	–	2,410
At 31 December 2019	2,816	–	–	–	2,816

21. INTANGIBLE ASSETS (Continued)

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

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

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

As a result, the trademark was considered by management of the Group as having an indefinite useful life and would not be amortised. Such items have been fully eliminated along with the completion of the disposal of the Disposal Group on 30 September 2019.

22. INTERESTS IN ASSOCIATES

	2020	2019
	RMB'000	RMB'000
Cost of investments, unlisted	**27,940**	27,940
Share of post-acquisition profit and other comprehensive income	**5,824**	4,195
	33,764	32,135

At 31 December 2020 and 2019, the Group had interests in the following major associates:

Name of associates	Registered capital	Place of establishment/ principal place of operation	Attributable interest to the Group At 31 December 2020	2019	Principal activities
Jiangsu Guoxin Suntech Co., Ltd.# ("Guoxin Suntech") (江蘇國信尚德太陽能發電有限公司)	RMB20,000,000 (2019: RMB20,000,000)	The PRC	**49.0%**	49.0%	Operation of rooftop solar power
Huadian Ningxia Suntech Ningdong Co., Ltd.# ("Ningxia Suntech") (華電寧夏寧東尚德太陽能有限公司)	RMB38,000,000 (2019: RMB38,000,000)	The PRC	**40.0%**	40.0%	Operation of a power station

\# English name is for identification purpose only

22. INTERESTS IN ASSOCIATES (Continued)

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

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

Guoxin Suntech

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**3,555**	1,004
Non-current assets	**32,853**	35,295
Current liabilities	**(220)**	(1,180)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**5,045**	5,315
Profit for the year	**1,069**	1,266
Other comprehensive income for the year	**–**	–
Total other comprehensive income for the year	**1,069**	1,266
Dividend received	**490**	980
Dividend receivable	**–**	490

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

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Net assets of the associate	**36,188**	35,119
Proportion of the Group's ownership interest in this associate	**49%**	49%
Carrying amount of the Group's interest in this associate	**17,732**	17,208

22. INTERESTS IN ASSOCIATES (Continued)

Ningxia Suntech

	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**37,604**	33,816
Non-current assets	**93,187**	95,155
Current liabilities	**(17,710)**	(8,653)
Non-current liabilities	**(73,000)**	(83,000)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**15,743**	15,499
Profit for the year	**2,763**	40
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**2,763**	40
Dividend received	**–**	–

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

	2020	2019
	RMB'000	RMB'000
Net assets of the associate	**40,081**	37,318
Proportion of the Group's ownership interest in this associate	**40%**	40%
Carrying amount of the Group's interest in this associate	**16,032**	14,927

23. INTEREST IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Cost of investment in a joint venture	**313,848**	313,848
Share of post-acquisition losses and other comprehensive expense	**(52,492)**	(52,492)
	261,356	261,356
Less: Impairment loss recognised	**(261,356)**	(261,356)
	–	–

The joint venture is accounted for using the equity method in these consolidated financial statements. Details of each of the Group's joint venture as at 31 December 2020 and 2019 are as follow:

Name of entry	Paid-in capital/ registered capital	Country of incorporation/ establishment and principal place of business	Proportion of ownership interest held by the Group 2020	Proportion of ownership interest held by the Group 2019	Proportion of voting rights held by the Group	Principal activity
Suniva Inc. ("Suniva")	USD12,531,219 (2019: USD12,531,219)	US	**63.13% (Note (a))**	63.13% (Note (a))	57.14% (2019: 57.14%) (Note (b))	Manufacturing and sales of Solar Products

Notes:

(a) On 19 October 2015, although the Group acquired 63.13% equity interest of Suniva, as decisions about the relevant activities of Suniva require the unanimous consent of both the Group and the original shareholders of Suniva, Suniva is accounted for as a joint venture of the Group, accordingly.

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

Suniva had declared bankruptcy during the year ended 31 December 2017 and was placed under liquidation since 2018.

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

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

	2020 RMB'000	2019 RMB'000
Non-current		
Unlisted equity investment (Note (i))	**2,207**	3,096
Current		
Convertible debt instrument (Note (ii))	**10,338**	–

Notes:

(i) As at 31 December 2020, the amount represented the Group's unlisted equity investment with fair value of RMB2,207,000 (2019: RMB3,096,000).

(ii) On 16 December 2020, the Group purchased a convertible debt instrument with principal amount of RMB10,000,000, which is repayable on demand after first anniversary day of drawdown and carries fixed interest rate of 8% per annum. The directors of Company classified the investment as financial asset as FVTPL as the instrument contains an option to convert into shares of the borrower at holder's option at any time before the maturity date. During the year ended 31 December 2020, a gain on fair value change on financial assets at FVTPL amounted to RMB338,000 was recognised in profit or loss.

The fair value as at 31 December 2020 and 2019 has been arrived at on the basis of valuation carried out by an independent valuer as set out in Note 51(c).

25. OTHER NON-CURRENT ASSETS

	2020 RMB'000	2019 RMB'000
Deposits paid for:		
Acquisition of property, plant and equipment (Note (i))	**8,185**	11,783
Receivables included in non-current assets:		
Other deposits (Note (ii))	**101,483**	94,455
	109,668	106,238

Notes:

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

(ii) The amount represents the deposits placed for securing certain long term borrowings from financial institutions as summarised in Note 54 and will be returned to the Group upon maturity, of which will not be matured within twelve months after the end of the reporting period.

26. CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Non-current asset – sales of renewable energy	**346,912**	310,473
Less: Allowance for credit losses	**(248)**	(79)
	346,664	310,394

As at 1 January 2019, contract assets amounted to RMB245,075,000.

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

Sales of renewable energy

The contract assets relate to the Group's right to consideration for electricity sold to the local state grid in the PRC. The contract assets are transferred to trade receivables when the solar power plants complete the registration to the Catalogue. The Group considers the settlement terms contain significant financing component and accordingly the amount of consideration is adjusted for the effects of the time value of money taking into consideration the credit characteristics of the relevant counterparties. The related contract assets are classified as non-current assets as at 31 December 2020 and 2019. The increase of contract assets mainly due to the recognition of accrued tariff subsidies related to certain on-grid solar power plants of the Group that are still pending for registration to the Catalogue during the year.

Details of ECL relating to contract assets are set out in Note 51(b).

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

As at 31 December 2019

On 15 November 2019, the Company entered into 11 sale and purchase agreements with the 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 RMB1,466,566,000, comprising the following:

1) the cash consideration of RMB641,420,000, to be payable by ZSEC to the Group 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, 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, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and certain conditions and, as stipulated in the relevant sale and purchase agreements, are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor engaged by ZSEC of the relevant 11 Target companies and certain remedial step (as defined and detailed in the Company's circular dated 29 December 2019). Management of the Company assessed that the relevant payables amounted to RMB628,298,000 as at 31 December 2019.

Details of terms and conditions in respect of payment of consideration, dividends payables and relevant payables to the Group were set out in the circular of "Very Substantial Disposal" dated 29 December 2019.

\# *English name is for identification purpose only*

27. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 31 December 2019 (Continued)

The disposal was underway as at 31 December 2019 as certain conditions precedent had not yet been met. The transaction was approved by the shareholders of the Company on 17 January 2020. Management of the Company has assessed 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 were expected to be sold within twelve months, had been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and were presented separately in the consolidated statement of 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. The major classes of assets and liabilities of the 11 Target Companies as at 31 December 2019, which had been presented separately in the consolidated statement of financial position, were as follows:

	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 payables and the relevant payables payable by the relevant 11 Target Companies to the Group, the expected total proceeds received by the Group were estimated to be 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 during the year ended 31 December 2019, accordingly.

27. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (Continued)

As at 31 December 2019 (Continued)

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 subsidies	927,449
Other deposits included in other non-current assets	32,246

The disposal of the 11 Target companies was completed during the year ended 31 December 2020. Details refer to Note 50(a).

28. INVENTORIES

	2020 RMB'000	2019 RMB'000
Raw materials	**28,894**	22,078
Work-in-progress	**26,077**	23,154
Finished goods	**28,121**	46,918
	83,092	92,150

During the year ended 31 December 2020, there was a write-down of inventories in respect of LED Products amounting to RMB4,156,000 and was recognised in cost of sales (2019: Nil).

29. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**244,870**	326,899
Accrued revenue on tariff subsidies (Note (i))	**1,178,650**	1,217,930
	1,423,520	1,544,829
Less: Loss allowance	**(28,673)**	(28,061)
Total trade receivables and accrued revenue on tariff subsidies	**1,394,847**	1,516,768
Other receivables		
Prepaid expenses	**7,998**	8,146
Amounts due from independent third parties (Note (ii))	**19,840**	42,514
Amounts due from disposed subsidiaries (Notes (iii) and 50)	**–**	1,134
Consideration receivable for disposal of subsidiaries (Notes (vii) and 50)	**213,245**	12,030
Consideration receivable from deemed disposal of a subsidiary (Notes (viii) and 50(c))	**21,940**	–
Dividend receivable from an associate (Note 22)	**–**	490
Government subsidies receivable arising from the sales of LED Products (Note iv)	**–**	51,174
Security deposit (Note v)	**103,532**	107,000
Others (Note vi)	**7,893**	8,720
	374,448	231,208
	1,769,295	1,747,976

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. 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 2.76% (2019: 2.65% to 2.67%) per annum as at 31 December 2020.

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 external legal advisor, that the Group's operating solar power plant has qualified for registration in the Catalogue, and has met all the relevant requirements and conditions for the registration in the Catalogue. The directors of the Company are confident that the Group's operating solar power plant is able to be registered in the Catalogue in due course and the accrued revenue on tariff subsidies is fully recoverable upon the allocation of funds from the PRC government.

(ii) All balances due are unsecured, interest-free and repayable on demand. 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 of RMB1,134,000 (net of ECL allowance RMB33,419,000) 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.

29. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(iv) The amount represented the receivable balance in respect of the incentive provided by the local government of Nanchang City, Jiangxi Province, the PRC to support the business development of LED industry in the PRC and was fully settled during the year ended 31 December 2020.

(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 bonds payable upon the maturity of the corporate bond. As set out in Note 43, 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 2021. As at 31 December 2020, loss allowance of RMB3,468,000 was recognised in profit or loss (2019: Nil).

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

(vii) As at 31 December 2020, the amount included consideration receivable from the disposal of the 11 Target Companies and the 6 Target Companies amounting to RMB213,245,000 (net of impairment loss allowance of RMB70,276,000). As at 31 December 2019, the amount represented consideration receivables in relation to the disposal of subsidiaries in 2016. The amount was non-trade in nature, unsecured, interest-free and repayable within one year.

(viii) As at 31 December 2020, the amount included consideration receivable from the deemed disposal of Jinta Wancheng amounting to RMB21,940,000 (net of impairment loss allowance of RMB1,339,000).

The following is an ageing 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 at the end of the reporting period.

	2020 **RMB'000**	2019 RMB'000
0 to 30 days	**96,713**	102,050
31 to 60 days	**78,312**	72,544
61 to 90 days	**79,299**	69,398
91 to 180 days	**145,519**	212,942
Over 180 days	**995,004**	1,059,834
	1,394,847	1,516,768

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2019: 180 days) to certain trade customers on a case by case basis.

The Group's trade receivables and accrued revenue on tariff subsidies from the sales of electricity are mainly receivables from the state grid companies. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, representing 37% to 91% in 2020 (2019: 37% to 92%) of total electricity sales, which is subject to settlement by state grid companies upon finalisation of the allocation of funds by relevant government authorities to the state grid companies.

29. TRADE AND OTHER RECEIVABLES (Continued)

Pursuant to the Tariff Notice, a set of standardised procedures for the settlement of the tariff subsidies has come into force since 2013 and approvals for the registration in the Catalogue on a project-by-project basis are required before the allocation of funds to the state grid companies, which then would make settlement to the Group.

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

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

	2020 **RMB'000**	2019 RMB'000
0 to 30 days	**68,383**	60,888
31 to 60 days	**45,141**	26,477
61 to 90 days	**38,328**	12,551
91 to 180 days	**37,232**	28,095
Over 180 days	**27,113**	170,827
	216,197	298,838

Details of ECL loss allowance relating to trade receivables are set out in Note 51(b).

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

	2020 **RMB'000**	2019 RMB'000
USD	**22,315**	5,367
HKD	**880**	27,242

30. RECEIVABLES AT FVTOCI

Receivables at FVTOCI comprise:

	2020	2019
	RMB'000	RMB'000
Bills receivables aged within 6 months based on the issue dates of bills receivables	**9,527**	17,069

The balance represents bills receivables issued by state-owned banks held by the Group and is measured at FVTOCI, since the bills receivables are held within the business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and the contractual cash flows are solely payments of principal and interest on the principal amount outstanding.

31. TRANSFERS OF FINANCIAL ASSETS

The Group has discounted certain bills receivables to banks and transferred certain bills receivables to its suppliers to settle its payables through endorsing the bills to its suppliers, both with full recourse basis. The Group has derecognised these bills receivables and the payables to suppliers in their entirety as in the opinion of the directors of the Company, the Group has transferred substantially all the risks and rewards of ownership of these bills and has discharged its obligation of the payables to its suppliers under the relevant PRC practice, rule and regulations. In the opinion of the directors of the Company, the Group has limited exposure in respect of the settlement obligation of these bills receivable under relevant PRC rules and regulations should the issuing banks fail to settle the bills on maturity date. The Group considered the issuing banks of the bills are of good credit quality and the non-settlement of these bills by the issuing banks on maturity is remote.

As at 31 December 2020, the Group's maximum exposure to loss and cash outflow, which is same as the amount payable by the Group to collecting banks or the suppliers in respect of the bank issued bills endorsed, should the issuing banks fail to settle the bills on maturity date, of which amounted to RMB209,404,000 (2019: RMB157,702,000).

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

32. PREPAYMENTS TO SUPPLIERS

As at 31 December 2020, prepayments to suppliers included advance of RMB33,232,000 (2019: RMB18,890,000) to certain suppliers as deposits for raw material purchases. The entire amount is expected by management of the Group to be utilised within the next twelve months after the end of the reporting period.

33. AMOUNTS DUE FROM THE RELATED PARTIES

	Maximum amount outstanding during the year RMB'000	2020 RMB'000	2019 RMB'000
Consideration receivables arising from the disposal of the Disposal Group (Notes i and 50)	**1,654,328**	**1,551,086**	1,654,328
Loan advanced to related parties (Note ii)	**346,784**	**81,041**	346,784
Trade receivables (Note iii)	**N/A**	**4,980**	3,473
Less: Loss allowance	**N/A**	**(306)**	(172)
		1,636,801	2,004,413

Notes:

(i) As at 31 December 2020, the amount included RMB1,551,086,000 (net of ECL allowance of RMB101,365,000) (2019: RMB1,654,328,000 (net of ECL allowance of RMB90,672,000)), representing the consideration receivable from Asia Pacific Resources arising from disposal of the Disposal Group during the year ended 31 December 2019 as disclosed in Note 50.

(ii) As at 31 December 2020, the amount included RMB81,041,000 (net of ECL allowance of RMB5,296,000) (2019: RMB346,784,000, net of ECL allowance of RMB13,596,000), representing the loan advanced to the subsidiaries included in the Disposal Group, which was now indirectly and wholly owned by Mr. Cheng, a substantial of shareholder of the Company. The amounts due were unsecured, interest-free, and repayable within one year.

(iii) As at 31 December 2020, the amount included RMB4,674,000, net of ECL allowance of RMB306,000 (2019: RMB3,301,000, net of ECL allowance of RMB172,000), arising from the supply and the sales of electricity to the subsidiaries included in the Disposal Group, generated from the Group's roof-top solar power plant, which was trade related, unsecured and interest-free, and the credit period granted by the Group to the related party was 180 days. Balance as at 31 December 2020 and 2019 was all aged within 180 days based on the electricity transmitted date.

Details of impairment assessment of amounts due from the related parties are set out in Note 51(b).

34. RESTRICTED BANK DEPOSITS/BANK BALANCES AND CASH

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

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

	2020	2019
Interest rate:		
Fixed rate	**0.55%–2.00%**	0.50%–2.00%
Variable rate	**0.00%–0.35%**	0.00%–0.35%

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

Bank balances carry interest at market rates ranging from 0.00% to 0.35% (2019: 0.00% to 0.35%) per annum.

For the year ended 31 December 2020, the Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no loss allowance is provided.

Details of impairment assessment of restricted bank deposits are set out in Note 51(b).

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

	2020 **RMB'000**	2019 RMB'000
USD	**216**	10,376
HKD	**3,026**	3,942
EUR	**117**	14
JPY	**1**	1

Certain bank balances and cash and restricted bank deposits of the Group of approximately RMB251,334,000 (2019: RMB143,225,000) were denominated in RMB which is not freely convertible currency in the international market. The exchange of RMB is determined by the Government of the PRC and the remittance of these funds out of the PRC is subject to exchange restriction imposed by the Government of the PRC.

35. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables	**95,125**	121,280
Bills payables	**18,740**	–
Payables for acquisition of property, plant and equipment	**11,073**	17,542
Payables for EPC of solar power plants (Note i)	**374,036**	1,276,421
Other tax payables	**41,528**	19,331
Amounts due to independent third parties (Note ii)	**1,372**	21,740
Accrued expense	**535,717**	495,701
Accrued payroll and welfare	**50,272**	21,668
Consideration payable for previous acquisition of subsidiaries (Note iii)	**10,525**	14,497
Others	**3,266**	13,111
	1,141,654	2,001,291

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 2020 and 2019, the amounts due were non-trade in nature, unsecured, interest-free and repayable on demand.

(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.

35. TRADE AND OTHER PAYABLES (Continued)

The credit period on purchases of goods is 0 to 180 days (2019: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis. The following is an ageing analysis of the trade payable presented based on the invoice date at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
0 to 30 days	38,081	37,802
31 to 60 days	12,325	18,547
61 to 90 days	4,999	14,993
91 to 180 days	3,332	26,725
Over 180 days	36,388	23,213
	95,125	121,280

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

	2020 RMB'000	2019 RMB'000
0 to 30 days	18,740	–

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

	2020 RMB'000	2019 RMB'000
USD	11,609	17,392
HKD	–	11,765

36. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Amounts received in advance of:		
– Sales of LED Products	**12,826**	12,510

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

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

Revenue recognised that was included in the contract liabilities balance (including both continuing and discontinued operations) at the beginning of the year:

	2020 RMB'000	2019 RMB'000
Sales of goods (including Solar Products and LED Products)	**6,491**	280,199
Provision of Plant Operation and Services	**–**	2,180
	6,491	282,379

37. AMOUNTS DUE TO THE RELATED PARTIES

Analysed for reporting purpose as:

	2020 RMB'000	2019 RMB'000
Loan advanced from the Disposal Group	**1,651,233**	2,224,930

As at 31 December 2020 and 2019, except for the unsecured balance of RMB10,000,000 carried at fixed interest rate of 6% per annum and repayable on demand, the remaining balance due to the Disposal Group, which is now indirectly and wholly-owned by Mr. Cheng, a substantial shareholder of the Company, were non-trade in nature, unsecured, interest-free and repayable on demand.

38. LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities payable:		
Within one year	**17,194**	19,940
Within a period of more than one year but not more than two years	**4,930**	1,654
Within a period of more than two years but not more than five years	**4,694**	4,749
Within a period of more than five years	**6,067**	7,141
	32,885	33,484
Less: Amount due for settlement with 12 months shown under current liabilities	**(17,194)**	(19,940)
Amount due for settlement after 12 months shown under non-current liabilities	**15,691**	13,544

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2020 RMB'000	2019 RMB'000
HKD	**6,646**	1,139

39. PROVISIONS

	Warranty provision RMB'000 (Note a)	**Financial guarantee** RMB'000 (Note b)	**Total** RMB'000
At 1 January 2019	742,648	276,841	1,019,489
ECLs recognised	–	4,071	4,071
Reversal of ECL	–	(115,657)	(115,657)
Provision for the year	48,124	16,714	64,838
Utilisation of provision	(15,910)	–	(15,910)
Exchange adjustments	2,097	3,255	5,352
Eliminated on disposal of the Disposal Group (Note 50)	(776,959)	(8,124)	(785,083)
At 31 December 2019	–	177,100	177,100
ECLs recognised	**–**	**9,000**	**9,000**
Provision for the year	**–**	**16,768**	**16,768**
Reversal of ECL	**–**	**(3,022)**	**(3,022)**
Exchange adjustments	**–**	**(12,200)**	**(12,200)**
At 31 December 2020	**–**	**187,646**	**187,646**

39. PROVISIONS (Continued)

Notes:

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

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

Warranty provision was eliminated in full upon the completion of the disposal of the Disposal Group on 30 September 2019.

(b) During the year ended 31 December 2019,

(i) additional ECL of RMB4,071,000 was recognised in relation to a financial guarantee contract provided by Shunfeng Photovoltaic Investment (China) Co., Ltd ("Shunfeng Investment") to an independent third party due to the increase in credit risk, while a reversal of RMB13,270,000 was recognised as certain outstanding borrowing had been settled by the third party.

(ii) the Group made further provision of USD2,424,000 (equivalent to RMB16,714,000) relating to the additional outstanding interest expense that the Group was obliged to settle for Suniva followed by a reversal of USD14,851,000 (equivalent to RMB102,387,000) was recognised as certain outstanding borrowings had been settled by Suniva.

(iii) RMB8,124,000 in respect of financial guarantee provided to an independent third party was fully eliminated along with the completion of the disposal of the Disposal Group on 30 September 2019.

During the year ended 31 December 2020,

(i) additional ECL of RMB9,000,000 was recognised in relation to the financial guarantee provided by Shunfeng Investment to an independent third party due to increase of credit risk.

(ii) the Group made further provision of USD2,431,000 (equivalent to RMB16,768,000) relating to the additional outstanding interest expense that the Group was obligated to settle for Suniva followed by a reversal of USD438,000 (equivalent to RMB3,022,000) as certain outstanding borrowing had been settled by Suniva

As at 31 December 2020, the amounts represented:

- Financial guarantee contracts of RMB9,000,000 (2019: Nil) provided by Shunfeng Investment to an independent third party for the overdue bank borrowings; and

- Financial guarantee contracts in respect of Suniva's bank borrowing and the outstanding accumulated accrued interest expenses of USD15,152,000 (equivalent to RMB98,863,000) (2019: USD15,590,000 (equivalent to RMB108,757,000)) and USD12,228,000 (equivalent to RMB79,783,000) (2019: USD9,797,000 (equivalent to RMB68,343,000)) respectively. The Company provided financial guarantee for Suniva. In light of loss incurred, Suniva declared bankruptcy as at the year ended 31 December 2017. The Company made full provision on the financial guarantee in respect of Suniva's additional bank borrowing and the outstanding accumulated accrued interest expenses which carried interest at 7% per annum.

Details of the loss allowance for financial guarantee contracts are set out in Note 51(b).

40. BANK AND OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings	**1,349,844**	2,803,337
Other borrowings	**4,090,131**	4,523,906
	5,439,975	7,327,243
Secured and guaranteed	**2,360,233**	2,404,824
Secured and unguaranteed	**2,785,183**	4,376,965
Unsecured and guaranteed	**–**	30,000
Unsecured and unguaranteed	**294,559**	515,454
	5,439,975	7,327,243
Fixed-rate borrowings	**3,004,218**	4,280,228
Variable-rate borrowings	**2,435,757**	3,047,015
	5,439,975	7,327,243
Carrying amount repayable:		
Within one year (Note (k))	**2,763,746**	4,583,876
More than one year, but not exceeding two years	**682,372**	365,946
More than two years, but not exceeding five years	**1,226,331**	1,350,833
More than five years	**767,526**	1,026,588
	5,439,975	7,327,243
Less: amounts due within one year shown under current liabilities (Note (j))	**(3,219,869)**	(5,097,942)
Amounts shown under non-current liabilities	**2,220,106**	2,229,301

40. BANK AND OTHER BORROWINGS (Continued)

More analysis on the bank and other borrowings as at 31 December 2020 and 2019:

Bank and other borrowings	Principal amount in original currency				Current liabilities		Non-current liabilities		Overdue amounts included in current liabilities as at 31 December	Overdue amounts up to the date of approval of these consolidated financial statements	Notes
	Original currency 2020		Original currency 2019		RMB equivalents		RMB equivalents				
	HKD'000	RMB'000	HKD'000	RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	RMB'000	
Major creditors											
Sino Alliance	1,200,000	-	1,300,000	-	1,009,920	1,164,540	-	-	336,640	976,256	(a)
CMBC-HK	780,000	-	980,000	-	252,480	877,884	403,968	-	-	-	(b)
Chongqing Trust	-	666,000	-	666,000	666,000	666,000	-	-	666,000	666,000	(c), (h)
Bondholders A (as defined in Note 42(d))	350,000	-	564,250	-	294,560	505,455	-	-	294,560	-	(d)
True Bold	171,690	-	189,690	-	144,495	169,923	-	-	144,495	144,495	(e)
JIC	-	-	-	490,000	-	490,000	-	-	-	-	(f)
Consideration receivables in advance from Chongqing Future	-	33,484	-	33,484	33,484	33,484	-	-	33,484	33,484	(g), (h)
Sub-total	2,501,690	699,484	3,033,940	1,189,484	2,400,939	3,907,286	403,968	-	1,475,179	1,820,235	
- held by group entities with solar power generation business	-	2,615,068	-	3,275,456	798,930	1,046,155	1,816,138	2,229,301	29,534	38,582	(h)
- held by the Lattice Power Group	-	20,000	-	144,501	20,000	144,501	-	-	20,000	14,000	(i)
Subtotal	-	2,635,068	-	3,419,957	818,930	1,190,656	1,816,138	2,229,301	49,534	52,582	
					3,219,869	5,097,942	2,220,106	2,229,301	1,524,713	1,872,817	

40. BANK AND OTHER BORROWINGS (Continued)

Notes:

(a). As at 31 December 2016, included in the other borrowings was a borrowing of HKD2,500,000,000 advanced from Sino Alliance, which earned interest at 8.5% per annum and originally matured on 21 December 2018.

Upon the disposal of the Disposal Group in 2019, amounting to HKD1,200,000,000 was assumed by Asia Pacific Resources as part of the consideration. In addition, a supplementary agreement entered into among the Group, Asia Pacific Resources, Mr. Cheng 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 proposed disposal of the 11 Target Companies, whichever is higher, to be settled on 31 December 2019 or 30 business days after completion of the disposals, 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 6 Target Companies and Possible Disposals of Further Solar Power Plants), if any and whichever is earlier.

As at 31 December 2019, the balance was HKD1,300,000,000 (equivalent to RMB1,164,540,000).

During the year ended 31 December 2020, total principal amount of HKD100,000,000 (equivalent to RMB88,968,000) has been settled. As at 31 December 2020, total principal amount of HKD1,200,000,000 (equivalent to RMB1,009,920,000 was due.

The total principal amount of HKD40,000,000 (equivalent to RMB33,664,000) has been settled subsequent to the end of the reporting period and up to the date of approval of these consolidated financial statements.

Upon continuing negotiation and discussion between management of the Company and Sino Alliance, as of the date of approval of these consolidated financial statements, 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 stand for the Development Plan proposed by management of the Company.

(b). The bank borrowing of HKD980,000,000 advanced from CMBC-HK, which was carried at the aggregate interest rate of 5% plus 3-month HIBOR per annum together with a management fee of 1.5% and advisory fee 1.5% per annum and matured on 21 December 2018 (the "Final Maturity Date"). During the year ended 31 December 2018, a supplemental deed was entered into between the Group and CMBC-HK pursuant to which the maturity of the bank borrowing had been conditionally extended to 20 August 2019 (the "Extended Maturity Date"). In addition, the interest rate charged by CMBC-HK during the extended period was decreased from 5% to 4% per annum while the other terms and conditions remain unchanged.

On 31 October 2019, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its entire 59% of equity interest in Lattice Power Group to CMBC-HK, and CMBC-HK had agreed a further extension of the due dates and the settlement of the outstanding principal of HKD980,000,000 by instalments, including:

(i) an amount of HKD320 million to be settled on or before 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 11 Target Companies or the sales capacity as of the disposal of 11 Target Companies divided by 1,500 megawatts and multiplied by HKD980 million);

(ii) the higher of amount of HKD280 million and 20% of the consideration for the other disposals of solar power plants (including the disposal of 6 Target Companies and Possible Disposals of Further Solar Power Plants) on or before 15 July 2020 or the sales capacity as 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

(iii) the remaining balance to be settled on or before 18 December 2020.

40. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(b). (Continued)

During the year ended 31 December 2020, total principal amount of HKD200,000,000 (equivalent to RMB171,917,000) has been settled. On 31 December 2020, another supplementary agreement was entered into between the Group and CMBC-HK to further extend the due dates, pursuant to which the Group has agreed to additionally pledge its 20% of equity interest in Shunfeng Photovoltaic Holdings Limited to CMBC-HK, and CMBC-HK has agreed a further extension of the due dates and the settlement of the outstanding principal of HKD780,000,000 (equivalent to RMB656,448,000) by instalments, including:

(i) HKD300,000,000 shall be repaid on or before 31 December 2021, with paying HKD75,000,000 per quarter;

(ii) HKD300,000,000 shall be repaid on or before 31 December 2022, with paying HKD75,000,000 per quarter; and

(iii) Remaining HKD180,000,000 shall be repaid on or before 18 December 2023.

As at 31 December 2020, principal amount of HKD300,000,000 (equivalent to approximately RMB252,480,000) and HKD480,000,000 (equivalent to approximately RMB403,968,000) was recognised as current liabilities and non-current liabilities respectively.

(c). The balances of RMB666,000,000 was advanced from Chongqing Trust which was secured by the Group's equity interest in Jiangsu Changshun and Nine Disposal Entities and guaranteed by the Company, carried fixed interest rate of 11% per annum, which was matured on 29 September 2019. Another supplementary agreement was entered into between the Group and Chongqing Trust dated 23 December 2019 to further extend the due date to 30 September 2020, with the terms remains unchanged.

During the year ended 31 December 2020, no settlement was made and the principle balance of RMB666,000,000 was overdue as at 31 December 2020. The Group is currently finalising the extension agreement with Chongqing Trust, management of the Company expects the extension agreement will be signed in April 2021.

(d). The balances of HKD564,250,000 due to the 19 individual bondholders of the Fourth CB (as defined as Bondholders A in Note 42(d)) 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 balances totaling 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 to the Bondholders A had been waived.

On 20 December 2019, total principal balance of HKD564,250,000 (equivalent to RMB505,455,000) was matured, the Group entered into certain supplementary agreements with certain Bondholders A to further extend the due date of total outstanding principal amount 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 RMB26,874,000) was overdue as at 31 December 2019.

During the year ended 31 December 2020, total principal amount of HKD214,250,000 (equivalent to RMB192,507,000) has been settled.

As at 31 December 2020, the balance of HKD350,000,000 (equivalent to RMB294,560,000) was due to one individual bondholder of Fourth CB. On 26 March 2021, the Group entered into an extension agreement with that bondholder to further extend the due dates and the settlement of the outstanding principal of HKD350,000,000 (equivalent to RMB294,560,000) by instalment, including:

(i) HKD87,500,000 shall be repaid on or before 31 May 2021;

(ii) HKD87,500,000 shall be repaid on or before 30 November 2021;

(iii) HKD87,500,000 shall be repaid on or before 31 May 2022; and

(iv) Remaining HKD87,500,000 shall be repaid on or before 30 November 2022.

40. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(e). The borrowing balances of HKD189,690,000 previously converted from the Fifth CB (as defined and detailed in Note 45(e) in the annual report of 2018) subscribed by True Bold upon maturity in 2017 was scheduled to be settled in the following way, according to the amendment agreement dated 29 June 2018:

(i) amount of HKD54,690,000 will be repaid before the year ended 31 December 2018; and

(ii) amount of HKD135,000,000 will be repaid before the year ended 31 December 2019.

Such balance was secured and guaranteed, carried fixed interest rate of 10% per annum.

During the year ended 31 December 2020, total principal amount of HKD18,000,000 (equivalent to RMB16,028,000) was settled. As at 31 December 2020, total principal amount of HKD171,690,000 (equivalent to RMB144,495,000) was overdue.

Upon continuing negotiation and discussion between management of the Company and True Bold, as of the date of approval of these consolidated financial statements, 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 stand for the Development Plan proposed by management of the Company.

(f). As at 31 December 2019, the balance of RMB490,000,000 was advanced from an independent financial institution JIC Trust Co., Ltd* (中建投信託有限公司) (referred as "JIC"), which was secured and carried fixed interest of 10.5% per annum. Such borrowing had been overdue on 16 August 2019 and was included in the current liabilities. JIC lodged a litigation against the 金塔萬晟光電有限公司 (Jinta Wancheng Photovoltaics Co., Ltd#) ("Jinta Wancheng") during the year ended 31 December 2019 for the overdue loan and subsequently Jinta Wancheng received the first-instance judgement from Zhejiang High Court in January 2020. Following the restructuring plan implemented by Intermediate People's Court of Jiu Quan, Jinta Wancheng has been ceased to be a subsidiary of the Group. Further details were set out in Note 50(c).

(g). The balances of RMB33,484,000 in relation to the consideration received in advance, which was secured by the Group's equity interest in Jiangsu Changshun and Nine Disposal Entities and guaranteed by the Company, carried fixed interest rate of 9% per annum, as detailed in Note 32 (iii) in the annual report of 2017.

This balance was overdue and included in current liabilities as at 31 December 2020 and 2019. Management of the Company is under negotiation with management of Chongqing Future and seeking for further extension.

(h). Included in current liabilities as at 31 December 2020 were borrowings in relation to the solar power generation business with principal amounts of RMB729,018,000. Management of the Company assessed that these overdue balances were held by the subsidiaries holding the solar power plants in the PRC, the bank and other borrowings held by these entities will be eventually assumed by the purchasers according to the relevant sale and purchase agreements.

Management of the Company is optimistic that the relevant lenders will also accept in respect of the Possible Disposals of Further Solar Power Plants.

(i). Included in current liabilities as at 31 December 2020 were the borrowings in relation to the business of manufacturing and sales of LED Product with principal amounts of RMB20,000,000 overdue.

Total principal amount of RMB6,000,000 has been settled in cash subsequent to the end of the reporting period and up to the date of approval of these consolidated financial statements. Management of the Company is under negotiation with relevant lenders and seeking for further extension.

40. BANK AND OTHER BORROWINGS (Continued)

Notes: (Continued)

(j). In addition, balance of current liabilities as at 31 December 2020 also included a bank and other borrowings with a carrying amount of RMB1,175,876,000 (2019: RMB514,066,000), of which certain loan covenants had been breached. On discovery of the breach, the directors of the Company informed the lenders and commenced a renegotiation of the terms of the borrowings with the relevant creditors. As at 31 December 2020, those negotiations had not been concluded. Since the lenders had not yet agreed to waive its right to demand immediate payment as at the end of the reporting period, the respective borrowings have been classified as current liabilities, accordingly.

(k). The amounts due within one year were classified to scheduled repayment dates set out in the loan agreements or supplementary extension agreement, and included the balances which had been overdue.

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

	2020	2019
Effective interest rate:		
Fixed rate borrowings	**3.00% to 15.00%**	3.00% to 11.00%
Variable rate borrowings	**3.85% to 8.00%**	3.85% to 8.20%

At 31 December 2020 and 2019, the Group had variable-rate borrowings which carried interest based on the benchmark interest rate issued by the PBOC. Interest was reset every one month, three months or one year.

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

	2020 RMB'000	2019 RMB'000
HKD	**2,105,423**	2,717,802

41. DERIVATIVE FINANCIAL LIABILITIES

	2020 RMB'000	2019 RMB'000
Warrants liabilities arising from previous acquisition of Lattice Power Group	**–**	6,078

Warrants liabilities arising from acquisition of Lattice Power Group

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

41. DERIVATIVE FINANCIAL LIABILITIES (Continued)

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

The exercise price for the Series E Warrants as at 31 December 2019 shall be HKD41.56 (equivalent to RMB37.39) per share, subject to adjustment in the event of changes in the number of shares of Lattice Power Corporation by reason of share dividends, splits, recapitalisations, reclassifications, combinations or exchanges of shares, separations, reorganisations or liquidations. The Series E Warrants shall be exercisable, in whole or in part, during the term from 6 August 2015 to 5 August 2020 and was therefore classified as current liabilities as at 31 December 2019.

For the year ended 31 December 2020, gain on change in fair value of RMB1,293,000 (2019: loss of RMB2,742,000) in respect of these warrant liabilities was recognised in "other gain and losses" in profit or loss.

Series E Warrants were financial liabilities classified and designated as at FVTPL on initial recognition. The fair values of the Series E Warrants were calculated using the Binomial model. The inputs into the model on 31 December 2019 were as follows:

Valuation date	31 December 2019
Applicable share value (RMB)	19.33
Exercise price (RMB)	37.39
Expected volatility	49.60%
Expected life	5.6 year
Risk-free rate	3.19%
Expected dividend yield	0.00%

The applicable share value was estimated based on the estimated share value of Lattice Power Corporation. Expected volatility was determined by using the average annualised historical stock price volatilities of comparable companies as of the valuation date.

The Series E Warrants agreement was expired on 5 August 2020 and a gain on derecognition of derivative financial liabilities of RMB4,785,000 was recognised as "other gain or loss" during the year ended 31 December 2020.

42. CONVERTIBLE BONDS

(a) First CB (as defined below)

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

42. CONVERTIBLE BONDS (Continued)

(a) First CB (as defined below) (Continued)

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

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

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

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

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

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

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

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

On 19 September 2013, the Company signed a supplementary agreement ("Supplementary Agreement") with the holders of the First CB, which modified the original terms of the First CB as follows:

(i) the outstanding amount of the First CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26; and

(ii) the First CB can be converted into ordinary shares of the Company at HKD0.214 using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26 while the principal extinguished upon conversion would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

42. CONVERTIBLE BONDS (Continued)

(a) First CB (as defined below) (Continued)

The First CB was designated as financial liabilities at FVTPL upon initial recognition on 28 February 2013. The First CB was subsequently measured at fair value with changes in fair value recognised in profit or loss up to 19 September 2013. Upon the modification on 19 September 2013 as mentioned above, the original financial liability was extinguished and the fair value of the First CB on 19 September 2013 had been split into liability component and equity conversion component. At modification, the fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond while the equity conversion component was estimated using binomial option pricing model and was included in equity as "convertible bonds equity reserve". The liability component after modification was subsequently measured at amortised costs using the effective interest rate method while the equity conversion component remains in equity until the conversion option is exercised. The effective interest rate of the liability component which was measured at amortised costs was 26.31% per annum.

During the year ended 31 December 2013, principal sum of HKD36,400,000 of the First CB was converted by the bondholder to 170,093,457 ordinary shares of the Company.

During the year ended 31 December 2014, principal sum of HKD47,000,000 of the First CB was converted by the bondholder to 219,626,168 ordinary shares of the Company.

During the year ended 31 December 2015, principal sum of HKD79,400,000 of the First CB was converted by the bondholder to 371,028,037 ordinary shares of the Company.

During the year ended 31 December 2018, principal sum of HKD143,000,000 of the First CB was converted by the bondholder to 668,224,299 ordinary shares of the Company.

The movements of the components of First CB during the years ended 31 December 2020 and 2019 are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds option reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2019	50,176	677,128	727,304
Effective interest expense charged for the year	10,203	–	10,203
At 31 December 2019	60,379	677,128	737,507
Effective interest expense charged for the year	12,927	–	12,927
At 31 December 2020	73,306	677,128	750,434

42. CONVERTIBLE BONDS (Continued)

(a) First CB (as defined below) (Continued)

As at 31 December 2020, the First CB of RMB35,666,000 (2019: RMB35,666,000) was classified as current liability as the early redemption option gives the holder the right to require the Company to redeem 10% (2019: 10%) of the First CB on demand.

(b) Second CB (as defined below)

On 19 August 2013, the Company issued convertible bonds at par to Peace Link with principal amount of HKD930,500,000 (equivalent to RMB738,492,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Second CB"). The Second CB bears fixed interest rate on 8% per annum with interest to be paid annually in arrears at RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26. The Second CB is with a conversion period of 10 years from the issue date and can be converted into ordinary shares of the Company at HKD0.922 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

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

(i) up to 20% of the aggregate amount of the Second CB, i.e. HKD186,100,000, during the period from the first anniversary of the date of issue of the Second CB to the fifth anniversary of the date of issue of the Second CB; and

(ii) up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

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

(i) up to 20% of the aggregate amount of the Second CB, i.e. HKD186,100,000, during the period from the first anniversary of the date of issue of the Second CB to the fifth anniversary of the date of issue of the Second CB; and

(ii) up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

The outstanding Second CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

42. CONVERTIBLE BONDS (Continued)

(b) Second CB (as defined below) (Continued)

The Second CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds equity reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the Second CB is 20.67% per annum.

During the year ended 31 December 2015, principal sum of HKD362,000,000 of the Second CB was converted by the bondholder to 392,624,726 ordinary shares of the Company.

During the year ended 31 December 2016, principal sum of HKD100,000,000 of the Second CB was converted by the bondholder to 108,459,869 ordinary shares of the Company.

The components of the Second CB are set out below:

	Liability component at amortised cost RMB'000	**Convertible bonds option reserve** RMB'000	**Total** RMB'000
Carrying amount at 1 January 2019, 31 December 2019 and 2020	371,825	118,469	490,294

As at 31 December 2020 and 2019, the Second CB of RMB1,710,000 was classified as current liability as the early redemption option gives the holder the right (except for Peace Link has waived such right as detailed below) to require the Company to redeem up to 100% of the aggregate amount of the Second CB during the period from the date after the fifth anniversary of the date of issue of the Second CB to the Second CB Maturity Date.

Meanwhile, as at 31 December 2020 and 2019, the Second CB of RMB370,115,000 was classified as non-current liability as the Group has obtained intention letter from Peace Link, one of the convertible bondholders of the Second CB, which expressed its consent not to exercise the right to early redemption for a period of 12 months from the end of the reporting period.

42. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below)

On 16 April 2014, the Company issued convertible bonds at par to Peace Link and other independent third parties with aggregate principal amount of HKD3,580,000,000 (equivalent to RMB2,841,270,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Third CB"). The Third CB bears no interest with a conversion period of 10 years from the issue date and can be converted into ordinary shares of the Company at HKD3.58 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, rights issue and other equity or equity derivative issues. The principal extinguished upon conversion and the corresponding unpaid interest to be distributed would be calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

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

(i) up to 20% of the aggregate amount of the Third CB, i.e. HKD716,000,000, during the period from the first anniversary of the date of issue of the Third CB to the fifth anniversary of the date of issue of the Third CB; and

(ii) up to 100% of the aggregate amount of the Third CB during the period from the date after the fifth anniversary of the date of issue of the Third CB to the Third CB Maturity Date.

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

(i) up to 20% of the aggregate amount of the Third CB, i.e. HKD716,000,000, during the period from the first anniversary of the date of issue of the Third CB to the fifth anniversary of the date of issue of the Third CB; and

(ii) up to 100% of the aggregate amount of the Third CB during the period from the date after the fifth anniversary of the date of issue of the Third CB to the Third CB Maturity Date.

The outstanding Third CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The Third CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds option reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the Third CB is 21.31% per annum.

During the year ended 31 December 2014, principal sum of HKD1,432,000,000 of the Third CB was converted by the bondholder to 400,000,000 ordinary shares of the Company.

42. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below) (Continued)

The movements of the components of the Third CB during the years ended 31 December 2020 and 2019 are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds option reserve RMB'000	Total RMB'000
Carrying amount at 1 January 2019	612,723	904,971	1,517,694
Effective interest expense charged for the year	109,181	–	109,181
Waiver of the Third CB held by Peace Link (Note b)	(652,693)	(820,718)	(1,473,411)
At 31 December 2019	69,211	84,253	153,464
Effective interest expense charged for the year	14,797	–	14,797
At 31 December 2020	84,008	84,253	168,261

Notes:

(a) Subsequently on 1 September 2014, each of the Third CB holders issued a commitment confirmation letter to the Company individually and confirmed that they would not exercise the early redemption right but retain the share conversion right till the Third CB Maturity Date. A deed of undertaking had also been subsequently drawn up and entered into by each of the Third CB holders confirming that all of them hereby irrevocably undertook to the Company that they would comply with the terms of the commitment confirmation letter, with effect from 1 September 2014.

Upon receipt of the commitment confirmation letter and the deed of undertaking from each of the Third CB holders on 1 September 2014, the directors of the Company considered that the expected future cash flows of the Third CB had been changed and the original estimate of the amortisation period on the basis of the earliest date on which the entity can be required to pay (i.e., for a shorter period of 1 year and 5 years for the 20% and the remaining 80% of the aggregate amount of the Third CB, respectively) was no longer appropriate, and revised the estimate of the amortisation period till Third CB Maturity Date (i.e., for a period of 10 years) accordingly.

The liability component of the Third CB was therefore re-measured on 1 September 2014 by discounting the revised estimated cash flows at the Third CB's original effective interest rate, and resulted in a change in carrying amount of the liability component of the Third CB by RMB992,024,000, which required the adjustment to be recognised in the profit or loss for the year ended 31 December 2014 in accordance with IAS 39.

42. CONVERTIBLE BONDS (Continued)

(c) Third CB (as defined below) (Continued)

Notes: (Continued)

(b) In 2019, Peace Link, one of the bondholders and a company beneficially owned by Mr. Cheng, has entered into a legally binding deed of waiver and undertaking in favour of the Company, pursuant to which Peace Link, conditional upon completion of the disposal of the Disposal Group, agreed to waive the repayment and redemption obligations of the Company in respect of principal amount of HKD1,948,000,000 (equivalent to RMB1,546,032,000) of the Third CB held by Peace Link for no consideration. The Third CB originally will be matured on 15 April 2024. The waiver of the Third CB had became effective since 14 October 2019.

As a result, the carrying amount of the Third CB of RMB652,693,000 has been derecognised and credited to special reserve as deemed capital contribution from the shareholder with the corresponding convertible bonds equity reserve of RMB820,718,000 reclassified to the accumulated deficits.

(c) The balance represented the remaining principal balance of HKD200 million of the Third CB held by Mr. Cheng.

(d) Fourth CB (as defined below)

On 16 June 2014, the Company issued convertible bonds at par to independent third parties with aggregate principal amount of HKD2,137,230,000 (equivalent to RMB1,696,214,000 as calculated using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26) ("Forth CB"). The Forth CB bears interest rate of 4% per annum with interest to be paid semi-annually in arrears at RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26. The Forth CB is with a conversion period of 5 years from the issue date and can be converted into ordinary shares of the Company at HKD10.0 with pre-determined fixed rate of exchange of RMB1.00 to HKD1.26, subject to the anti-dilution adjustments and certain events such as share consolidation, share subdivision, capitalisation issue, capital distribution, right issue and other equity or equity derivative issues.

The holders of the Fourth CB has the right to require the Company and the Company has the right to redeem the Fourth CB at an amount equals to the principal amount of the Fourth CB on the fifth anniversary of the date of issue of the Fourth CB.

The Forth CB would be redeemed or repaid in RMB using pre-determined fixed rate of exchange of RMB1.00 to HKD1.26.

The Fourth CB contained two components, liability and equity elements. The initial fair value of the liability component and the equity conversion component was determined based on the net proceeds at issuance. The fair value of the liability component was calculated by using a market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, was included in equity as "convertible bonds equity reserve". The liability component was subsequently measured at amortised cost using the effective interest rate method. The effective interest rate of the Fourth CB is 19.72% per annum.

During the year ended 31 December 2014, principal sum of HKD426,730,000 of the Fourth CB was converted by the bondholder to 42,673,000 ordinary shares of the Company.

During the year ended 31 December 2015, principal sum of HKD842,000,000 of the Fourth CB was converted by the bondholder to 84,200,000 ordinary shares of the Company.

42. CONVERTIBLE BONDS (Continued)

(d) Fourth CB (as defined below) (Continued)

The movements of the components of the Fourth CB during the year ended 31 December 2019 are set out below:

	Liability component at amortised cost RMB'000	Convertible bonds option reserve RMB'000	Total RMB'000
At 1 January 2019	644,496	329,922	974,418
Effective interest expense charged for the year	58,575	–	58,575
Follow up arrangement included:			
Coupon interest paid during the year	(13,786)	–	(13,786)
Reclassification/Settlement upon Maturity date (as detailed in Note (c) below)	(689,285)	(329,922)	(1,019,207)
At 31 December 2019 and 2020	–	–	–

During the year ended 31 December 2019, the outstanding principal sum of HKD868,500,000 (equivalent to RMB689,285,000) with 21 bondholders (who are independent third parties of, and not connected with the Company) of the Fourth CB, together with the unpaid interest of HKD17,370,000 (equivalent to RMB13,786,000), totalling HKD885,870,000 (equivalent to RMB703,071,000) was matured on 15 June 2019 ("Maturity Date"). The follow up arrangement are set out as follows:

(a) The Company has fully paid the entire outstanding interest payable of HKD17,370,000 (equivalent to RMB15,294,000) to all bondholders on Maturity Date;

(b) In respect of outstanding principal balance of HKD828,500,000 (equivalent to RMB657,540,000), the Company entered into loan agreements and settlement agreements with 19 bondholders (the "Bondholders A") on 15 June 2019 for the extension of aggregated unpaid principal of totalling HKD564,250,000 (equivalent to RMB496,800,000) with an 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 and any interests payable to Bondholders A will be waived by the Company. Upon the follow up agreements, the Company has fully repaid Bondholders A with principal amount of HKD264,250,000 (equivalent to RMB228,582,000) during the year ended to 31 December 2019.

(c) In respect of outstanding principal balance of HKD40,000,000 (equivalent to RMB31,745,000), the Company agreed to repay the outstanding Fourth CB in full to the remaining 2 bondholders (the "Bondholders B") upon Maturity Date and has been fully repaid prior to 31 December 2019.

42. CONVERTIBLE BONDS (Continued)

(d) Fourth CB (as defined below) (Continued)

The follow up arrangement of the Fourth CB during the year ended 31 December 2019 are set out below:

	Principal		Coupon interest payable		Total	
	(Original currency) HKD'000	(RMB equivalent) RMB'000	(Original currency) HKD'000	(RMB equivalent) RMB'000	(Original currency) HKD'000	(RMB equivalent) RMB'000
Total amount outstanding on Maturity Date	868,500	689,285	17,370	13,786	885,870	703,071
Bondholders A	828,500	657,540	16,570	13,151	845,070	670,691
Bondholders B	40,000	31,745	800	635	40,800	32,380
Less: reclassify to other borrowings during 2019	(564,250)	(496,800)	–	–	(564,250)	(496,800)
Bondholders A	(564,250)	(496,800)	–	–	(564,250)	(496,800)
Bondholders B	–	–	–	–	–	–
Less: amount paid to bondholders during 2019	(304,250)	(262,932)	(17,370)	(15,294)	(321,620)	(278,226)
Bondholders A	(264,250)	(228,582)	(16,570)	(14,590)	(280,820)	(243,172)
Bondholders B	(40,000)	(34,350)	(800)	(704)	(40,800)	(35,054)
Exchange realignment	–	70,447	–	1,508	–	71,955
Total amount as at 31 December 2019 and 2020	–	–	–	–	–	–

Liability components in respect of all the convertible bonds issued by the Company analysed for reporting purpose as:

	2020 RMB'000	2019 RMB'000
Within one year classified as current liabilities	**37,376**	37,376
In more than one year but not more than two years	**370,115**	370,115
In more than two years but not more than five years	**121,648**	93,924
Total non-current liabilities	**491,763**	464,039
	529,139	501,415

43. BOND PAYABLES

	2020 **RMB'000**	2019 RMB'000
Analysed for reporting purpose:		
Current liabilities	**618,363**	824,778

As at 31 December 2019, an aggregate amount of arrangement fee totalling RMB685,000 was included in the balance of bonds payable, and will be released to profit or loss as finance costs using the effective interest method over the bond period.

The proceeds from the bonds payable issued was used to finance the acquisition of property, plant and equipment, capital expenditure on solar power plants, and to fund working capital for general operation.

2015 Corporate Bond

On 10 November 2015, Shunfeng Investment, a subsidiary of the Group, issued a 3-year corporate bond at par to certain independent third parties in the principal amount of RMB550,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.8% per annum, and with the maturity date on 10 November 2018.

On 10 November 2018, the outstanding principal sum of RMB550,000,000 of the 3-year corporate bond, together with the unpaid interest of RMB42,900,000, totalling RMB592,900,000 was matured, and the Group had repaid all interest of RMB42,900,000 to the bondholders. In addition, the Group had entered into a supplementary agreement with the bondholders, to extend the maturity date of the corporate bond to 9 November 2019, carried fixed interest rate of 7.8%.

As at 31 December 2019, the outstanding principal of RMB550,000,000 and unpaid interest of RMB49,012,000 had been overdue.

During the year ended 31 December 2020, total principal amount of RMB187,100,000 has been settled.

As at 31 December 2020, the outstanding principal amount of RMB362,900,000 and unpaid interest of RMB47,097,000 was overdue.

Management of the Company 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 that a sufficient amount of proceed from the disposal of solar power plants held by the Group will be received by the Group.

43. BOND PAYABLES (Continued)

2016 Corporate Bond

In addition, on 22 June 2016, Shunfeng Investment issued a 2-year corporate bond at par to certain independent third parties in the principal amount of RMB450,000,000 and to Wuxi Suntech Power Co., Ltd, another subsidiary of the Group, in the principal amount of RMB50,000,000. The corporate bond is unsecured but guaranteed by the Company, carried fixed interest of 7.7% per annum, and with the maturity date on 22 June 2018. During the year ended 31 December 2017, principal amount of RMB20,000,000 of the corporate bond held by Wuxi Suntech Power Co., Ltd was transferred at par value to an independent financial institution.

On 22 June 2018, the outstanding principal sum of RMB500,000,000 of the 2-year corporate bond, together with the unpaid interest of RMB38,500,000, totalling RMB538,500,000 was matured. The Group has repaid an aggregate settlement of RMB194,500,000 (including the principal sum of RMB156,000,000 and interest of RMB38,500,000). Then the Group has entered into a supplementary agreement with the bondholder during the year ended 31 December 2018 and has agreed with the bondholder by the following ways of settlement:

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

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

During the year ended 31 December 2018, the first instalment of RMB60,000,000 was fully settled subsequent to the extension. During the year ended 31 December 2019, only partial settlement in the principal amount of RMB8,537,000 and interest of RMB11,463,000 in respect of the second instalment was made by the Group. The Group and the bondholder had entered into another supplementary agreement dated 25 April 2019 to further extend the due dates to 25 April 2020.

On 25 April 2020, the Group had entered into an extension agreement with the bondholder agreed conditionally to extend the due date to the time that a sufficient amount of consideration received by the Group from the disposal of the 11 Target Companies or on or before 25 October 2020, whichever is earlier.

During the year ended 31 December 2020, total principal amount of RMB20,000,000 has been settled. On 25 October 2020, the Group had entered into an extension agreement with the bondholder agreed conditionally to further extend the due date of outstanding principal of RMB255,463,000 to 25 April 2021.

As at 31 December 2020, the outstanding principal of RMB255,463,000 carried interest rate of 7.7% per annum was secured by a security deposit of RMB107,000,000 (2019: RMB107,000,000) as detailed in Note 29 and the interest of RMB42,241,000 was still outstanding (2019: RMB21,458,000) and had been overdue.

44. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon for the years ended 31 December 2020 and 2019:

	Write-down of inventories	Allowance for receivables	Deferred income	Valuation of long-term assets	Provision for warranty costs	Tax losses	Impairment and accelerated depreciation relating to property, plant and equipment	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note)	RMB'000
At 1 January 2019	7,217	1,226	4,844	(37,392)	24,780	9,757	7,569	37,545	55,546
Exchange adjustments	–	–	–	2,129	–	–	–	83	2,212
Eliminated on disposal of subsidiaries (Note 50)	(7,160)	(1,226)	(3,332)	31,805	(17,303)	–	–	(50,243)	(47,459)
Credited/(Charged) to profit or loss	(57)	–	(1,512)	(194)	(7,477)	(9,757)	(7,569)	12,615	(13,951)
At 31 December 2019	–	–	–	(3,652)	–	–	–	–	(3,652)
Credited to profit or loss (Note 15)	–	–	–	97	–	–	–	–	97
At 31 December 2020	–	–	–	(3,555)	–	–	–	–	3,555

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

As at 31 December 2020, the Group has unrecognised tax losses of RMB951,402,000 (2019: RMB1,042,099,000) available for offset against future profits, which will expire from each of the year 2021 to 2030 (2019: 2020 to 2029). No deferred tax asset has been recognised in respect of above tax losses due to the unpredictability of future profit streams.

As at 31 December 2020, the Group has deductible temporary differences of RMB1,790,914,000 (2019: RMB2,478,723,000) not recognised as deferred tax assets as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

44. DEFERRED TAX LIABILITIES (Continued)

Under the Law of the People's Republic of China on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at 31 December 2020, deferred tax has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB54,820,000 (2019: RMB298,596,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

45. SHARE CAPITAL

Authorised:

	Number of shares	Amount
		HKD
At 1 January 2019, 31 December 2019 and 2020		
– Ordinary shares of HKD0.01 each	10,000,000,000	100,000,000

Issued and fully paid:

	Number of shares	Amount
		HKD
At 1 January 2019, 31 December 2019 and 2020	4,982,375,490	49,823,755

	2020	2019
	RMB'000	RMB'000
Presented in the consolidated financial statements as	**40,756**	40,756

46. NON-CONTROLLING INTERESTS

	2020 RMB'000	2019 RMB'000
At 1 January	**1,453,733**	1,384,425
Profit and total comprehensive income for the year	**50,783**	16,695
Recognition of share-based payment of Lattice Power Group	**–**	4,025
Transfer of profit for the year in relation to Jiangsu Changshun and Nine Disposal Entities to non-controlling interests (Note 5(i)(e))	**52,920**	48,588
At 31 December	**1,557,436**	1,453,733

The table below shows details of the non wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of Subsidiary	Principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020** **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000
Jiangsu Changshun and Nine Disposal Entities	The PRC	**100%**	100%	**52,920**	48,588	**1,304,461**	1,264,224
Lattice Power Group	The PRC	**41%**	41%	**50,659**	16,843	**252,975**	202,192

46. NON-CONTROLLING INTERESTS (Continued)

Summarised financial information in respect of Jiangsu Changshun and Nine Disposal Entities and Lattice Power Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangsu Changshun and Nine Disposal Entities	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**1,324,581**	1,195,426
Non-current assets	**1,120,748**	1,210,933
Current liabilities	**(830,252)**	(802,030)
Non-current liabilities	**(310,616)**	(340,105)
Equity attributable to owners of the Company (Note)	**–**	–
Non-controlling interests	**1,304,461**	1,264,224

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**181,191**	187,173
Cost of sales	**(98,891)**	(98,557)
Other income	**78**	113
Expenses	**(29,458)**	(25,208)
Profit for the year	**52,920**	63,521
Profit and total comprehensive income attributable to owners of the Company	**–**	–
Profit attributable to non-controlling interests	**52,920**	63,521
Profit and total comprehensive income for the year	**52,920**	63,521
Dividends paid to non-controlling interests	**–**	–
Net cash inflows from operating activities	**45,090**	150,553
Net cash outflows from investing activities	**(43,680)**	(30,133)
Net cash outflows from financing activities	**(4,439)**	(136,428)
Net cash outflows	**(3,029)**	(16,008)

Note: The legal ownership in respect of the 100% entire equity interest of Jiangsu Changshun and the Nine Disposal Entities will be transferred back to the Group once upon the completion of 1) repayment of the outstanding balance of RMB33,484,000 together with the relevant interest by the Group to Chongqing Future; and 2) repayment of the borrowings of RMB666,000,000 together with the relevant interest by the Group to Chongqing Trust.

46. NON-CONTROLLING INTERESTS (Continued)

Lattice Power Group	At 31 December	
	2020	2019
	RMB'000	RMB'000
Current assets	**513,219**	436,943
Non-current assets	**276,849**	294,949
Current liabilities	**(205,334)**	(295,389)
Non-current liabilities	**(3,577)**	(3,652)
Equity attributable to owners of the Company	**328,182**	146,080
Non-controlling interests	**252,975**	286,771

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue	**561,898**	362,743
Cost of sales	**(321,707)**	(246,243)
Other income (Note)	**34,151**	52,406
Expenses	**(155,156)**	(130,664)
Profit for the year (Note)	**119,186**	38,242
Profit attributable to owners of the Company	**68,527**	22,746
Profit attributable to non-controlling interests	**50,659**	15,496
	119,186	38,242
Other comprehensive income attributable to owners of the Company	**84**	(18)
Other comprehensive income attributable to non-controlling interests	**124**	(12)
Other comprehensive income for the year	**208**	(30)
Total comprehensive income attributable to owners of the Company	**68,611**	22,728
Total comprehensive income attributable to non-controlling interests	**50,783**	15,484
Total comprehensive income for the year	**119,394**	38,212
Dividends paid to non-controlling interests	**–**	–
Net cash inflows from operating activities	**182,968**	94,933
Net cash inflows/(outflows) from investing activities	**43,023**	(44,025)
Net cash outflows from financing activities	**(124,500)**	(15,500)
Effect of foreign exchange rate changes	**–**	(376)
Net cash inflows	**101,491**	35,032

Note: The amounts included the gain of RMB6,262,000 (2019: loss of RMB13,259,000) on changes in fair value of derivative financial liabilities before intragroup eliminations for the year ended 31 December 2020.

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

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in subsidiaries	**1**	1
Amounts due from subsidiaries	**2,209,007**	2,865,285
	2,209,008	2,865,286
Current assets		
Other receivables	**25,587**	26,509
Bank balances and cash	**1,405**	12
	26,992	26,521
Current liabilities		
Bank and other borrowings	**1,105,850**	1,563,412
Convertible bonds	**37,376**	37,376
Other payables	**182,268**	274,104
Provision	**178,646**	177,100
	1,504,140	2,051,992
Net current liabilities	**(1,477,148)**	(2,025,471)
Total assets less current liabilities	**731,860**	839,815
Capital and reserves		
Share capital	**40,756**	40,756
Reserves	**199,341**	335,020
	240,097	375,776
Non-current liability		
Convertible bonds	**491,763**	464,039
	731,860	839,815

47. INFORMATION OF THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

The movement of the Company's reserves has set forth below:

	Share premium RMB'000	Special reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated deficits RMB'000	Total RMB'000
At 1 January 2019	6,076,424	233,968	2,030,490	(5,738,214)	2,602,668
Loss and total comprehensive income for the year	–	–	–	(2,920,341)	(2,920,341)
Impact upon maturity of the Fourth CB	–	–	(329,922)	329,922	–
Waiver of the Third CB	–	652,693	(820,718)	820,718	652,693
At 31 December 2019	6,076,424	886,661	879,850	(7,507,915)	335,020
Loss and total comprehensive income for the year	–	–	–	(135,679)	(135,679)
At 31 December 2020	6,076,424	886,661	879,850	(7,643,594)	199,341

48. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of Lattice Power Group:

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

On 6 August 2015, the date on which Lattice Power Group was acquired by the Group, pursuant to the agreement entered into between the Company and the ESOP Sellers, the Company acquired from the ESOP Sellers 14,280,000 common shares of Lattice Power Corporation, which were converted from 51% of the outstanding options granted (the "51% ESOP Completion").

48. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

The 2006 ESOP was terminated prior to the 51% ESOP Completion but the remaining 49% of the outstanding options, with a total number of 13,720,000 convertible shares in accordance with the original terms according to the 2006 ESOP would continue to be valid after the 51% ESOP Completion ("49% Outstanding Options").

Exercise Price

The exercise price varies depend on the time period when the options were granted:

	From June 2007 to January 2010	From March 2010 to July 2011	From November 2011 to December 2013	From January 2015 to April 2015
Exercise price	USD0.20	USD0.50	USD1.00	USD1.05

Vesting Schedule

Subject to the participant's continued status as employees through each of the applicable vesting dates and to the extent permitted by applicable law, the options are exercisable, in whole or in part, in accordance with the following schedule:

The full vesting period is 4 years since the vesting commencement date. Twenty five percent of the option shall vest on the one year anniversary of the vesting commencement date, and 1/48 of the shares shall vest each month thereafter on the same day of the month as the vesting commencement date, subject to participant continuing to be an employee through each vesting date.

As at 6 August 2015, 4,391,694 options were vested and 9,328,306 options were unvested. The vesting periods of the unvested options are from 7 August 2015 to 30 April 2019.

The exercise periods range from 1 January 2020 to 29 April 2025 and from 1 January 2019 to 29 April 2025 for the options outstanding as at 31 December 2020 and 31 December 2019 respectively. The weighted average remaining contractual terms of options outstanding as at 31 December 2020 is 4.33 years (2019: 5.33 years).

Upon termination as employees (except as provided below), the maximum time to exercise option is 3 months after termination. Upon termination as employees due to disability or death, the maximum time to exercise option is 12 months after termination. The option may only be exercised to shares that have vested as of the date of the participant's termination as a service provider and in no event may the option be exercised after the expiration date. It is the participant's responsibility to exercise the option, if the participant so desires, before it expires or terminates.

48. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

Vesting Schedule (Continued)

The following table discloses movements of the 49% Outstanding Options for the year ended 31 December 2020 and from 6 August 2015 (date of the Group's acquisition of Lattice Power Group) to 31 December 2020:

	Number of options	Weighted average exercise price per option
Outstanding on 6 August 2015	13,720,000	USD0.93
Exercised	1,960	USD0.52
Outstanding on 31 December 2016, 2017, 2018, 2019 and 2020	13,718,040	USD0.93
Exercisable on 31 December 2016	7,857,279	USD0.78
Exercisable on 31 December 2017	10,546,927	USD0.85
Exercisable on 31 December 2018	12,750,037	USD0.88
Exercisable on 31 December 2019	13,718,040	USD0.90
Exercisable on 31 December 2020	13,718,040	USD0.90

As at 6 August 2015, the outstanding share-based payment transactions of Lattice Power Corporation are not exchanged by the Group and are measured at their market-based measure at the acquisition date.

These fair values on 6 August 2015 were calculated using the Binomial model. The inputs into the model were as follows:

	Remeasurement of vested portion	Remeasurement of unvested portion
Applicable share value	RMB30.92	RMB30.92
Exercise price	USD0.20–USD1.05	USD1.00–USD1.05
Expected volatility	49.82%–56.49%	51.73%–56.49%
Expected life	1.82–9.73 years	6.24–9.73 years
Risk-free rate	2.53%–3.43%	3.31%–3.43%
Expected dividend yield	0.00%	0.00%
Expected forfeiture rate	0.00%	0.00%
Total fair value on 6 August 2015	RMB76,402,000	RMB235,295,000

48. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of Lattice Power Group: (Continued)

Vesting Schedule (Continued)

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

Expected volatility was determined by using the average of industry annualised historical stock price volatilities as at 6 August 2015. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The estimations on expected dividend yield and forfeiture rate are based on the historical experience of Lattice Power Corporation.

The fair value of vested portion amounting to RMB76,402,000 are included as part of the non-controlling interest in Lattice Power Corporation. The market-based measure of the unvested portion of RMB34,977,000 is allocated to the non-controlling interest in Lattice Power Corporation based on the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of those share options. The balance of RMB200,318,000 in respect of the unvested portion will be recognised as remuneration cost for post-combination service.

The Group recognised total share-based payment expense of RMB9,934,000 for the year ended 31 December 2019 in relation to the options granted by Lattice Power Corporation.

The Binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate as assisted by an independent professional valuer.

49. ACQUISITION OF ASSETS

On 17 September 2020, the Group acquired 100% of the equity interests in Xinjiang Puxin Cheng Da Energy Technology Co., Ltd.# (新疆普新誠達能源科技有限公司) ("Puxin Cheng Da") at a cash consideration of RMB54,906,000.

Puxin Cheng Da possess the right to payment of tariff subsidies generated from a solar power plant operated by the Group's subsidiary, Wujiaqu Xuyang Photovoltaic Power Generation Co., Ltd ("Wujiaqu Xuyang") since 2015. As at 17 September 2020, an amount of RMB159,395,000 was recorded as tariff receivable in the book of Puxin Cheng Da with respect to sales of electricity from 2015 to the date of acquisition generated by the solar power plant operated by Wujiaqu Xuyang. Management of the Company is of the opinion that such receivable is not recognised in the consolidated financial statements of the Group after acquiring Puxin Cheng Da since this may result in the recognition of income that may never be realised. The Group recognised the sum of RMB10,161,000 received from the state grid companies after the acquisition as other gains since the realisation of income is virtually certain.

As at the date of acquisition, Puxin Cheng Da did not engage in any business or operation. Given the underlying set of assets acquired were not integrated in forming businesses to generate revenue, the directors of the Company are of the opinion that the acquisition was purchase of net assets which did not constitute business combinations for accounting purpose.

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49. ACQUISITION OF ASSETS (Continued)

The identifiable assets and liabilities of Puxin Cheng Da as at the date of acquisition are as follows:

	RMB'000
Assets:	
Property, plant and equipment	42,794
Right-of-use assets	12,749
Receivables at FVTOCI	1,000
Bank balances and cash	26,517
	83,060
Liabilities	
Trade and other payables	(28,154)
Net assets acquired	54,906
Satisfied by:	
Cash consideration	54,906
Net cash outflow arising on acquisition:	
Cash consideration	(54,906)
Less: Cash and cash equivalents acquired	26,517
	(28,389)

50. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2020

(a) Disposal of the 11 Target Companies

As referred to in Note 27, the Group completed the disposal of the 11 Target Companies during the year ended 31 December 2020. The net assets of the 11 Target Companies at the respective disposal dates were as follows:

	RMB'000
Property, plant and equipment	362
Right-of-use assets	87,432
Solar power plants	3,518,553
Other non-current assets	2,169
Value-added tax recoverable	120,092
Trade and other receivables	958,766
Receivables at FVTOCI	6,825
Restricted bank deposits	4,253
Bank balances and cash	814
Trade and other payables	(338,693)
Tax liabilities	(2,535)
Bank and other borrowings	(2,022,184)
Deferred income	(7,461)
Lease liabilities	(50,173)
Impairment loss recognised on asset classified as held for sale as at 31 December 2019	(851,428)
Net assets disposed of	1,426,792
Loss on disposal of subsidiaries included in profit or loss	(31,939)
	1,394,853
Satisfied by:	
Cash consideration	641,420
Dividend payables	196,848
Relevant payables	556,585
	1,394,853
Net cash inflows arising on disposal:	
Cash consideration	641,420
Less: bank balances and cash disposed of	(814)
	640,606

50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

(a) Disposal of the 11 Target Companies (Continued)

In respect of the collection of sales proceed from the disposal of the 11 Target Companies, 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 cash consideration to be payable by ZSEC by four to five tranches and dividends payment to be payable by the relevant Target Companies by two tranches, and the timing and amount of payment of relevant payables 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.

During the year ended 31 December 2020, a substantial portion of total consideration has been settled. Management of the Company expects that remaining amount of the consideration will be received prior to June 2021.

(b) Disposal of the 6 Target Companies

On 16 March 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd# (江西順風光電投資有限公司) ("Jiangxi Shunfeng") and Shanghai Shunneng Investment Co., Ltd# (上海順能投資有限公司) ("Shanghai Shunneng"), two indirect wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements with Zhejiang Zhengtai New Energy Development Co., Ltd. ("Zhengtai") pursuant to which Jiangsu Shunfeng and Shanghai Shunneng have conditionally agreed to sell, and Zhengtai has conditionally agreed to purchase 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), (collectively referred to as the "6 Target Companies"), which owned and operated 6 solar power plants in total in the PRC. The proceeds arising from of the disposal of the 6 Target Companies were RMB509,392,000, comprising the following:

– the cash consideration of approximately RMB181,140,000, to be payable by Zhengtai to the Group by three tranches;

– relevant payables representing the relevant amount payable by the relevant 6 Target Companies to the Group by three to four tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and certain conditions and, as stipulated in the relevant sale and purchase agreements, are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor engaged by Zhengtai of the relevant 6 Target Companies and certain remedial steps (as defined and detailed in the Company's circular dated 15 June 2020). The relevant payables were amounted to RMB328,252,000 as at disposal date.

Details of terms and conditions in respect of payment of consideration and relevant payables to the Group were set out in the circular of the Company "Very Substantial Disposal" dated 15 June 2020.

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50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

(b) Disposal of the 6 Target Companies (Continued)

The Group completed the disposal of the 6 Target Companies during the year ended 31 December 2020. The net assets of the 6 Target Companies at the respective disposal dates were as follows:

	RMB'000
Property, plant and equipment	202
Right-of-use assets	44,264
Solar power plants	986,210
Value-added tax recoverable	12,997
Trade and other receivables	340,598
Receivables at FVTOCI	500
Bank balances and cash	2,313
Trade and other payables	(103,362)
Bank and other borrowings	(553,634)
Net assets disposed of	730,088
Loss on disposal of subsidiaries included in profit or loss	(220,696)
	509,392
Satisfied by:	
Cash consideration	181,140
Relevant payables	328,252
	509,392
Net cash inflows arising on disposal:	
Cash consideration	181,140
Less: bank balances and cash disposed of	(2,313)
	178,827

In respect of the collection of sales proceed from the disposal of the 6 Target Companies, apart from the successful completion of the share transfer of the equity interests of the 6 Target Companies to Zhengtai in accordance with the relevant share transfer agreements with the relevant 6 Target Companies, the timing of payment of cash consideration to be payable by Zhengtai by three tranches, and the timing and amount of payment of relevant payables to be payable by the relevant Target Companies by three to four 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 Zhengtai and (ii) certain remedial steps to be taken by the Group.

During the year ended 31 December 2020, a substantial portion of total consideration has been settled. Management of the Company expects that remaining amount of the consideration will be received prior to June 2021.

50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

(c) **Deemed disposal of Jinta Wancheng**

Jinta Wancheng was a non wholly-owned subsidiary of the Company. As at 31 December 2019, in respect of the bank and other borrowings, a principal balance of RMB490,000,000 was advanced from JIC to Jinta Wancheng. Such loan was overdue on 16 August 2019. Jinta Wancheng received the first-instance judgement from High People's Court of Zhejiang in January 2020 regarding the overdue borrowings.

On 26 July 2020, Jinta Wancheng received a petition filed by its creditor for an order that Jinta Wancheng maybe wound up by the High People's Court of Gansu. The petition was filed against the Jinta Wancheng for its failure to settle a sum of approximately RMB237 million for EPC payable of solar power plants.

On 5 November 2020, the Intermediate People's Court of Jiu Quan agreed a restructuring plan submitted by the receiver, pursuant to which an independent third party of the Group, ZSEC, agreed to acquire the entire equity interest of Jinta Wancheng at a zero consideration. ZSEC will inject RMB707,150,000 to Jinta Wancheng for repayment of liabilities, any balance due over this amount will become irrecoverable and waived. The receiver has allocated the injected fund based on the priority of debts. Consequently, the Group will receive RMB24,212,000 for repayment of intercompany loan. Following the restructuring plan implemented by the Intermediate People's Court of Jiu Quan, Jinta Wancheng ceased to be a subsidiary of the Group and its financial performance and financial position will not be consolidated.

The net assets of Jinta Wancheng at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	29
Solar power plants	727,399
Right-of-use assets	14,211
Trade and other receivables	256,757
Value-added tax recoverable	74,347
Bank balances and cash	3
Trade and other payables	(479,480)
Bank and other borrowings	(490,000)
Net assets disposed of	103,266
Loss on disposal of subsidiaries included in profit or loss	(79,054)
Satisfied by:	
Cash consideration	–
Relevant receivables	24,212
	24,212
Net cash inflows arising on disposal:	
Cash consideration	–
Less: bank balances and cash disposed of	3
	3

50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2020 (Continued)

(c) **Deemed disposal of Jinta Wancheng (Continued)**

Out of total consideration of RMB24,212,000, RMB933,000 was settled in cash during the year ended 31 December 2020 whereas the remaining balance of RMB23,279,000 was included in "Trade and other receivables" as at 31 December 2020.

For the year ended 31 December 2019

As referred to in Note 13, on 30 September 2019, the Group discontinued its several operations at the time of the disposal of the Disposal Group. The net assets of the Disposal Group at the date of disposal (i.e., 30 September 2019) were as follows:

	30 September 2019 RMB'000
Total consideration satisfied by	
The loan facility of HKD1,200 million (Note i)	1,055,000
Consideration receivable – Current assets (Notes ii and 33 (i))	1,745,000
Cash consideration received (Note ii)	200,000
	3,000,000

50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

Analysis of assets and liabilities over which control was lost:	30 September 2019 RMB'000
Property, plant and equipment	1,730,946
Right-of-use assets	387,790
Solar power plants	461,658
Intangible assets	28,935
Interests in associates	119,888
Interests in joint ventures	246,280
Financial assets at FVTPL	100
Other non-current assets	670,111
Deferred tax assets	80,143
Inventories	893,657
Trade and other receivables	1,451,743
Contract assets	5,939
Receivables at FVTOCI	101,466
Value-added tax recoverable	67,397
Tax recoverable	6,120
Prepayments to suppliers	769,172
Amount due from the Group	1,985,656
Amount due from joint ventures	127,244
Restricted bank deposits	1,562,275
Bank balances and cash	522,758
Trade and other payables	(4,421,617)
Contract liabilities	(178,665)
Amount due to the Group	(512,122)
Amount due to a joint venture	(124,920)
Lease liabilities – current	(45,214)
Provisions	(785,083)
Tax liabilities	(2,143)
Bank and other borrowings – current	(411,066)
Deferred income	(5,238)
Derivative financial liability	(23,272)
Deferred tax liabilities	(32,684)
Bank and other borrowings – non-current	(396,911)
Lease liabilities – non-current	(15,725)
Deferred income	(9,559)
Net assets in the Disposal Group's standalone financial statements	4,255,059
Intragroup elimination of ECL recognised on amount due from the Group	185,982
Intragroup elimination of time value adjustment on amount due from the Group	356,620
Net assets disposed of	4,797,661

50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

	30 September 2019 RMB'000
Impact of the disposal to profit or loss (Note iii)	
Cumulative exchange differences in respect of the foreign operation included in the Disposal Group reclassified from equity to profit or loss (Note iii)	41,365
Cumulative FVTOCI reserve of the Disposal Group reclassified from equity to profit or loss (Note iii)	(1,007)
	40,358
Impact of the disposal to equity	
Consideration	3,000,000
Net assets disposed of	(4,797,661)
Loss debited to special reserve as deemed distribution (Note iv)	(1,797,661)
Net cash outflows arising on disposal:	
Cash consideration received (Note ii)	200,000
Less: bank balances and cash disposed of	(522,758)
	(322,758)

Notes:

(i) As at 30 September 2019, the total amount of borrowings from Sino Alliance to the Group was HKD2,500 million. As part of the Consideration, the Group had entered into an agreement and all relevant legal documents with Sino Alliance, the Group and other relevant parties, to the effect that (1) the debt amount of HKD1,200 million out of the HKD2,500 million loan facility provided by Sino Alliance was assigned and assumed by the Asia Pacific Resources; and (2) the Group was not be required to assume the repayment obligation of the principal amount and interests in respect of the HKD1,200 million loan facility upon the assignment of loan. HKD1,200 million was re-translated to approximately RMB1,055 million using the fixed exchange rate of HKD1.00 to RMB0.88 as at the dated of 30 June 2019.

(ii) During the year ended 31 December 2019, consideration of RMB200 million was received by the Group. Pursuant to the original share purchase agreement, the remaining portion of the consideration amounting to RMB1,745 million would be paid in cash free of interest within three months after the completion date of the disposal of the Disposal Group. Pursuant to the supplementary agreement dated 30 December 2019, the due date was extended to 30 June 2020. On 30 September 2020, a supplementary agreement was signed to further extend the due date to 30 June 2021. Other terms remained unchanged.

50. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

Notes: (Continued)

(iii) The carrying amounts of the net assets in the Disposal Group's standalone financial statements as at 30 September 2019 approximate its fair value as at 30 September 2019, which is determined with reference to the valuation report prepared by an independent professional valuer not connected to the Group. As such, no disposal gain or loss was recognised in relation to the Disposal. In addition, the cumulative exchange differences in respect of the foreign operation (i.e., the solar power generation in overseas regions) held by and controlled by the Disposal Group and the cumulative FVTOCI reserve of the Disposal Group were reclassified from equity to profit or loss upon the completion of the disposal of the Disposal Group.

(iv) RMB1,797,661,000 was debited to special reserve in equity, representing the excess of the carrying amount of net assets disposed of over the consideration, which was considered as a deemed distribution made to the owner of the Company, since Asia Pacific Resources is indirectly wholly owned and controlled by Mr. Cheng, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.

The impact of the Disposal Group on the Group's results and cash flows for the year ended 31 December 2019 is disclosed in Note 13.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and other receivables	**1,761,297**	1,739,830
Receivables included in other non-current assets	**101,483**	94,455
Amounts due from the related parties	**1,636,801**	2,004,413
Restricted bank deposits	**27,948**	67,856
Bank balances and cash	**226,746**	89,703
Total financial assets at amortised cost	**3,754,275**	3,996,257
Receivables at FVTOCI	**9,527**	17,069
Financial assets at FVTPL	**12,545**	3,096
Total	**3,776,347**	4,016,422
Financial liabilities		
Liabilities measured at amortised costs:		
Trade and other payables	**1,100,126**	1,981,960
Amounts due to the related parties	**1,651,233**	2,224,930
Bank and other borrowings	**5,439,975**	7,327,243
Lease liabilities	**32,885**	33,484
Liability components of convertible bonds	**529,139**	501,415
Bond payables	**618,363**	824,778
Total financial liabilities at amortised cost	**9,391,721**	12,893,810
Derivative financial liabilities	**–**	6,078
Financial guarantee contracts	**187,646**	177,100
Total	**9,559,367**	13,076,988

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, receivables at FVTOCI, receivables included in other non-current assets, trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables, amounts due from/(to) the related parties, bank and other borrowings, lease liabilities, liability components of convertible bonds, derivative financial liabilities, bond payables and financial guarantee contracts. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The primary economic environment which the principal subsidiaries of the Company operates is the PRC and their functional currency is RMB. However, certain transactions of the principal subsidiaries including sales of goods and purchases of machinery and equipment are denominated in foreign currencies.

Details of trade and other receivables, restricted bank deposits, bank balances and cash, trade and other payables and bank and other borrowings that are denominated in foreign currencies other than functional currencies of the relevant group entities, are set out in respective notes.

The Group currently does not have a foreign currency hedging policy but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the foreign currency denominated monetary assets and liabilities other than functional currencies of the relevant group entities at the end of the reporting period are as follows:

	2020	2019
	RMB'000	RMB'000
Assets		
USD	**28,274**	15,743
HKD	**65,835**	30,647
Liabilities		
USD	**(11,444)**	(17,392)
HKD	**(2,269,586)**	(2,763,143)

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

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Currency risk (Continued)

Sensitivity analysis

This sensitivity analysis details the sensitivity to a 5% (2019: 5%) appreciation and depreciation in each relevant foreign currency against functional currency. 5% (2019: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the year for a 5% (2019: 5%) change in foreign currency rates. A negative number below indicates a increase in post-tax loss for the year and a positive number below indicates an increase in post-tax loss for the year where the relevant foreign currencies change 5% (2019: 5%) against RMB.

	2020 **RMB'000**	2019 RMB'000
USD impact		
– if USD strengthens against RMB	**(631)**	(62)
– if USD weakens against RMB	**631**	62
HKD impact		
– if HKD strengthens against RMB	**(82,641)**	(102,469)
– if HKD weakens against RMB	**82,641**	102,469

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate restricted bank deposits, bank and other borrowings, liability components of convertible bonds, amount due to the related parties, bond payables and lease liabilities (see Notes 34, 40, 42, 37, 43 and 38 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate restricted bank deposits, bank balances and bank and other borrowings (see notes 34 and 40 for details). The directors of the Company monitor interest rate exposures and will consider hedging significant interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (including restricted bank deposits, bank balances and bank and other borrowings) at the end of the reporting period and the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period in the case of restricted bank deposits, bank balances, obligations under finance leases and bank and other borrowings.

10 basis points (2019: 10 basis points) increase or decrease on variable-rate restricted bank deposits and bank balances, and 100 basis points (2019: 100 basis points) increase or decrease on variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates on variable-rate restricted bank deposits and bank balances had been 10 basis points (2019: 10 basis points) higher/lower and all other variables were held constant, the post-tax loss for the year would have decreased/increased by RMB191,000 (2019: RMB118,000).

If the interest rate of variable-rate borrowings had been 100 basis points (2019: 100 basis points) higher/lower and all other variables were held constant, the post-tax loss for the year would have increased/decreased by RMB18,268,000 (2019: RMB22,853,000).

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Other price risk

Assets at FVTPL

The Group is exposed to equity price risk through its investments in unlisted managed investment funds measured at FVTPL.

The fair value adjustment in unlisted managed investment funds will be affected either positively or negatively, amongst others, by the changes in the expected yield of the investments. No sensitivity analysis of other price risk in respect of unlisted managed investment fund has been prepared as management estimates the actual yield would not significantly deviate from the expected yield.

Warrants liabilities arising from the acquisition of Lattice Power Group

The Group is required to estimate the fair values of the warrants liabilities arising from the acquisition of Lattice Power Group at the end of each reporting period, which therefore exposed the Group to equity price risk as at 31 December 2019. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in risk-free rate and volatility.

Details of the derivative financial liabilities in respect of warrants liabilities arising from the acquisition of Lattice Power Group is set out in Note 41.

Sensitivity analysis

The sensitivity analyses below had been determined based on the exposure to the Company's volatility as of 31 December 2019 only as the directors considered that the change in risk-free rate might not have significant financial impact on the fair values of derivative financial liabilities.

Changes in volatility

As at 31 December 2019, if the volatility to the valuation models had been 10% higher/lower while all other input variables of the valuation models were held constant, the Group's loss for the year would (increased)/decreased as follows:

	2019 RMB'000
Higher by 10%	
Derivative financial liabilities	
– Warrants liabilities arising from the acquisition of Lattice Power Group	(2,354)
Lower by 10%	
Derivative financial liabilities	
– Warrants liabilities arising from the acquisition of Lattice Power Group	2,048

In the opinion of the directors of the Company, the sensitivity analyses were unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the derivative financial liabilities involve multiple variables and certain variables were inter-dependent.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment

As at 31 December 2020, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group include (i) issuing banks fail to settle the bills transferred to collecting banks or suppliers through endorsing the bills to suppliers with full recourse as described in Note 31 and (ii) the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 56.

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

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

Note: Other financial assets included bank balances, restricted bank deposits, receivables at FVTOCI, amounts due from the related parties, other receivables and receivables included in non-current assets.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

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

	Notes	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Receivables at FVTOCI	30	Low risk	12-month ECL	**9,527**	17,069
Financial assets at amortised costs					
Receivables included in other non-current assets	25	Low risk	12-month ECL	**101,483**	88,205
Other receivables	29	Low risk	12-month ECL	**146,658**	150,211
		Watch list	12-month ECL	**308,547**	128,684
		Loss	Lifetime ECL (credit-impaired)	**416,565**	471,024
				871,770	749,919
Trade receivables	29	Low risk	Lifetime ECL (not credit impaired)	**1,366,949**	1,513,794
		Watch list	Lifetime ECL (not credit impaired)	**25,771**	–
		Doubtful	Lifetime ECL (not credit impaired)	**4,110**	4,433
		Loss	Lifetime ECL (credit-impaired)	**26,690**	26,602
				1,423,520	1,544,829
Contract assets	26	Low risk	Lifetime ECL (not credit impaired)	**346,912**	310,473
Restricted bank deposits	34	Low risk	12-month ECL	**27,948**	67,856
Bank balances	34	Low risk	12-month ECL	**226,746**	89,703
Amounts due from a related party – trade-in-nature	33	Low risk	Lifetime ECL (not credit impaired)	**4,980**	3,473
Amounts due from the related parties – non trade-in-nature	33	Low risk	12-month ECL	**1,738,788**	2,105,380

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Bank balances, restricted bank deposits and receivables at FVTOCI

Bank balances, restricted bank deposits and receivables at FVTOCI are determined to have low risk at the end of the reporting period. The credit risk on bank balances, restricted bank deposits and receivables at FVTOCI are limited because the counterparties are reputable banks and the risk of inability to pay or redeem at the due date is low.

Trade receivables, contract assets and amount due from a related party

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

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

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

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

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables, contract assets and amount due from a related party (Continued)

2020

Customer assessed individually		**Default rate**	**Gross carrying amounts RMB'000**	**Loss allowance RMB'000**	**Net RMB'000**
Trade receivables					
Customer Group A	Low risk	**0.00% to 0.59%**	**1,259,915**	**(858)**	**(1,259,057)**
Contract assets	Low risk	**0.07%**	**346,912**	**(248)**	**346,664**
Amount due from a related party	Low risk	**6.14%**	**4,980**	**(306)**	**4,674**

2019

Customer assessed individually		Default rate	Gross carrying amounts RMB'000	Loss allowance RMB'000	Net RMB'000
Trade receivables					
Customer Group A	Low risk	0.00% to 0.27%	1,453,134	(854)	1,452,280
Contract assets	Low risk	0.03%	310,473	(79)	310,394
Amount due from a related party	Low risk	4.95%	3,473	(172)	3,301

The following table details the risk profile of trade receivables as at 31 December 2020 and 2019, which are assessed collectively.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables, contract assets and amount due from a related party (Continued)

2020

Customer Group B assessed collectively	Not past due	Trade receivables – past due: Not more than 3 months	3-6 months	Over 6 months	Total
	(not credit impaired)			(credit impaired)	
Weighted average expected credit loss rate	**0.75%**	**6.48%**	**9.85%**	**93.42%**	
Total gross carrying amount (RMB'000)	**107,034**	**25,771**	**4,110**	**26,690**	**163,605**
Lifetime ECL (RMB'000)	**(806)**	**(1,669)**	**(405)**	**(24,935)**	**(27,815)**
Net carrying amount (RMB'000)	**106,228**	**24,102**	**3,705**	**1,755**	**135,790**

2019

Customer Group B assessed collectively	Not past due	Trade receivables – past due: Not more than 3 months	3-6 months	Over 6 months	Total
	(not credit impaired)			(credit impaired)	
Weighted average expected credit loss rate	2.68%	–	20.96%	92.66%	
Total gross carrying amount (RMB'000)	60,660	–	4,433	26,602	91,695
Lifetime ECL (RMB'000)	(1,628)	–	(929)	(24,650)	(27,207)
Net carrying amount (RMB'000)	59,032	–	3,504	1,952	64,488

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables, contract assets and amount due from a related party (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, contract assets and amount due from a related party under the simplified approach.

Trade receivables	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At 1 January 2019	90,948	129,855	220,803
Transfer to credit impaired	(26,312)	26,312	–
ECL recognised	13,353	53,878	67,231
Reversal of ECL (Note)	(22,067)	–	(22,067)
Write-off	–	(147)	(147)
Exchange adjustment	426	1,214	1,640
Disposal of the Disposal Group	(52,269)	(186,462)	(238,731)
Reclassified to assets classified as held for sale	(668)	–	(668)
At 31 December 2019	3,411	24,650	28,061
Transfer to credit impaired	(553)	553	–
ECL recognised	5,383	5,621	11,004
Reversal of ECL	(4,503)	(5,889)	(10,392)
Disposal of subsidiaries	(181)	–	(181)
Deemed disposal of a subsidiary	(113)	–	(113)
Exchange adjustment	294	–	294
At 31 December 2020	3,738	24,935	28,673

Note:

During the year ended 31 December 2020, reversal of ECL relating to trade receivables was mainly due to the settlement in full of trade debtors with a gross carrying amount of RMB38,500,000 (2019: RMB248,056,000).

Contract assets	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At 1 January 2019	168	–	168
ECL recognised	81	–	81
Disposal of the Disposal Group	(170)	–	(170)
At 31 December 2019	79	–	79
ECL recognised	169	–	169
At 31 December 2020	248	–	248

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Trade receivables, contract assets and amount due from a related party (Continued)

Amount due from a related party	Lifetime ECL (not credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	Total RMB'000
At 1 January 2019	–	–	–
ECL recognised	172	–	172
At 31 December 2019	172	–	172
ECL recognised	134	–	134
At 31 December 2020	306	–	306

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

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Other receivables, receivables included in other non-current assets and amounts due from the related parties

The following tables show reconciliation of loss allowances that has been recognised for other receivables, receivables included in other non-current assets and amounts due from the related parties using the general approach under IFRS 9.

Other receivables	12m ECL	Not credit impaired	Credit impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	6,443	62,153	431,223	499,819
ECL recognised	8,640	52,007	66,322	126,969
Transfer to not credit impaired	(2,094)	2,094	–	–
Transfer to credit impaired	(1,169)	(10,191)	11,360	–
Reversal of ECL	(191)	–	–	(191)
Exchange adjustment	–	(8)	2,130	2,122
Disposal of the Disposal Group	(7,905)	(53,842)	(40,011)	(101,758)
Reclassified to assets classified as held for sale	–	(104)	–	(104)
At 31 December 2019	3,724	52,109	471,024	526,857
ECL recognised	24,769	64,732	8,523	98,024
Transfer to not credit impaired	(18,798)	18,798	–	–
Transfer to credit impaired	(798)	–	798	–
Reversal of ECL (Note)	(1,544)	(54,237)	(63,780)	(119,561)
Disposal of subsidiaries	(103)	–	–	(103)
Exchange adjustment	103	–	–	103
At 31 December 2020	7,353	81,402	416,565	505,320

Note:

During the year ended 31 December 2020, reversal of ECL relating to other receivables was mainly due to the settlement in full of other receivables with a gross carrying amount of RMB127,059,000.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Other receivables, receivables included in other non-current assets and amounts due from the related parties (Continued)

Receivables included in other non-current assets	12m ECL RMB'000	Not credit impaired RMB'000	Credit impaired RMB'000	Total RMB'000
At 1 January 2019	–	133,735	–	133,735
Transfer to credit impaired	–	(133,735)	133,735	–
ECL recognised (Note)	–	–	72,447	72,447
Disposal of the Disposal Group	–	–	(206,182)	(206,182)
At 31 December 2019 and 2020	–	–	–	–

Note:

ECL recognised for receivables included in other non-current assets was mainly due to one debtor with a gross carrying amount of RMB474,245,000 defaulted and recognised lifetime ECL (credit-impaired) during the year ended 31 December 2019.

Amounts due from the related parties	12m ECL RMB'000	Not credit impaired RMB'000	Credit impaired RMB'000	Total RMB'000
At 1 January 2019	–	–	–	–
ECL recognised (Note)	104,268	–	–	104,268
At 31 December 2019	104,268	–	–	104,268
ECL recognised	2,393	–	–	2,393
At 31 December 2020	106,661	–	–	106,661

Note:

During the year ended 31 December 2019, ECL recognised for amounts due from the related parties was mainly due to (i) consideration receivables arising from the Disposal Group with a gross carrying amount of RMB1,745,000,000; and (ii) advance of new loan receivables with a gross carrying amount of RMB360,380,000.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Credit risk and impairment assessment (Continued)

Financial guarantee contracts

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

Financial guarantee contracts	Increase/ (Decrease) in 12m ECL RMB'000	Increase/(Decrease) in lifetime ECL: Not credit-impaired RMB'000	Increase/(Decrease) in lifetime ECL: Credit-impaired RMB'000 (Note)	Total RMB'000
At 1 January 2019	8,124	9,199	259,518	276,841
Transfer	–	(4,428)	4,428	–
Provision for the year	–	–	16,714	16,714
ECL recognised	–	–	4,071	4,071
Reversal of ECL	–	(4,771)	(110,886)	(115,657)
Exchange adjustment	–	–	3,255	3,255
Disposals of the Disposal Group	(8,124)	–	–	(8,124)
At 31 December 2019	–	–	177,100	177,100
Transfer	–	–	–	–
Provision for the year	–	–	16,768	16,768
ECL recognised	–	–	9,000	9,000
Reversal of ECL	–	–	(3,022)	(3,022)
Exchange adjustment	–	–	(12,200)	(12,200)
At 31 December 2020	–	–	187,646	187,646

Note:

The credit impaired balance was in relation to the financial guarantee contract provided for Suniva, as detailed in Note 39(b).

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the respective contracts was RMB187,646,000 and RMB307,100,000 as at 31 December 2020 and 2019.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Concentration risk on financial assets

At 31 December 2020, the credit risk arising from the continuing operation owned by the Group is concentrated on trade receivables and accrued revenue on tariff subsidies from ten (2019: ten) of the Group's customers, all of which were the Group's major customers engaged in the sales and manufacturing of LED products and state grid companies, which amounted to approximately RMB75,906,000 (2019: RMB33,456,000) and RMB1,430,750,000 (2019: RMB1,416,560,000) and accounted for approximately 5% (2019: 2%) and 95% (2019: 92%) of the Group's total trade receivables and accrued revenue on tariff subsidies.

The Group's credit risk is also concentrated on amounts due from independent third parties, consideration receivable for disposal of subsidiaries, accounts due from disposal subsidiaries and amounts due from the related parties, all are recorded in "other receivables" and "amounts due from the related parties" in Notes 29 and 33, as these balances were concentrated on a limited number of counterparties. Amounts due from independent third parties are concentrated on six (2019: six) counterparties, accounting for 74% (2019: 89%) of the total balance as at 31 December 2020. These customers and counterparties have good repayment history and credit quality under internal assessment by the Group. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure by frequent review of the credit evaluation of the financial conditions and credit qualities of its customers to ensure that prompt actions will be taken to lower exposure.

There is concentration of credit risk on restricted bank deposits and bank balances and cash for the Group in respect of the continuing operations as at 31 December 2020 and 2019. As at 31 December 2020, balances deposited at ten (2019: ten) banks accounted for 98% (2019: 98%) of the total restricted bank deposits and bank balances and cash of the Group. The credit risk on liquid funds is limited because majority of counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state owned banks with good reputation.

Liquidity risk management

The directors of the Company have built an appropriate liquidity risk management framework for management of the Group's short-term and long-term funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the Group's consolidated financial position. The directors of the Company monitor the sufficiency of cashflows with availability of unutilised banking facilities, internally generated funds, possible proceeds arising from disposal of solar power plants and alternative refinancing and extension of due date of bank and other borrowings. The directors of the Company also review the forecasted cashflows on an on-going basis to ensure that the Group will be able to meet its financial obligations falling due and have sufficient capital for operation.

Liquidity risk management

The following tables detail the remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows, include both principal and interest, on non-derivative financial liabilities based on the earliest date in which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Liquidity risk management (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. When the amount payable is not fixed, the amount disclosed has been determined by reference to the inputs as detailed in Note 42. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than 6 months	6 months to 1 year	1 year to 2 years	2 years to 5 years	More than 5 years	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020								
Non-derivative financial liabilities								
Trade and other payables	–	564,409	–	–	–	–	564,409	564,409
Amounts due to related parties	–	1,651,233	–	–	–	–	1,651,233	1,651,233
Bank and other borrowings								
– Fixed rate	8.90%	2,228,107	159,046	152,445	368,538	371,499	3,279,635	3,004,218
– Variable rate	7.59%	173,850	147,695	407,557	1,039,350	860,449	2,628,901	2,435,757
Lease liabilities	8.28%	2,236	14,963	5,550	4,694	14,803	42,246	32,885
Bond payables	7.76%	666,340	–	–	–	–	666,340	618,363
Liability component of convertible bonds	7.03%	37,376	–	370,116	237,032	–	644,524	529,139
Financial guarantee contracts	–	187,646	–	–	–	–	187,646	187,646
Total		5,511,197	321,704	935,668	1,649,614	1,246,751	9,664,934	9,023,650
At 31 December 2019								
Non-derivative financial liabilities								
Trade and other payables	–	1,486,259	–	–	–	–	1,486,259	1,486,259
Amounts due to related parties	–	2,224,930	–	–	–	–	2,224,930	2,224,930
Bank and other borrowings								
– Fixed rate	6.38%	2,246,416	1,489,441	369,801	914,665	388,802	5,409,125	4,280,228
– Variable rate	7.28%	193,897	1,154,441	295,094	1,077,813	986,912	3,708,157	3,047,015
Lease liabilities	7.43%	16,844	3,096	1,654	4,749	16,386	42,729	33,484
Bond payables	7.7%	889,574	–	–	–	–	889,574	824,778
Liability component of convertible bonds	6.11%	66,985	–	399,724	237,350	–	704,059	501,415
Financial guarantee contracts	–	177,100	–	–	95,000	35,000	307,100	177,100
Total		7,302,005	2,646,978	1,066,273	2,329,577	1,427,100	14,771,933	12,575,209
Derivative financial liabilities								
Warrants liabilities arising from the acquisition of Lattice Power Group	–	–	–	–	–	–	–	6,078
Total	–	–	–	–	–	–	–	6,078

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

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

Liquidity risk management (Continued)

Bank and other borrowings with a repayment on demand clause are included in the "on demand or less than 6 months" time band in the above maturity analysis. As at 31 December 2020, the aggregate carrying amounts of these bank borrowings amounted to RMB456,123,000 (2019: RMB514,066,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank and other borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis-Bank loans with a repayment on demand clause based on scheduled repayments					
	Less than 1 year	**1-2 years**	**2-5 years**	**Over 5 years**	**Total undiscounted cash outflows**	**Carrying amount**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020	–	46,572	140,555	268,996	456,123	456,123
31 December 2019	–	48,510	146,273	319,283	514,066	514,066

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantor. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

In addition to the amounts shown in the above table as at 31 December 2020, the Group may also be required to settle the maximum exposure to loss arising from endorsed bills arrangements with full recourse which were derecognised by the Group as detailed in Note 31 in the next six months, amounting to RMB209,404,000 (2019: RMB157,702,000).

As at 31 December 2020, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as bank and other borrowings are disclosed in the corresponding notes, which are generally not on the net basis in the statement of financial position.

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(c) Fair value

The fair value of financial assets and financial liabilities at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities at amortised costs (except for liability component of the convertible bonds as described below) recognised in the consolidated financial statements approximate their fair values. There were no transfers into and out of level 3 during both years.

	2020		2019	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Liability component of convertible bonds	**529,139**	**326,367**	501,415	318,058

The fair value of the liability component of convertible bonds as at 31 December 2020 and 2019 is under level 3 category and was determined by the directors of the Company with reference to the valuation performed by independent professional valuers. The fair value of the liability component of convertible bonds is determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the convertible bonds and discount rate that reflected the credit risk of the Company.

Fair value measurements recognised in the consolidated statement of financial position that are measured at fair value on a recurring basis

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

Financial items	Classified as	Fair value 2020 RMB'000	Fair value 2019 RMB'000	Fair value hierarchy	Basis of fair value measurement/ valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity investments classified as financial assets at FVTPL	Financial assets at FVTPL	**2,207**	3,096	Level 3	Market approach – the value is based upon what investors are paying for similar assets or securities in the market place	Market multiples	The higher the market multiples, the higher the fair value
Convertible debt instrument classified as financial assets at FVTPL (Note (i))	Financial assets at FVTPL	**10,338**	–	Level 3	Binomial model	Volatility	The higher the positive volatility, the higher the fair value
Receivables at FVTOCI	Financial assets at FVTOCI	**9,527**	17,069	Level 2	Income approach – in this approach, the discounted cash flow method was used to capture the present value of the cash flows to be derived from the receivables	Discount rate	The higher the discount rate, the lower the fair value
Warrants liabilities arising from acquisition of Lottice Power Group (Note (ii))	Derivative financial liabilities	**-**	(6,078)	Level 3	Binomial model	Volatility	The higher the positive volatility, the higher the fair value

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(c) Fair value (Continued)

Fair value measurements recognised in the consolidated statement of financial position that are measured at fair value on a recurring basis (Continued)

Note:

(i) An increase in the volatility would result in an decrease in the fair value measurement of the convertible debt instrument classified as financial assets at FVTPL, and vice versa. An 10% increase or decrease in volatility holding all other variables constant would increase or decrease the carrying amount of the financial assets at FVTPL by RMB275,000 and RMB277,000 respectively as at 31 December 2020.

(ii) An increase in the volatility would result in an increase in the fair value measurement of the warrants liabilities, and vice versa. A 10% increase or decrease in the volatility holding all other variables constant would increase or decrease the carrying amount of the warrants liabilities by RMB2,354,000 and RMB2,048,000 respectively as at 31 December 2019.

The following table represents the changes in level 3 derivative financial instruments during the year ended 31 December 2019 and 2020.

	Warrants Liabilities arising from previous acquisition of Lattice Power Group RMB'000	Financial assets at FVTPL RMB'000
(Liabilities)/Assets at 1 January 2019	(3,336)	3,096
Loss recognised in profit or loss included in other gains and losses	(2,742)	–
(Liabilities)/Assets at 31 December 2019	(6,078)	3,096
Addition during the year	–	10,000
Derecognition during the year	4,785	–
Gain/(Loss) recognised in profit or loss included in other gains and losses	1,293	(551)
Assets at 31 December 2020	–	12,545

51. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (Continued)

(d) Capital risk management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of restricted bank deposits, cash and cash equivalents, bank and other borrowings, lease liabilities, liability component of convertible bonds, bonds payable, equity which includes, share capital, share premium, reserves and accumulated deficits.

The directors of the Company review the capital structure regularly. The directors of the Company consider the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through raising and repayment of bank and other borrowings.

52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Liabilities arising financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank and other borrowings Note 40 RMB'000	Convertible bonds Note 42 RMB'000	Lease liabilities Note 38 RMB'000	Bond payables Note 43 RMB'000	Amounts due to the related parties Note 37 RMB'000	Amounts due to independent third parties Note 35 RMB'000	Interest payable included in accrued expenses Note 35 RMB'000	Total RMB'000
At 1 January 2020	7,327,243	501,415	33,484	824,778	2,224,930	21,740	397,457	11,331,047
Financing cash flows	(668,581)	–	(10,454)	(207,100)	(573,697)	4,363	(445,661)	(1,901,130)
Non-cash changes:								
Foreign exchange translation	(165,053)	–	65	–	–	–	–	(164,988)
Finance costs incurred	–	27,724	1,417	685	–	–	752,158	781,984
Additions to lease liabilities	–	–	8,373	–	–	–	–	8,373
Offset the receivable and payable recognised on the same entity	–	–	–	–	–	(24,731)	–	(24,731)
Disposal of subsidiaries	(553,634)	–	–	–	–	–	(2,291)	(555,925)
Deemed disposal of a subsidiary	(490,000)	–	–	–	–	–	(190,350)	(680,350)
Reclassified to other payables	(10,000)	–	–	–	–	–	–	(10,000)
At 31 December 2020	5,439,975	529,139	32,885	618,363	1,651,233	1,372	511,313	8,784,280

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

	Bank and other borrowings Note 40 RMB'000	Convertible bonds Note 42 RMB'000	Lease liabilities Note 38 RMB'000	Bond payables Note 43 RMB'000	Amounts due to the related parties Note 37 RMB'000	Amounts due to independent third parties Note 35 RMB'000	Interest payable included in accrued expenses Note 35 RMB'000	Total RMB'000
At 1 January 2019	11,067,345	1,679,220	175,426	830,471	–	186,152	292,978	14,231,592
Financing cash flows	(412,336)	(278,226)	(42,717)	(8,537)	(314,728)	(68,703)	(823,467)	(1,948,714)
Non-cash changes:								
Foreign exchange translation	82,587	71,955	–	–	–	–	–	154,542
Finance costs incurred	–	177,959	7,547	2,844	–	–	1,020,042	1,208,392
Additions to lease liabilities	–	–	4,539	–	–	–	–	4,539
Transfer due to arrangement with an EPC	21,012	–	–	–	–	–	–	21,012
Transfer due to arrangement with a related party held by the Disposal Group	–	–	–	–	11,400	–	–	11,400
Offset the receivable and payable recognised on the same entity	–	–	–	–	–	(21,430)	–	(21,430)
Transfer due to arrangement with bondholders (Notes 42(d))	496,800	(496,800)	–	–	–	–	–	–
Waiver of the Third CB held by Peace Link (Note 42(c))	–	(652,693)	–	–	–	–	–	(652,693)
Disposal of subsidiaries (Note 50)	(807,977)	–	(60,939)	–	2,528,258	(74,279)	(33,922)	1,551,141
Transfer of borrowings as part of the consideration for disposal of the Disposal Group	(1,055,000)	–	–	–	–	–	–	(1,055,000)
Reclassified to liabilities associated with assets classified as held for sale (Note 27)	(2,065,188)	–	(50,372)	–	–	–	(58,174)	(2,173,734)
At 31 December 2019	7,327,243	501,415	33,484	824,778	2,224,930	21,740	397,457	11,331,047

53. RETIREMENT BENEFITS SCHEMES

The Group operates MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees of the subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

54. PLEDGE OF ASSETS

At the end of the reporting period, saved as restricted bank deposits as set out in Note 34 and the right-of-use assets as set out in Note 19, the Group had pledged its 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited (2019: 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited).

Meanwhile, 31 (2019: 40) 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 borrowings. The following assets (excluding those of assets classified as held for sale) to various financial institutions for securing loans and general credit facilities granted to the Group.

	2020 **RMB'000**	2019 RMB'000
Right-of-use assets	**12,854**	69,391
Property, plant and equipment	**–**	23,379
Solar power plants	**2,661,724**	3,879,579
Trade receivables, contract assets and accrued revenue on tariff subsidies	**1,506,164**	1,447,496
Security deposit included in trade and other receivables (Note 29(v))	**107,000**	107,000
Other deposits included in other non-current assets (Note 25(ii))	**89,303**	94,455

55. RELATED PARTY DISCLOSURES

(a) Related party transaction

Saved as disclosed elsewhere in the consolidated financial statements, during the year, the Group has the following significant transactions with related parties.

Name of related parties	Relationship	Nature of transactions	2020 RMB'000	2019 RMB'000
Meteocontrol Electric Power	Note (i)	Solar power plant operation and maintenance services charges	–	74.295
Tiancheng International Auctioneer Limited ("Tiancheng International") ("天成國際拍賣有限公司")	Note (ii)	Interest expense on lease liabilities	535	213
Shunfeng New Energy	Note (iii)	Sales of solar products	–	12,913
		Purchase of solar products	–	163,405
Suntech South Africa	Note (iv)	Sales of solar products	–	363,373
Wuxi Suntech	Note (v)	Sales of power generation	1,334	250
Wuxi University Science Park International Incubator Co., Ltd# ("Wuxi Incubator") ("無錫大學科技園國際孵化器有限公司")	Note (v)	Utility	10	25
Jiangsu Shunfeng	Note (v)	Interest expense	–	767
Luoyang Suntech Power Co., Ltd# ("Luoyang Suntech") ("洛陽尚德太陽能電力有限公司")	Note (v)	Interest expense	389	145
Changzhou Shunfeng Photovoltaic Materials Co., Ltd# ("Changzhou Materials") ("常州順風光電材料有限公司")	Note (v)	Interest expense	–	1,150

English name is for identification purpose only.

Notes:

(i) Management considers Meteocontrol Electric Power is a related party as it is accounted for as an associate of the Group as at 31 December 2019. Further details were set out in Note 22. This company was established by the Group and one of its senior management during the year ended 31 December 2016.

(ii) Management considers Tiancheng International is a related party as it is 100% owned by Ms. Zheng Yan, who is the wife of Mr. Lu Bin (an executive Director) and the sister of Mr. Cheng Kin Ming (a substantial shareholder of the Company).

(iii) This entity was established by the Disposal Group and the other independent third party during the year ended 31 December 2019. Management considers Shunfeng New Energy was a related party as it was accounted for as a joint venture of the Disposal Group.

(iv) This entity was established by the Disposal Group and the other independent third party during the year ended 31 December 2019. Management considers Suntech South Africa was a related party as it was accounted for a joint venture of the Disposal Group.

(v) Management considers Wuxi Suntech, Wuxi Incubator, Jiangsu Shunfeng, Luoyang Suntech and Changzhou Material are related parties of the Group as they are previously held by the Disposal Group of which, currently held by Asia Pacific Resources, an entity wholly-owned and controlled by Mr. Cheng, a substantial shareholder of the Company.

55. RELATED PARTY DISCLOSURES (Continued)

(b) Related party balances

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant outstanding balances with related parties as at 31 December 2020 and 2019:

Name of related parties	Nature of balance	2020 RMB'000	2019 RMB'000
Tiancheng International	Lease liabilities	**6,847**	1,139

(c) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the year was as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	**9,051**	8,505
Performance-related incentive bonuses	**6,396**	2,312
Retirement benefits scheme contributions	**225**	187
	15,672	11,004

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

56. CONTINGENT LIABILITIES AND MAJOR LITIGATION

	2020 RMB'000	2019 RMB'000
Guarantees provided to financial institutions in respect of banking facilities granted to third parties and a related party:		
Total guaranteed amounts	**187,646**	307,100
Less: amounts provided as financial guarantee contracts (Note 39)	**(187,646)**	(177,100)
Unprovided amount	**–**	130,000

56. CONTINGENT LIABILITIES AND MAJOR LITIGATION (Continued)

Litigation lodged by Xinxi Chanye (as defined below) against the Group

On 19 July 2019, Xinxi Chanye Electronics No.11 Design and Research Technology Construction Co., Ltd.* (訊息產業電子第十一設計研究院科技工程股份有限公司) ("Xinxi Chanye") lodged a litigation against two subsidiaries of the Group, which are wholly owned subsidiaries of the Group, for the delay in payment of EPC payables, which was guaranteed by Jiangxi Shunfeng, a wholly owned subsidiary of the Group. The relevant EPC payables amounting to RMB28,872,000 and had been recorded as trade and other payables of the Group. An application of property preservation was submitted to the court and accordingly, the equity interests of certain entities included in the 11 Target Companies, assets and liabilities of which were all classified as held for sale in Note 27 including Hami Hengxin, Hami Junxin, Hami Tianhong, Hami Yixin, Jinchang Zhongke, Pingluo Zhongdianke and Shangde (Hami) are put under freezing orders as a result of the contractual dispute between the Group and Xinxi Chanye. The Group and Xinxi Changye entered into a settlement agreement on 2 December 2019, pursuant to which the Group will repay the EPC payables upon the collection of proceeds from the Disposal of the 11 Target Companies, the first Tranche of the Dividends Payment and Relevant Payables and Xinxi Chanye has made the applications for the release of the freezing orders imposed. As at 31 December 2019, management of the Group has completed the release of freezing orders of each of the relevant Target Companies.

Litigation lodged by JIC and a construction company

In respect of the borrowing from JIC, an independent financial institution, of a principal balance of RMB490,000,000 which have been overdue on 16 August 2019. JIC lodged a litigation against Jinta Wancheng during the year ended 31 December 2019 and subsequently Jinta Wancheng received the first-instance judgement from the High People's Court of Zhejiang in January 2020, requesting Jinta Wancheng 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. Jinta Wancheng accepted the judgement and, apart from the principal balance of RMB490,000,000 included in "bank and other borrowings", and has also provided additional interest expenses of RMB55,586,000 and additional penalty interest of RMB37,146,000 for the year ended 31 December 2019 as "finance cost".

On 26 July 2020, Jinta Wancheng received a petition filed by its creditor for an order that Jinta Wancheng maybe wound up by the High People's Court of Gansu. The petition was filed against Jinta Wancheng for its failure to settle a sum of approximately RMB237 million for EPC payable of solar power plants.

On 5 November 2020, the Intermediate People's Court of Jiu Quan agreed a restructuring plan submitted by the receiver, pursuant to which an independent third party of the Group, ZSEC, agreed to acquire the entire equity interest of Jinta Wancheng at a zero consideration. ZSEC will inject RMB707,150,000 to Jinta Wancheng for repayment of liabilities, any balance due over this amount will become irrecoverable and waived. The receiver has allocated the injected fund based on the priority of debts. Consequently, the Group will receive RMB24,212,000 for repayment of intercompany loan. Following the restructuring plan implemented by the Intermediate People's Court of Jiu Quan, Jinta Wancheng ceased to be a subsidiary of the Group and its financial performance and financial position will not be consolidated. Details of deemed disposal of Jinta Wancheng are disclosed in Note 50(c).

57. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Place of incorporation/ registration	Place of operations	Date of incorporation/ registration	Attributable equity interest of the Group		Proportion of voting right held by the Company		Paid-in share capital/registered capital	Principal activities
				2020	2019	2020	2019		
Directly held									
Shunfeng Photovoltaic Holding Limited	Hong Kong	Hong Kong	16 August 2010	100%	100%	100%	100%	HKD500	Investment holding
Indirectly held									
Jiangsu Shunfeng Photovoltaic Electronic Power Co., Ltd (Note (b))	The PRC	The PRC	29 December 2011	100%	100%	100%	100%	USD200,000,000	Manufacturing and sales of Solar Products and provision of related installation services
Jiangxi Shunfeng Photovoltaic Investments Co., Ltd (Note (a))	The PRC	The PRC	24 June 2013	100%	100%	100%	100%	RMB450,000,000	Investment holding
Lattice Power Corporation	The Island of Grand Cayman	The PRC	18 January 2006	59%	59%	100%	100%	USD84,151.16	Manufacturing and sales of LED Products
Lattice Power (Jiangxi) Co., Ltd (Note (b))	The PRC	The PRC	13 February 2006	100%	100%	100%	100%	USD123,000,000	Manufacturing and sales of LED Products
Jiangxi Lattice Power Semiconductor Co. Ltd (Note (a))	The PRC	The PRC	14 March 2013	100%	100%	100%	100%	RMB60,000,000	Manufacturing and sales of LED Products
Jiangxi Changda Optoelectronic Science & Technology Co., Ltd (Note (a))	The PRC	The PRC	1 December 2000	100%	100%	100%	100%	RMB19,800,000	Manufacturing and sales of LED Products
Sangri Suntech Power Co., Ltd.	The PRC	The PRC	21 April 2011	100%	100%	100%	100%	RMB46,000,000	Solar power generation

Notes:

(a) The companies are limited liability companies.

(b) The companies are wholly-owned foreign enterprises.

Apart from that Shunfeng Investment, the 3-year 7.8% RMB550,000,000 corporate bond issued on 10 November 2015 and the 2-year 7.7% RMB500,000,000 corporate bond issued on 22 June 2016 as detailed in Note 43, no other subsidiaries had issued any debt securities at the end of both years.

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

58. EVENTS AFTER THE END OF THE REPORTING PERIOD

The proposed disposal of Lattice Power (Jiangxi) Co., Ltd and its subsidiaries ("Lattice Power (Jiangxi) Group")

As disclosed in the announcement published on 31 December 2020, the Group has entered into a sale and purchase agreement with a connected person, who is a director of an indirectly non wholly-owned subsidiary of the Company, pursuant to which the Group has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase 100% of the equity interests in Lattice Power (Jiangxi) Group, at an aggregate consideration of RMB670million.

FINANCIAL SUMMARY

Results	2016 RMB'000 Continuing operations	2017 RMB'000 Continuing operations	2018 RMB'000 Continuing operations	2019 RMB'000 Continuing operations	**2020** **RMB'000** **Continuing operations**
Turnover	1,391,328	1,534,464	1,642,915	1,731,106	**1,466,320**
(Loss)/profit before interest expenses and tax	(1,454,276)	351,734	244,965	(837,948)	**293,310**
Interest expenses	(956,772)	(1,358,073)	(1,188,107)	(1,163,046)	**(781,794)**
(Loss)/profit before tax	(2,411,048)	(1,006,339)	(943,142)	(2,000,994)	**(488,484)**
Income tax expense	(15,512)	(744)	(5,399)	(12,909)	**(13,138)**
(Loss)/profit for the year	(2,426,560)	(1,007,083)	(948,541)	(2,013,903)	**(501,622)**
Total comprehensive income for the year	31,608	41,903	(9,786)	(2,314)	**40**
(Loss)/profit and total comprehensive income for the year	(2,367,787)	(792,233)	(1,716,506)	(1,887,197)	**(501,582)**
(Loss)/profit for the year attributable to:					
Owner of the Company	(2,136,961)	(1,005,000)	(947,451)	(2,030,746)	**(552,281)**
Non-controlling interest	(289,599)	(2,083)	(1,090)	16,843	**50,659**
	(2,426,560)	(1,007,083)	(948,541)	(2,013,903)	**(501,622)**
(Loss)/profit and total comprehensive income for the year attributable to:					
Owners of the Company	(2,080,982)	(789,730)	(1,715,542)	(1,903,892)	**(552,365)**
Non-controlling interests	(286,805)	(2,503)	(964)	16,695	**50,783**
	(2,367,787)	(792,233)	(1,716,506)	(1,887,197)	**(501,582)**

Results	2016 RMB'000	2017 RMB'000	2018 RMB'000	2019 RMB'000	**2020** **RMB'000**
Total assets	28,013,407	25,325,942	25,403,746	16,132,494	**9,708,470**
Total liabilities	(21,922,125)	(19,971,448)	(21,756,524)	(15,547,861)	**(9,625,419)**
	6,091,282	5,354,494	3,647,222	584,633	**83,051**
Equity attributable to owners of the Company	4,812,591	4,041,194	2,262,797	(869,100)	**(1,474,385)**
Non-controlling interests	1,278,691	1,313,300	1,384,425	1,453,733	**1,557,436**
	6,091,282	5,354,494	3,647,222	584,633	**83,051**

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

"Board"	the board of Directors
"Company"	Shunfeng International Clean Energy Limited
"Corporate Governance Code"	the Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Director(s)"	the director(s) of the Company
"EPC"	engineering, procurement and construction
"Group"	the Company and its subsidiaries
"GW"	gigawatt, which equals one billion watt
"HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "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 watt
"MWh"	megawatt hour
"PRC" or "China"	the People's Republic of China
"PV"	photovoltaic
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"United States" or "U.S."	the United States of America
"USD" or "US$"	U.S. dollar, the lawful currency of the U.S.
"we", "our", "us"	the Company or the Group (as the context requires)
"Year"	twelve months ended 31 December 2020

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順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED