熊猫绿能
Panda Green

PANDA GREEN ENERGY GROUP LIMITED
熊貓綠色能源集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock code: 686)

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

Reference is made to the announcement of Panda Green Energy Group Limited (the "Company") dated 30 March 2020 in relation to the unaudited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "2019 Unaudited Results Announcement").

As stated in the 2019 Unaudited Results Announcement, the unaudited annual results of the Group for the year ended 31 December 2019 (the "2019 Unaudited Results") contained therein have not been audited and agreed with the Company's auditor, PricewaterhouseCoopers, as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The board (the "Board") of directors (the "Directors") of the Company is pleased to announce that the auditing process for the annual results of the Group for the year ended 31 December 2019 has been completed and that the audited consolidated financial results of the Group for the year ended 31 December 2019, together with the comparative audited figures for the year ended 31 December 2018 are as follows. The overall loss for the year ended 31 December 2019 has been decreased by approximately RMB103 million, while the total equity as at 31 December 2019 has been increased by approximately RMB131 million as compared to the 2019 Unaudited Results Announcement.

Below is the "Adjustments to the 2019 Unaudited Results Announcement" for those individual financial statements line items that have been adjusted:

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 Audited** ***RMB'million***	2019 Unaudited Results *RMB'million*	Variance *RMB'million*
CONTINUING OPERATIONS				
Sales of electricity		**629**	629	–
Tariff adjustment		**1,539**	1,539	–
Revenue		**2,168**	2,168	–
Other income		**50**	50	–
Employee benefits expenses (excluding share-based payment expense)		**(115)**	(115)	–
Land use tax		**(8)**	(8)	–
Legal and professional fees		**(19)**	(19)	–
Maintenance costs		**(47)**	(47)	–
Other expenses		**(109)**	(128)	19
EBITDA#		**1,920**	1,901	19
Depreciation for property, plant and equipment	*(i)*	**(581)**	(592)	11
Depreciation for right-of-use assets	*(i)*	**(26)**	(17)	(9)
Loss on debt extinguished by issuing equity instruments	*(ii)*	**(32)**	–	(32)
Fair value losses on financial assets at fair value through profit or loss	*(iii)*	**(168)**	(181)	13
Fair value gain on financial liabilities at fair value through profit or loss		**13**	13	–
Finance income		**77**	77	–
Finance costs		**(1,239)**	(1,239)	–
Impairment charge on concession rights	*(iii)*	**(531)**	(545)	14
Impairment charge on development rights	*(iii)*	**(831)**	(1,011)	180
Impairment charge on property, plant and equipment	*(iii)*	**(958)**	(756)	(202)
Impairment charge on right-of-use assets	*(iv)*	**(18)**	–	(18)
Write-off on other receivables	*(i), (v)*	**(39)**	(200)	161
Impairment loss of financial assets	*(i)*	**(1,094)**	(1,022)	(72)
Share-based payment expenses		**(6)**	(6)	–
Share of profits of investments accounted for using equity method		**36**	36	–
Loss on disposal of subsidiaries		**(302)**	(302)	–

	Notes	**2019 Audited** *RMB'million*	2019 Unaudited Results *RMB'million*	Variance *RMB'million*
Loss before income tax		**(3,779)**	(3,844)	65
Income tax credit	*(vi)*	**280**	242	38
Loss for the year from continuing operations		**(3,499)**	(3,602)	103
DISCONTINUED OPERATION				
Profit for the year from discontinued operation		**4**	4	–
LOSS FOR THE YEAR		**(3,495)**	(3,598)	103

Notes:

i. Adjustments represented the reclassification of accounts.

ii. Adjustment represented the fair value loss on debts extinguishment upon the share placement in March 2019. Corresponding adjustment was adjusted to the share premium. No financial impact on the total equity was resulted.

iii. Adjustments represented the finalisation of valuation results.

iv. Adjustments represented the impact on adoption of HKFRS 16 *Leases.*

v. Adjustments represented reversal of impairment loss of financial assets because of revision of settlement arrangement with NEX Group.

vi. Adjustments represented the deferred tax impact arising from the finalisation of valuation results.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019 Audited** *RMB'million*	2019 Unaudited Results *RMB'million*	Variance *RMB'million*
LOSS FOR THE YEAR		**(3,495)**	(3,598)	103
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss				
Release of other reserve in relation to discontinued operation		**11**	11	–
Currencies translation differences	*(i)*	**(14)**	(10)	(4)
Release of currencies translation differences in relation to discontinued operation		**(1)**	(1)	–
Item that will not be reclassified to profit or loss				
Fair value changes of financial assets at fair value through other comprehensive income	*(i)*	**(231)**	(232)	1
Other comprehensive loss for the year, net of tax		**(235)**	(232)	(3)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(3,730)**	(3,830)	100

Note:

i. Adjustments represented the rounding differences.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 Audited RMB'million	2019 Unaudited Results RMB'million	Variance RMB'million
ASSETS				
Non-current assets				
Property, plant and equipment	*(i),(ii)*	**14,246**	14,430	(184)
Right-of-use assets	*(ii)*	**307**	322	(15)
Intangible assets	*(i)*	**869**	689	180
Investments accounted for using equity method		**297**	297	–
Other receivables, contract assets, deposits and prepayments	*(ii)*	**540**	726	(186)
Pledged deposits	*(ii)*	**1,265**	1,302	(37)
Deferred tax assets	*(iii)*	**27**	56	(29)
Total non-current assets		**17,551**	17,822	(271)
Current assets				
Financial assets at fair value through profit or loss	*(i)*	**42**	29	13
Trade, bills and tariff adjustment receivables		**3,808**	3,808	–
Other receivables, contract assets, deposits and prepayments	*(ii)*	**2,356**	1,083	1,273
Pledged deposits	*(ii)*	**1,440**	1,403	37
Restricted cash		**20**	20	–
Cash and cash equivalents		**239**	239	–
Total current assets		**7,905**	6,582	1,323
Total assets		**25,456**	24,404	1,052
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital		**1,285**	1,285	–
Reserves		**2,039**	1,849	190
		3,324	3,134	190
Non-controlling interests	*(iv)*	**317**	376	(59)
Total equity		**3,641**	3,510	131

	Notes	2019 Audited RMB'million	2019 Unaudited Results RMB'million	Variance RMB'million
LIABILITIES				
Non-current liabilities				
Bank and other borrowings	*(v)*	**10,677**	10,678	(1)
Lease liabilities		**107**	107	–
Deferred government grant		**5**	5	–
Deferred tax liabilities	*(iii)*	**256**	329	(73)
Other payables		**8**	8	–
Total non-current liabilities		**11,053**	11,127	(74)
Current liabilities				
Other payables and accruals	*(ii)*	**3,124**	2,174	950
Lease liabilities		**14**	14	–
Bank and other borrowings	*(ii)*	**7,624**	7,579	45
Total current liabilities		**10,762**	9,767	995
Total liabilities		**21,815**	20,894	921
Total equity and liabilities		**25,456**	24,404	1,052

Notes:

i. Adjustments represented the finalisation of valuation results.

ii. Adjustments represented the reclassification of accounts.

iii. Adjustments represented the deferred tax impacts arising from the finalisation of valuation results.

iv. Adjustments represented the share of adjusted profit or loss and other comprehensive income for non-controlling interests.

v. Adjustments represented the rounding differences.

Save as disclosed in Adjustments to the 2019 Unaudited Results Announcement in this announcement, all other information contained in the 2019 Unaudited Results Announcements remains unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

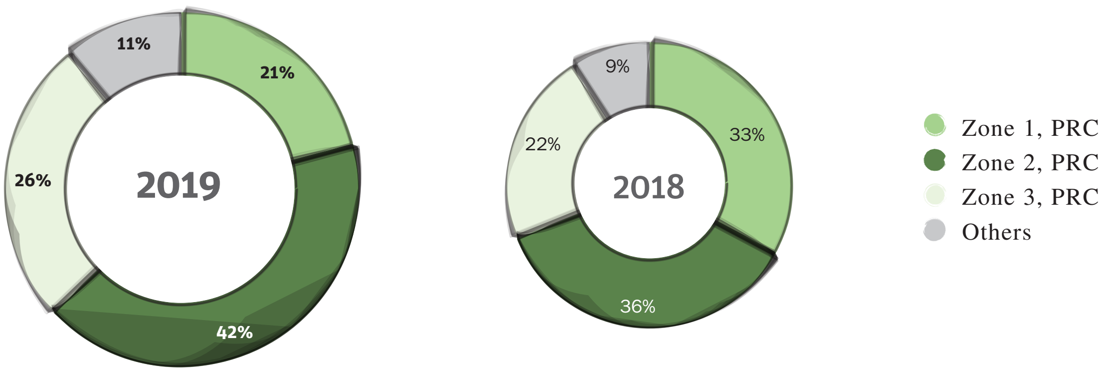
Diversification of Investment Locations and Portfolios

During the year ended 31 December 2019 (the "Year"), the Group, as a leading global eco-development solutions provider, is principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

Solar Power Plant Projects

During the Year, the Group focused its resources on managing its existing solar power business. As at 31 December 2019, the Group and its associates had 61 (31 December 2018: 74) solar power plants with aggregate installed capacity of approximately 1,979.2 megawatts ("MW") (31 December 2018: 2,329.6MW). As at 31 December 2019, all of the solar power plants were located in the People's Republic of China ("PRC"). The Group has well-diversified its solar power plants in 18 different regions during the Year (31 December 2018: 18). Chart 1 analyses the locations of these solar power plants among various resource regions. This shows the Group's efforts in mitigating concentration risks by diversification of location selection.

Chart 1 Location of Solar Power Plants



Almost all the solar power plants owned and controlled by the Group and its associates are ground-mounted, with a small portion of them being roof-top type. The Group strategically develops and acquires solar power plants to achieve predetermined minimal rate of return and selects its solar power plants based on a combination of factors, including solar irradiation of the site, applicable feed-in tariffs, government subsidies, conditions for local grid connection, electricity transmission infrastructure and demand for electricity.

During the Year, the Group disposed all of its solar power plants in the United Kingdom ("UK") and certain solar power plants in the PRC to independent third parties, which is in line with the Group's strategy of improving quality and development efficiency.

Other Renewable Energy Projects

The Group owned development rights mainly in hydropower with an expected capacity of over 5 gigawatts ("GW"). The Company indirectly holds 75% of the equity interest in the project companies while the remaining 25% is indirectly held by the People's Government of Tibet Autonomous Region. The Group is awaiting for the planning of the PRC government's ecological red line before the construction of any hydropower plants.

In the short run, the Group will focus on the development of solar and wind power businesses, while diversifying its renewable energy portfolios in order to supplement the multi-type energy supply in the long run.

Electricity Generation

During the Year, the total electricity generated by the power plants from the continuing operations of the Group and its associates has slightly increased from approximately 3,109,894 megawatt hours ("MWh") in 2018 to approximately 3,172,916 MWh, or by approximately 2.03%. All these power plants are grid-connected and are generating electricity steadily.

Table 1 Power Plants with Continuing Operations Summary

	For the year ended 31 December							
	2019				2018			
	Number of power plants	**Aggregate installed capacity** *(MW)*	**Electricity generation** *(MWh)*	**Weighted average utilisation hours** *(Hours)*	Number of power plants	Aggregate installed capacity *(MW)*	Electricity generation *(MWh)*	Weighted average utilisation hours *(Hours)*
Subsidiaries								
– Solar power plants	**57**	**1,895.4**	**2,686,470**	**1,401**	55	1,845.3	2,495,055	1,406
– Wind power plants (i)	**–**	**–**	**65,761**	**N/A**	1	48.0	99,308	2,069
	57	**1,895.4**	**2,752,231**		56	1,893.3	2,594,363	
Associates/joint ventures								
– Solar power plants	**4**	**83.8**	**420,685**	**1,514**	12	353.8	515,531	1,457
Total	**61**	**1,979.2**	**3,172,916**		68	2,247.1	3,109,894	

(i) The wind power plants were disposed during the Year.

The details of the electricity generated from each region for the Year are set out as below. For accounting purpose, the volume of electricity generated by the newly acquired solar power plants during the Year was only recorded starting from their respective completion dates of acquisition.

Table 2 Power Plants Information by Resource Zone – Continuing Operations

	As at 31 December 2019			For the year ended 31 December 2019		
	Number of power plant					
Location	**Solar**	**Wind**	**Aggregate Installed capacity** *(MW)*	**Electricity generation** *(MWh)*	**Revenue** *(RMB'million)*	**Average tariff per kWh (net of VAT)** *(RMB)*
Subsidiaries						
(i) Zone 1						
Inner Mongolia, PRC	9	–	330.0	560,724	437	0.78
Ningxia, PRC	1	–	200.0	291,000	220	0.75
Gansu, PRC	1	–	100.0	147,663	109	0.74
Zone 1 sub-total	11	–	630.0	999,387	766	0.77
(ii) Zone 2						
Qinghai, PRC	4	–	200.0	310,141	256	0.82
Shanxi, PRC	2	–	150.0	276,058	214	0.78
Shandong, PRC	3	–	50.0	–	–	–
Xinjiang, PRC	7	–	120.2	179,057	134	0.75
Inner Mongolia, PRC	1	–	60.0	101,706	82	0.81
Yunnan, PRC	3	–	57.1	90,464	67	0.74
Hebei, PRC	2	–	37.3	51,028	42	0.82
Sichuan, PRC	3	–	50.0	89,773	58	0.65
Zone 2 sub-total	25	–	724.6	1,098,227	853	0.78

	As at 31 December 2019			For the year ended 31 December 2019		
	Number of power plant					
Location	**Solar**	**Wind**	**Aggregate Installed capacity** *(MW)*	**Electricity generation** *(MWh)*	**Revenue** *(RMB'million)*	**Average tariff per kWh (net of VAT)** *(RMB)*
(iii) Zone 3						
Hubei, PRC	1	–	100.0	115,653	112	0.97
Shandong, PRC	1	–	40.0	59,536	53	0.88
Guangxi, PRC	1	–	60.0	62,142	53	0.85
Hunan, PRC	6	–	120.0	104,822	107	1.02
Guangdong, PRC	4	–	22.8	2,966	9	0.95
Zhejiang, PRC	1	–	3.0	2,803	2	0.89
Anhui, PRC	1	–	100.0	119,721	78	0.65
Zone 3 sub-total	15	–	445.8	467,643	414	0.89
(iv) Others						
Shanxi, PRC	–	–	–	65,761	31	0.47
Tibet, PRC	6	–	95.0	121,213	104	0.86
Others sub-total	6	–	95.0	186,974	135	0.73
Subsidiaries sub-total	**57**	**–**	**1,895.4**	**2,752,231**	**2,168**	**0.79**
Associates						
Inner Mongolia, PRC	2	–	60.0	219,850	185	0.84
Yunnan, PRC	–	–	–	53,393	38	0.71
Shanxi, PRC	–	–	–	49,378	41	0.84
Qinghai, PRC	–	–	–	57,491	51	0.89
Jiangsu, PRC*	2	–	23.8	40,573	75	1.84
Associates sub-total	**4**	**–**	**83.8**	**420,685**	**390**	**0.93**
Total	**61**	**–**	**1,979.2**	**3,172,916**	**2,558**	**0.81**

* *Among the solar power plants located in Jiangsu, PRC, two roof-top power plants owned by Fengxian Huize Photovoltaics Energy Limited have obtained electricity price of RMB2.41/kilowatt-hour ("kWh") (VAT included) or RMB2.06/kWh (net of VAT), which is in line with the guarantee made by the vendor upon acquisition of certain equity interest by the Group in 2013. The guaranteed electricity price for 2018 was met and no compensation was payable pursuant to the electricity income guarantee for the year ended 31 December 2019.*

Financing

The power generation business is capital intensive in nature. The Group has been exploring various financing channels to enhance its financing capability and reduce its finance cost. During the Year, the Group has raised funds by means of equity financing and debt financing. As at 31 December 2019, the effective interest rate for bank and other borrowings was approximately 5.43% (31 December 2018: 5.31%).

FINANCIAL REVIEW

During the Year, the Group recorded a loss of approximately RMB3,495 million (31 December 2018: loss of approximately RMB454 million). The loss for the Year was mainly attributable to the impairment charge on intangible assets of approximately RMB1,362 million, the write-off on other receivables of approximately RMB39 million, the loss allowance on financial assets of approximately RMB1,094 million, the impairment charge on property, plant and equipment of approximately RMB958 million, the loss on disposal of subsidiaries of approximately RMB302 million and fair value loss of re-measurement of financial instruments of approximately RMB168 million.

Revenue and EBITDA

During the Year, the revenue and EBITDA from the continuing operations were approximately RMB2,168 million and RMB1,920 million respectively (31 December 2018: approximately RMB2,023 million and RMB1,700 million respectively). The average tariff per kWh (net of VAT) for the Year was approximately RMB0.81. Table 2 summarises the details of the breakdown of revenue generated by each provincial region.

Fair Value Losses on Financial Assets at Fair Value Through Profit or Loss

The amount of fair value loss recognised for the Year was approximately RMB168 million (31 December 2018: loss of approximately RMB114 million). It was mainly due to a fair value loss of approximately RMB150 million for an unlisted investment. The principal activities of the unlisted investment are engaged in the development, investment, operation, management of solar power plants, and the information technology development and technical support service. The unlisted investment had been affected by the adjusted Feed-in-Tariff ("FIT") policy published by the National Development and Reform Commission ("NDRC") in 2019, resulting in a significant reduction of feed-in-tariff as well as the profitability of future on-grid solar power plant projects. In 2019, the investee company evaluated the impact of these new national policies and decided to cease to engage in new EPC projects as it was considered to be not financially viable. Consequently, the fair value loss was recognised for the Year as a result of the re-measurement valuation. In 2018, the fair value loss was mainly resulted from an unexercised call option to acquire equity interest in an associate.

Loss on Debt Extinguished by Issuing Equity Instruments

During the Year, the Company issued new shares to certain existing shareholders. Certain placement amounts had been net-off against the existing loans from those shareholders. A fair value loss was recognised on these debts upon the extinguishment by issuing new shares.

Fair Value Gains/(Losses) on Financial Liabilities at Fair Value Through Profit or Loss

The amount represented a fair value gain arising from a release of contingent consideration payable as a result of the disposal of a project company during the Year.

Finance Costs

The total finance costs has dropped from approximately RMB1,319 million in 2018 to approximately RMB1,239 million during the Year, or a decrease of 6.1%. The decrease was mainly attributable to the full settlement of high-yield convertible bonds in 2018 and the raising of equity funding in March 2019.

Share-Based Payment Expenses

Share-based payment expenses were relevant to the amortisation of the fair value of share options granted under the Company's share option scheme. The decrease in the share-based payment expenses was attributable to the Group's revised estimate of the number of options that were expected to vest based on the non-market vesting and service condition, as certain directors and staff of the Group had resigned during the Year.

Impairment Charge on Development Rights

The Group recognised development rights in relation to hydropower projects with an expected capacity of approximately 5.2GW in Tibet and Sichuan Province, the PRC, and 60MW solar power projects in 2017. In May 2018, the People's Government of Tibet Autonomous Region published the "Notice on Leveraging Feed-in Tariff of Electricity" (《西藏自治區人民政府關於進一步規範和理順全區上網電價及銷售電價的通知》, "Tibet Notice 1") with an aim to adjust the electricity price of hydropower plants in Tibet in which FIT of the Group's hydropower projects will reduce from RMB0.44/kWh to RMB0.35/kWh. According to the Tibet Notice 1, such policy was on temporary trial from 1 May 2018 to 31 December 2020 and will be revisited upon 31 December 2020.

In June 2019, the People's Government of Tibet Autonomous Region further published the "Notice on Reducing Residential Electricity Consumption and Industrial and Commercial Electricity Prices" (《西藏自治區人民政府關於降低居民生用電和工商業用電價格的通知》, "Tibet Notice 2"), the FIT of the Group's hydropower projects will further reduce from RMB0.35/kWh to RMB0.341/kWh. According to the Tibet Notice 2, such policy was on temporary trial from 1 July 2019 to 31 December 2020 and will be revisited upon 31 December 2020. The Group is not optimistic that the probability that the FIT will be resumed to RMB0.44/kWh immediately after the expiry of Tibet Notice 2.

Management performed annual impairment test to determine the recoverable amount of the development rights based on fair value less costs of disposal. In this connection, management has prepared cash flow forecasts for the hydropower projects, taking into account of factors, including but not limited to, the above revision of government policies, probability as well as the estimated extent of the revision of FIT after 2020, construction cost and development plans. The Group has engaged an independent external valuer to assess the recoverable amount of development rights. As a result of the impairment test, an impairment charge of approximately RMB831 million (2018: nil) on development rights was recognised for the Year.

Impairment Charge on Concession Rights

As at 31 December 2019, the Group had concession rights from a vendor to develop and operate various solar power plant projects due by November 2020. Majority of these solar power plants projects under the concession rights, particularly those located in Shanxi, Hunan and Anhui, have been experiencing regional electricity curtailment due to low industry and household consumption in these provinces. This market condition may continue and may result in an adverse effect on the future revenue generated by such solar power plants. As the concession right is close to expiry and due to the electricity curtailment, there is an uncertainty as to the probability of exercising the concession rights before its expiry.

Management performed annual impairment test to determine the recoverable amount of the concession rights based on fair value less costs of disposal. In this connection, management has prepared cash flow forecasts of each of the concession rights taking into account of factors, including but not limited to, the revision of government policy, operational status of the solar power plants planned to be acquired and the probability to exercise the concession rights before its expiry. The Group has engaged an independent external valuer to assess the recoverable amount of concession rights. As a result of the impairment test, an impairment charge of approximately RMB531 million (2018: approximately RMB279 million) on concession rights was recognised during the Year.

Impairment Charge on Property, Plant and Equipment

As at 31 December 2019, the Group had more than 50 solar power plants with an aggregated installed capacity of 1.9 GW. Majority of these solar power plants are located in provinces in the northwestern part of the PRC. Certain of these plants, particularly those located in Gansu, Qinghai, Xinjiang and Ningxia, have been experiencing prolonged period of regional curtailment of renewable energy due to low industry and household consumption in these provinces whereby the actual sales of electricity output to the State Grid are persistently less than the output capacity of the Group's power plants. While the Central Government has implemented measures to alleviate the national-wide curtailment rate of renewable energy, management considers that this market condition may continue in the short to medium term and may result in an adverse effect on the future revenue to be generated by certain solar power plants of the Group.

Management performed an impairment assessment on property, plant and equipment with impairment indicator as at 31 December 2019 and has reflected the latest market conditions and other relevant parameters in the assessment. The Group has engaged an independent external valuer to assess the recoverable amount of property, plant and equipment. Accordingly, the Group has recognised an impairment charge on property, plant and equipment of approximately RMB797 million during the Year. Included in property, plant and equipment is construction in progress of RMB161 million in respect of hydropower construction in Tibet. The construction in progress of RMB161 million has been fully impaired based on the impairment assessment on Development Rights mentioned above.

Write-off on Other Receivables

The Group has assessed the recoverable amounts of its financial assets. Management of the Group was not optimistic on the recovery of certain financial assets and recognised a write-off of approximately RMB39 million during the Year.

Impairment Loss of Financial Assets

The Group had placed certain deposits and other receivables in 2017 to independent parties in order to secure potential projects in the future. There was no progress on projects acquisitions to utilise the deposits over the past years. Management of the Group was uncertain about the progress of the projects acquisitions or the ability of refund from these parties should the relevant projects cannot go ahead. The Group has started legal procedures in order to recover the loss from these parties, including issuing legal letters to these parties. In May 2020, the Company has formed an independent investigation committee to investigate the fund flows underlying such deposit payments. Details of the investigation can be referred to the Company's announcements dated 19 July 2020 and 31 July 2020. Though the management has taken proactive actions to recover the amounts from these parties, however, the management of the Group was uncertain and was not optimistic whether the Group is able to recover the amounts from these parties and accordingly, the Group has recognised an impairment charge on the deposits and other receivables of approximately RMB1,094 million during the Year.

Loss on Disposal of Subsidiaries

During the Year, the Group completed the disposal of certain subsidiaries, including a subsidiary which owned wind power plants with aggregate installed capacity of 96MW in the PRC, and two subsidiaries which had investments in joint ventures which held solar power plants with aggregate installed capacity of 270MW in the PRC. The losses were mainly arising from the reversal of a non-cash purchase price allocation adjustments recognised at the time of acquisitions on the Group's level.

Income Tax

During the Year, income tax mainly comprised the corporate income tax from certain project companies where the preferential tax concession rate of 7.5% or 12.5% applies.

Discontinued Operation

During the Year, the Group disposed of its solar power plants located in the UK to an independent third party for approximately GBP34 million. The gain was calculated after netting off the consideration, transaction costs incurred, net assets of the portfolio and the transfer of the reserves under an interest rate swap contract.

Trade, Bills and Tariff Adjustment Receivables

The trade and bills receivables will usually be settled within three to twelve months. For the tariff adjustment receivables in the PRC during the Year, there was a further delay in settlement in the 5th, 6th, 7th and 8th batches.

Table 3 Breakdown of Trade, Bills, Tariff Adjustment Receivables at Subsidiaries Level

	31 December 2019		31 December 2018	
	Installed capacity *(MW)*	***RMB'million***	Installed capacity *(MW)*	*RMB'million*
Trade and bills receivables		**113**		1,164
Tariff adjustment receivables				
– PRC				
– 5th batch	**100.0**	**187**	100.0	138
– 6th batch	**630.0**	**1,154**	678.0	1,014
– 7th batch	**327.6**	**755**	337.2	763
– 8th batch or after	**817.8**	**1,599**	778.2	1,000
– UK	**–**	**–**	82.4	14
Total	**1,875.4**	**3,808**	1,975.8	4,093

Bank and Other Borrowings

The Group is actively seeking opportunities of financing/refinancing to lower the cost of funds and to improve liquidity.

Key Performance Indicators

The Group measures the delivery of its strategies and manages its business through regular measurements of several key performance indicators, particularly on the following ratios: EBITDA margin, debt to EBITDA ratio, funds from operations to net debt ratio and interest coverage ratio.

EBITDA Margin: EBITDA margin is a measurement of the Group's operating profitability and is calculated as EBITDA divided by the revenue. The Group's EBITDA margin has increased by 5% from 84% to 89% for the Year. This was mainly due to effective costs control implemented during the Year, the synergies from the increased capacity of power plants and adoption of the new accounting standard, HKFRS 16, whereas comparative figures were not restated for relevant expenses.

Debt to EBITDA Ratio: Debt to EBITDA ratio is a measurement of the number of years that will take the Group to repay its debts assuming net debts and EBITDA are held constant. This ratio is calculated as the net debts divided by EBITDA. Net debts is calculated as total borrowings less cash deposits. Total borrowings include current and non-current bank and other borrowings and construction costs payables as shown in the consolidated statement of financial position. The ratio has decreased during the Year to approximately 8.3 (31 December 2018: 11.5).

Funds from Operations to Net Debt Ratio: Funds from operations to debt ratio is a measurement of the Group's ability to pay its debts using its operating income alone. This ratio is calculated as the EBITDA net of cash interest paid divided by net debts. The ratio has increased from 3.8% to 6.4% for the Year.

Interest Coverage Ratio: Interest coverage ratio measures the Group's ability to pay interest on its interest-bearing debt. The ratio is calculated as EBITDA divided by net interest paid (actual interest paid minus actual interest income received during the Year). The ratio was 2.15 for the Year (31 December 2018: 1.77).

LIQUIDITY, FINANCIAL RESOURCES, GEARING RATIO AND CAPITAL STRUCTURE

As at 31 December 2019, the Group recorded current assets of approximately RMB7,905 million and current liabilities of approximately RMB10,762 million.

The Group has established a treasury policy with the objective of lowering cost of funds. Therefore, funding for all its operations have been centrally reviewed and monitored at the Group level. To manage the Group's exposure to fluctuations in interest rates on each solar power project, appropriate funding policies will be applied including the use of bank and other borrowings, issue of senior notes, medium-term notes and corporate bonds or placing of new shares. The management will continue its efforts in obtaining the most privileged rates and favourable terms to the Group for its financing.

The Group monitors its capital structure based on the gearing ratio. This ratio is calculated as net debts divided by total capital. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debts.

The capital structure (including its gearing ratio) as at 31 December 2019 was as follows:

	31 December 2019 *RMB'million*	31 December 2018 *RMB'million*
Bank and other borrowings	**18,301**	22,072
Construction costs payables	**574**	701
Total borrowings	**18,875**	22,773
Less: cash deposits	**(2,964)**	(3,220)
Net debts	**15,911**	19,553
Total equity	**3,641**	5,870
Total capital	**19,552**	25,423
Gearing ratio	**81.4%**	76.9%

The increase in gearing ratio was attributable to drop in total equity as a result of the impairment charge recognised on certain assets during the Year, after offsetting the impact from the placing of new shares in March 2019.

The Group will use its best endeavour to lower its gearing ratio in the foreseeable future by deleveraging its liabilities, including but not limited to co-investing in power plants with strategic business partners to reduce the capital expenditure.

Except for certain bank and other borrowings with aggregate amounts of approximately RMB6,506 million which were carried at fixed rates, the remaining borrowings of the Group bore floating interest rates.

As at 31 December 2019, the cash deposits were denominated in the following currencies:

	Pledged deposits	**Restricted cash**	**Cash and cash equivalents**	**Total**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*
RMB	2,705	18	238	2,961
HK$	–	2	1	3
	2,705	20	239	2,964
Representing:				
Non-current portion	1,265	–	–	1,265
Current portion	1,440	20	239	1,699
	2,705	20	239	2,964

As at 31 December 2019, the maturity, currency profile and weighted average life for the Group's bank and other borrowings are set out as follows:

	Within 1 year	**2nd year**	**3-5 years**	**6-10 years**	**Over 10 years**	**Total**
	RMB'million	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*	*RMB'million*
RMB	4,573	2,099	4,151	3,380	653	14,856
US$	2,920	692	–	–	–	3,612
HK$	211	–	–	–	–	211
	7,704	2,791	4,151	3,380	653	18,679
Less: unamortised loan facilities fees	(80)	(52)	(122)	(102)	(22)	(378)
Carrying amount	7,624	2,739	4,029	3,278	631	18,301

Subsequent to 31 December 2019, the Group was not able to comply with certain non-financial related loan covenants in respect of certain bank borrowings totalling of US$150 million, which were drawn down in April 2020. Under the relevant bank loan agreements, such non-compliance of covenant may cause the relevant bank borrowings of US$150 million (equivalent to approximately RMB1,037.5 million) become immediately due and payable should the lender exercise its rights under the loan agreements. Moreover, such non-compliance also triggered the cross default terms of certain other bank borrowings with outstanding balance as at 31 December 2019 of approximately RMB3,305 million and certain borrowings obtained subsequent to 31 December 2019 of approximately RMB3,541 million, which may also cause these borrowings to become immediately due and payable should the lenders exercise their rights under the loan agreements. The Directors of the Group is of the opinion that the bank will not take any action to exercise their rights in respect the non-compliance with the non-financial related loan covenants based on their communication with the bank. The Group will further discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks, if needed. Moreover, the Group is in the process to obtain an additional loan of USD125 million which is guaranteed by Beijing Energy Holding Co., Ltd. ("BEH"), which provides financial support to the Group for a period of twelve months from 24 August 2020 and takes measures so as to enable the Group to have sufficient working capital to meet its liabilities and obligations as and when they fall due and to continue to carry on its business.

The Group did not have any financial instruments for hedging purposes.

As at 31 December 2019, the Group had capital commitment in respect of property, plant and equipment amounted to approximately RMB537 million.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Year, the Group completed the disposal of its (i) 100% equity interest in a subsidiary which owned solar power plants with aggregate installed capacity of 82.4MW in the UK; (ii) 95% equity interest in a subsidiary which owned wind power plants with aggregate installed capacity of 96MW in the PRC; (iii) 100% equity interests in two subsidiaries which had investments in joint ventures which held solar power plants with aggregate installed capacity of 270MW in the PRC; and (iv) 100% equity interests in a subsidiary which owned solar power plants with aggregate installed capacity of 20MW in the PRC. Save as mentioned above, the Group did not have any other material acquisitions or disposals of subsidiaries, associates and joint venture during the Year.

PERFORMANCE AND FUTURE PROSPECTS FOR SIGNIFICANT INVESTMENTS HELD

A project company will be considered material when its total assets and total revenue exceed 10% of the Group. No project company holding operating power plants is individually material to the Group.

MATERIAL RELIANCE ON KEY CUSTOMERS

The key customers in the PRC for the sales of electricity were subsidiaries of the State Grid Corporation of China ("State Grid") and Inner Mongolia Power (Group) Co., Ltd. ("Inner Mongolia Power"), which are PRC state-owned electric utility companies that transmit and distribute power in the PRC. As at 31 December 2019, the receivables from the subsidiaries of State Grid and Inner Mongolia Power were approximately 82% and 17.7% of the total trade, bills and tariff adjustment receivables, respectively.

CHARGE ON ASSETS

As at 31 December 2019, 63% of bank and other borrowings of the Group were secured by the pledge over certain power generating modules and equipment, guarantee deposits, the fee collection right in relation to the sales of electricity in certain subsidiaries and/or pledge over the shares/equity interest of certain subsidiaries of the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group had 412 full-time employees (31 December 2018: 418). Employees were remunerated according to the nature of their positions, individual qualification, performance, working experience and market trends, with merit incorporated in the regular remuneration review to reward and motivate individual performance. The Group offers competitive compensation and benefit packages to different levels of staff, including additional medical insurance, discretionary bonus, various training programmes, sponsorship for further study, as well as share option scheme for the benefits of the directors and eligible employees of the members of the Group. Total employee benefits cost (excluding share-based payment of approximately RMB6 million) for the continuing operations for the Year amounted to approximately RMB115 million (31 December 2018: approximately RMB106 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group operates mainly in Mainland China and Hong Kong. For the operations in Mainland China, the transactions are mostly denominated in RMB. Minimal exposure to fluctuation in exchange rates is expected. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. Since the exchange rate of US$ against HK$ is pegged to each other under the Linked Exchange Rate System, the exposure to fluctuation in exchange rates will mainly arise from the translation to the presentation currency of the Group. The Group did not resort to any currency hedging facility for the Year. However, management will enhance the monitoring on the Group's foreign currency exposure, should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no significant contingent liability.

IMPORTANT EVENTS OCCURRED SINCE THE END OF THE FINANCIAL PERIOD

(a) Issuance of new senior notes

In January 2020, the Company has successfully issued new 8% senior notes in the principal amount of approximately US$372 million (including the exchange notes in the aggregate principal amount of approximately US$112 million of the existing senior notes) for the settlement of the existing senior notes which matured in January 2020. For details, please refer to the announcements of the Company dated 17 January 2020 and 20 January 2020.

(b) Issuance of new shares

In February 2020, the Company completed the allotment and issuance of 7,176,943,498 subscription shares at the subscription price of HK$0.25 per share. The gross proceeds from the share subscriptions amounted to approximately HK$1,795 million (equivalent to approximately RMB1,598 million). For details, please refer to the announcements of the Company dated 2 August 2019, 19 November 2019, 10 December 2019, 12 December 2019, 24 December 2019, 30 December 2019, 16 January 2020 and 18 February 2020 and the circular of the Company dated 11 December 2019.

(c) COVID-19 outbreak

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

PROSPECTS

2019 is the year when the Group transformed its development pattern from "scale expansion" to "quality and efficiency". Facing with existing challenges and opportunities, the Group will continue to pursue its strategy to focus on improving quality and development efficiency, and leverage its technical strength in production operation and maintenance to further enhance safe and civilised way of production. The Group will also pursue lower costs, greater financial health and stabilise market expectations as it works to enhance its profitability and efficiency on a comprehensive scale. Moreover, leveraging upon the strengths of its shareholders' background and resources from the finance team, the Company will explore innovative investment and financing models, expand investment channels and push the Group on track to high-quality, high-efficiency and steady development. During this Year, as to its operations, the Group has completed the main production and operation indicators such as power generation and electricity fee income; as to its financing, it has met the capital requirements for repayment of principal and interest without any default. Moreover, among other things, it has (i) actively introduced the state-owned enterprise Qingdao City Construction Investment (Group) Co., Ltd. to be a main strategic shareholder of the Company, (ii) signed a share subscription agreement with BEH; and (iii) obtained a number of policy subsidies. Looking back over the past year, the Company has achieved "making progress while maintaining stability", laying a solid foundation for its subsequent development.

2020 is the final year of China's 13th Five-Year Plan, and it is also the key year for the photovoltaic industry to get out of the "cold winter" and realise the "warm sun" development. Immediately after the issuance of more than 10 favourable policies such as the "Notice on Establishing a Guarantee Mechanism for Sound Renewable Energy Consumption"(《關於建立健全可再生能源電力消納保障機制的通知》) by the National Development and Reform Commission and the National Energy Administration in 2019, China issued the "Several Opinions on Promoting the Healthy Development of Non-Water Renewable Energy Power Generation" (《關於促進非水可再生能源發電健康發展的若干意見》) at the beginning of 2020, which clearly states that it is necessary to improve the current subsidy method and actively support the development of the photovoltaic industry.

In early 2020, Panda Green successfully introduced BEH to be its largest shareholder. In this new year, with the support of BEH and various shareholders, Panda Green will further focus on its main business (i.e. clean energy business). Based on production safety and stability, it will take high-quality development as the core with an aim to improve its efficiency. Driven by the market-oriented mechanism, it will improve its governance system, pay close attention to its production and operation construction, and actively resolve its financial capital risks to further promote its sustainable and stable development, so as to make the Group a world-class green energy investment operation management entity.

Following is the consolidated statement of financial position as at 31 December 2018 and 2019 and consolidated statement of profit or loss and consolidated statement of comprehensive income for the year ended 31 December 2018 and 2019, which is an extract of the audited consolidated financial statements of the Group:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Note	2019 RMB'million	2018 RMB'million (Restated)
CONTINUING OPERATIONS			
Sales of electricity		**629**	599
Tariff adjustment		**1,539**	1,424
Revenue	*3*	**2,168**	2,023
Other income	*6*	**50**	14
Employee benefits expenses (excluding share-based payment expenses)		**(115)**	(106)
Land use tax		**(8)**	(6)
Legal and professional fees		**(19)**	(35)
Maintenance costs		**(47)**	(71)
Other expenses		**(109)**	(119)
EBITDA#		**1,920**	1,700
Acquisition costs arising from business combinations		**–**	(2)
Depreciation for property, plant and equipment		**(581)**	(553)
Depreciation for right-of-use assets		**(26)**	–
Bargain purchase arising from business combinations		**–**	26
Loss on debt extinguished by issuing equity instruments		**(32)**	–
Fair value losses on financial assets at fair value through profit or loss	*4*	**(168)**	(114)
Fair value gain/(loss) on financial liabilities at fair value through profit or loss	*5*	**13**	(7)
Finance income	*7*	**77**	84
Finance costs	*8*	**(1,239)**	(1,319)
Impairment charge on concession rights	*9*	**(531)**	(279)
Impairment charge on development rights	*10*	**(831)**	–
Impairment charge on property, plant and equipment	*11*	**(958)**	–
Impairment charge on right-of-use assets	*11*	**(18)**	–
Write-off on other receivables		**(39)**	(13)
Impairment loss of financial assets	*2(a)*	**(1,094)**	–
Share-based payment expenses		**(6)**	(42)
Share of profits of investments accounted for using equity method		**36**	37
Loss on disposal of subsidiaries		**(302)**	–
Loss before income tax		**(3,779)**	(482)
Income tax credit	*12*	**280**	13
Loss for the year from continuing operations		**(3,499)**	(469)

	Note	2019 RMB'million	2018 RMB'million (Restated)
Loss for the year from continuing operations		**(3,499)**	(469)
DISCONTINUED OPERATION			
Profit for the year from discontinued operation		**4**	15
LOSS FOR THE YEAR		**(3,495)**	(454)
(LOSS)/PROFIT ATTRIBUTABLE TO			
Equity holders of the Company			
Continuing operations		**(3,279)**	(466)
Discontinued operation		**4**	15
		(3,275)	(451)
Non-controlling interests			
Continuing operations		**(220)**	(3)
Discontinued operation		**–**	–
		(220)	(3)
		(3,495)	(454)
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Basic and diluted *(RMB cents)*	*14*		
Continuing operations		**(23.40)**	(4.89)
Discontinued operation		**0.03**	0.16
		(23.37)	(4.73)

EBITDA represents earnings before depreciation, finance income, finance costs, income tax credit, fair value adjustments, non-cash items, non-recurring items, bargain purchase and acquisition costs arising from business combinations, loss on debt extinguished by issuing equity instruments, impairment charges, impairment loss of financial assets, write-off on other receivables share-based payment expenses and share of profits of investments accounted for using equity method and loss on disposals of subsidiaries. EBITDA is not a measure of performance under Hong Kong Financial Reporting Standards, but is widely used by management for monitoring business performance of a company from operational perspective. It may not be comparable to similar measures presented by the other companies.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 *RMB'million*	2018 *RMB'million* (Restated)
LOSS FOR THE YEAR	**(3,495)**	(454)
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Cash flow hedge, net of tax	**–**	(1)
Release of other reserve in relation to discontinued operation	**11**	–
Currencies translation differences	**(14)**	(171)
Release of currencies translation differences in relation to discontinued operation	**(1)**	–
Item that will not be reclassified to profit or loss		
Fair value changes of financial assets at fair value through other comprehensive income	**(231)**	–
Other comprehensive loss for the year, net of tax	**(235)**	(172)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(3,730)**	(626)
Total comprehensive loss for the year attributable to		
Equity holders of the Company	**(3,452)**	(623)
Non-controlling interests	**(278)**	(3)
	(3,730)	(626)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO		
Equity holders of the Company		
Continuing operations	**(3,466)**	(639)
Discontinued operation	**14**	16
	(3,452)	(623)
Non-controlling interests		
Continuing operations	**(278)**	(3)
Discontinued operation	**–**	–
	(278)	(3)
	(3,730)	(626)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'million	2018 RMB'million
ASSETS			
Non-current assets			
Property, plant and equipment		**14,246**	17,115
Right-of-use assets		**307**	–
Intangible assets		**869**	2,245
Investments accounted for using equity method		**297**	888
Financial assets at fair value through profit or loss		**–**	60
Other receivables, contract assets, deposits and prepayments		**540**	1,983
Pledged deposits		**1,265**	1,838
Deferred tax assets		**27**	28
Total non-current assets		**17,551**	24,157
Current assets			
Financial assets at fair value through profit or loss		**42**	189
Trade, bills and tariff adjustment receivables	*15*	**3,808**	4,093
Other receivables, contract assets, deposits and prepayments		**2,356**	954
Pledged deposits		**1,440**	967
Restricted cash		**20**	8
Cash and cash equivalents		**239**	407
Total current assets		**7,905**	6,618
Total assets		**25,456**	30,775
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital		**1,285**	803
Reserves		**2,039**	4,492
		3,324	5,295
Non-controlling interests		**317**	575
Total equity		**3,641**	5,870

	Note	**2019** *RMB'million*	2018 *RMB'million*
LIABILITIES			
Non-current liabilities			
Bank and other borrowings	*16*	**10,677**	16,649
Lease liabilities		**107**	–
Contingent consideration payables		**–**	10
Deferred government grant		**5**	8
Deferred tax liabilities		**256**	684
Other payables		**8**	–
Other derivative financial instruments		**–**	8
Total non-current liabilities		**11,053**	17,359
Current liabilities			
Other payables and accruals		**3,124**	2,095
Lease liabilities		**14**	–
Bank and other borrowings	*16*	**7,624**	5,423
Contingent consideration payables		**–**	26
Other derivative financial instruments		**–**	2
Total current liabilities		**10,762**	7,546
Total liabilities		**21,815**	24,905
Total equity and liabilities		**25,456**	30,775

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Panda Green Energy Group Limited (the "Company") is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business in Hong Kong is Unit 1012, 10th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The ordinary shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company and its subsidiaries (together, the "Group") are principally engaged in the development, investment, operation and management of solar power plants and other renewable energy projects.

These consolidated financial statements are presented in Renminbi ("RMB") and rounded to the nearest million ("million"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance (Cap. 622). These consolidated financial statements comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets/liabilities at fair value through profit or loss, the revaluation of financial assets at fair value through other comprehensive income, contingent consideration payable and other derivative financial instruments, which were carried at fair values. The preparation of these consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

On 19 March 2019, the Group entered into a sales and purchase agreement with an independent third party and completed a disposal of its UK operation, which holds solar power plants with an aggregated installed capacity of 82.4MW, for a cash consideration of approximately GPB 34 million (equivalent to approximately RMB298 million). The disposal of UK operation was reported as discontinued operation in the accompanying consolidated statement of profit or loss and the comparative figures for the year ended 31 December 2018 has been restated accordingly.

(a) Investigation

In May 2020, the Board of Directors of the Company (the "Board of Directors") was informed by its auditor of certain findings during the course of their audit of the Company's consolidated financial statements as at and for the year ended 31 December 2019. As a result, the Board of Directors established an independent investigation committee ("Independent Investigation Committee) which had engaged an independent external professional advisor to conduct an independent investigation (the "Investigation") on certain matters brought to the attention of the Board of Directors.

The Board of Directors, based on the findings of the Investigation, had identified certain matters relating to the (1) deposits made to New Energy Exchange Limited ("NEX") and its related entities, including Renewable Energy (Hong Kong) Trade Board Limited ("EBODHK"), a subsidiary of NEX, (collectively referred to as "NEX Group") of HK$598 million (equivalent to approximately RMB522 million) and certain other payments to NEX Group of HK$88 million (equivalent to approximately RMB72 million); (2) deposits made to Shenzhen Zhiyuan Renewable Energy Company Limited ("SZZY") of RMB500 million; and (3) certain payments of RMB303.7 million made to one of the limited partners of Changzhou Haozhen Venture Investment Center Limited Partnership ("Haozhen Limited Partnership"), a then joint venture of the Group. While the Investigation had a number of limitations in respect of the nature and extent of the procedures conducted, the Board of Directors had, based on the findings of the Investigation, considered the relevant and available information, and used their best effort to estimate the relevant financial impact of the matters identified in the Investigation. The Board of Directors considered it is appropriate to make certain adjustments to the Company's consolidated financial statements as at and for the year ended 31 December 2019 in respect of the following matters:

(1) Deposits made to NEX Group of HK$598 million and certain other payments to NEX Group of HK$88 million

Based on the findings of the Investigation, NEX is currently a shareholder of the Company holding less than 5% of the Company's shares as at 31 December 2019. The Group made deposits to NEX Group, totalling HK$598million (equivalent to approximately RMB522 million) for the purported purpose of acquisition and construction of certain specific power plant projects under certain agreements ("Deposits to NEX"). Pursuant to the agreements entered into with the Group and EBODHK, a subsidiary of NEX, in relation to the Deposits to NEX, in the event that the acquisitions were not completed by 30 July 2019, the deposits should be refunded in full together with interest calculated based on prevailing market interest rate. Up to 31 December 2019, the Deposits to NEX were not utilised and remained outstanding.

In addition, the Investigation also revealed that the Group made certain other payments of HK$88 million (equivalent to approximately RMB72 million) to NEX and its related entities ("Other Payments to NEX") in previous years. Based on the findings of the Investigation, it appeared that these payments of HK$88 million together with the Deposits to NEX of HK$598 million, totalling HK$686million (equivalent to approximately RMB594 million) (collectively "Total Payments to NEX") were not used by NEX in accordance with the purposes stated in the underlying agreements and supporting documents.

Based on the findings of the Investigation, a company wholly owned by Mr. Alan Li, a former executive director and Chief Executive Officer of the Company from June 2013 to June 2019 and a former chairman of the Board from January 2014 to June 2019, had approximately 11.05% shareholding of NEX and there were certain potential connections between the Group and NEX as they had certain common employees; and both the Group and NEX shared the same payment approval and IT systems. In addition, there were also certain common directors between the Group and NEX during the above period. Despite the above, the Board of Directors does not consider NEX as related parties of the Group as the Group does not have significant influence over NEX and vice versa; and because all the common shareholders and directors have no control or joint control in NEX and its related entities.

Based on the findings of the Investigation, it is appeared that the subsequent movements and usage of the funds were instructed by either Mr. Alan Li and/or Mr. Li Hong, a former chief financial officer from April 2014 to June 2019 and a former executive director of the Company from August 2015 to June 2019 (both Mr. Alan Li and Mr. Li Hong are collectively referred to as the "Former Directors"), although one of the Former Directors subsequently denied his involvement. Further, based on the findings of the Investigation, it revealed that the above payments and the underlying agreements were only approved by the Former Directors. It is purported that certain funds included in the Total Payments to NEX of approximately HK$570.9 million (equivalent to approximately RMB494.4 million) might have been ultimately used to purchase the Company's shares ("First Purported Share Purchases") by certain shareholders of the Company. The Investigation also revealed that approximately HK$12.7 million (equivalent to approximately RMB11 million) of the Total Payments to NEX were purported to have subsequently been paid to the personal bank account of one of the Former Directors; approximately HK$80 million (equivalent to approximately RMB69.2 million) were purportedly utilised as prepayments for certain purchase of solar plant components (which is uncertain whether it is related to the Group or not); and the remaining balance of approximately HK$22.4 million (equivalent to approximately RMB19.4 million) were purportedly kept by NEX for its operations usage (collectively "Other Purported Usage of the Funds").

(2) Deposits made to SZZY of RMB500 million

The Group had made RMB500 million to SZZY through one of its PRC subsidiaries, Hangzhou Canhong Investment Management Limited partnership ("Hangzhou Canhong"). Pursuant to the supplemental agreements ("Project Agreements") entered into between Hangzhou Canhong and SZZY, such payments of RMB500 million to SZZY were made for the purpose of the acquisition of certain power plant projects ("Deposits to SZZY"). The Deposits to SZZY remained outstanding and were not utilised as at 31 December 2019.

Based on the findings of the Investigation, it is appeared that the Deposits to SZZY had not been used by SZZY in accordance with the purposes set out in the Project Agreements. As revealed by the Investigation and based on the direct interview with the former legal representative of SZZY, who is a current employee of NEX and a former employee of the Group, it is appeared that the Former Directors had knowledge in the subsequent usage of the fund and all the affairs of SZZY (including the transactions and arrangements described below) were conducted based on the instruction of one of the Former Directors, although such involvement was subsequently denied by that director. Following the receipt of the proceeds of the deposits by SZZY, SZZY injected RMB500 million in the form of capital into Jiaxing Huaqiao Jiqian Investment Limited Partnership ("Jiaxing") as a limited partner. The general partner of Jiaxing is Huarong Huaqiao Investment Co. Ltd., which is a related company of a substantial shareholder of the Company ("Shareholder H"). Based on the findings of the Investigation, Jiaxing guaranteed a loan of HK$1,100 million borrowed by Sunshine Business Investments Limited ("Sunshine") from Speedy Worldwide Logistic Limited ("Speedy") (the "Sunshine Borrowing"). The Investigation further revealed that, in relation to the Sunshine Borrowing, SZZY in turn entered into an undated guarantee agreement with Jiaxing under which SZZY provided a counter-guarantee in favour of Jiaxing with its partnership interest in Jiaxing of the amount of RMB500 million (collectively the "Guarantee Arrangement"). The Sunshine Borrowing was for a term of three years from 7 April 2017.

The Investigation also revealed that the current management of the Group indicated that it appeared that the Project Agreements and the payment of the RMB500 million have not been approved in accordance with the Group's formal authorisation procedures.

Based on the findings of the Investigation, the underlying proceeds obtained from the Sunshine Borrowing were used to subscribe 99% equity interest in New Modern Management Limited ("New Modern") while the remaining 1% equity interest of New Modern was subscribed at HK$50 million by Top Merchant Group Limited ("Top Merchant"). New Modern acquired 904,104,000 shares of the Company through share subscriptions and from the open market during the period from April to October 2017. The Investigation revealed that the funds used in the acquisitions of these shares of the Company were allegedly sourced from above-mentioned capital injection by Sunshine and Top Merchant into New Modern (the "Second Purported Share Purchases"). Based on the findings of the Investigation, Jiaxing, Speedy, Sunshine and New Modern are purported or appeared to be directly or indirectly related to Shareholder H while Top Merchants is purported or appeared to be controlled by NEX and the fund of HK$50 million invested in New Modern was purported to be sourced from the Total Payments to NEX as described in (1) above.

(3) Certain payments of RMB303.7 million made to one of the limited partners of Haozhen Limited Partnership"), a then joint venture of the Group

In July and August 2019, the Group paid approximately RMB303.7 million to one of the limited partners of Haozhen Limited Partner ("Haozhen Partner A") ("Payments to Haozhen Partner A"). As set out in note 21 (b), the Group held 33.1% interest in Haozhen Limited Partnership and Haozhen Limited Partnership has 95% interest in Changzhou Ranchen Solar Investment Limited ("Ranchen"), which in turn holds certain power plants in the PRC. Based on the documents obtained from the Investigation, it is revealed that the Group, a subsidiary of NEX and Haozhen Partner A entered into a Three-Party Agreement dated 31 October 2019 under which the contracting parties agreed that the above payment had been made by the Group on behalf of NEX Group to Haozhen Partner A for the settlement of consideration payable by NEX Group to Haozhen Partner A for the acquisition of Haozhen Partner A's interest in Haozhen Limited Partnership. Pursuant to the Three-Party Agreement, the amount of RMB303.7 million was recorded as an amount due from NEX Group and included in the outstanding amounts due from NEX Group as at 31 December 2019.

As at 31 December 2019, the Deposits to NEX Group of HK$598 million (equivalent to approximately RMB522 million) and the Deposits to SZZY of RMB500 million remained outstanding. As at the same date, the Group also had amounts due from NEX Group of approximately RMB1,488 million (before impairment provision, and included the amount of HK$88 million as described in (1) above and RMB303.7 as described in (3) above) and amounts due to NEX Group of approximately RMB1,132 million.

The Board of Directors of the Company has engaged external lawyers to send legal letters to SZZY and a subsidiary of NEX to demand repayment of the Deposits to NEX and the Deposits to SZZY. The Group was informed that SZZY has been required to honour the guarantee obligation under the Guarantee Arrangement as Sunshine has defaulted on the repayment upon the maturity of the Sunshine Borrowing, but neither SZZY nor Jiaxing have the ability to repay or honour its guarantee obligation. The current management have also attempted to contact certain of the relevant parties involved in the First and Second Purported Share Purchases in order to recover the funds allegedly to have been used in the First and Second Purported Share Purchases, but no responses were obtained from them. As detailed on Note 3.1(b)(ii) to the financial statements, the current management of the Group have also been in discussion with NEX Group about the repayment of the outstanding balances due from NEX Group. In this connection, on 24 August 2020 the Group had entered into an agreement with NEX Group on certain settlement arrangement in relation to the outstanding balances due from NEX Group. Based on the current management's impairment assessment which have taken into account the aforesaid settlement arrangement, in view of the fact that the current management of the Company is uncertain whether the Group is able to recover the outstanding amounts from NEX Group and SZZY in the near future, the Group has recorded impairment loss of approximately RMB1,022 million for the Deposits to NEX and SZZY and approximately RMB72 million for the amounts due from NEX Group, resulting in a total impairment loss of approximately RMB1,094 million in the consolidated statement of profit or loss of the Group during the year ended 31 December 2019.

Further details of the above are described in the Company's announcements dated 31 July 2020.

(b) Going concern

During the year ended 31 December 2019, the Group reported a loss of approximately RMB3,495 million. As at 31 December 2019, the Group's current liabilities exceeded its current assets by approximately RMB2,857 million. As at 31 December 2019, the Group had total bank and other borrowings of approximately RMB18,679 million, of which approximately RMB7,704 million are scheduled to be repayable within the coming twelve months from 31 December 2019. As at the same date, its cash and cash equivalents amounted to approximately RMB239 million only.

The Group has certain contractual and other arrangements to settle its financial obligations and various capital expenditures. As at 31 December 2019, the Group had capital commitment of approximately RMB537 million, mainly in relation to the construction of solar power plants, with an aggregate installed capacity of 163.5MW.

As at 31 December 2019, total tariff adjustment receivables increased by approximately RMB766 million to approximately RMB3,695 million due to the delay in the expected settlement timeframe.

In addition, subsequent to 31 December 2019, the Group was not able to comply with certain non-financial related loan covenants in respect of a short-term and a long-term bank loan of US$25 million and US$125 million, respectively, which were drawn down in April 2020. Under the relevant bank loan agreements, such non-compliance of covenant may cause the relevant bank borrowings of US$150 million (equivalent to approximately RMB1,037.5 million) become immediately due and payable should the lender exercise its rights under the loan agreements. Moreover, such non-compliance also triggered the cross default terms of certain other bank borrowings with outstanding balance as at 31 December 2019 of approximately RMB3,305 million and certain borrowings obtained subsequent to 31 December 2019 of approximately RMB3,541 million, which may also cause these borrowings to become immediately due and payable should the lenders exercise their rights under the loan agreements.

The above matters indicated that the Group will need to secure a substantial amount of funds in the foreseeable future to finance these financial obligations and capital expenditures under various contractual and other arrangements. All the above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from 31 December 2019. The directors of the Company (the "Directors") are of the opinion that, taking into account the following plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 December 2019:

(i) In January 2020, the Group has successfully issued an aggregate of approximately US$372 million guaranteed 8% senior notes due in year 2022, which includes exchange notes in an aggregate principal amount of approximately US$112 million ("Exchange Notes") and new senior notes in an aggregate principal amount of US$260 million ("New Notes") for the settlement of the existing senior note of US$350 million which matured in January 2020. The net proceeds from the issuance of New Notes amounted to approximately US$257 million (equivalent to approximately RMB1,778 million). The New Notes were issued to two associates of a substantial shareholder of the Group.

Pursuant to the subscription agreements of the New Notes, in the event of the completion of Beijing Energy Share Subscription on or prior to 22 July 2020 as defined in the subscription agreements of the New Notes, the Company should make an offer within 10 business days following the completion of Beijing Energy Share Subscription; or on or prior to 22 July 2020, the first coupon payment date of the New Notes, to purchase all outstanding New Notes ("New Notes Repurchase Offer Obligation"). The date of such purchase shall be no later than 45 business days, from the date of such offer notice in case of the completion of Beijing Energy Share Subscription. Upon the completion of the Beijing Energy Share Subscription on 18 February 2020, the Company has the New Notes Repurchase Offer Obligation. The Group has subsequently obtained a consent and waiver letter on 28 April 2020 from the subscribers of the New Notes to waive the Company's obligation to comply with or fulfill any requirements, conditions or restrictions relating to the New Note Repurchase Offer Obligation. The New Notes were subsequently repaid in full in June 2020.

(ii) In February 2020, the Company completed the allotment and issuance of 7,176,943,498 subscription shares at the subscription price of HK$0.25 per share. The net proceeds from the share subscriptions amounted to approximately HK$1,764 million (equivalent to approximately RMB1,565 million).

(iii) Subsequent to 31 December 2019, the Group successfully obtained short-term bank and other borrowings of RMB645 million and long-term bank borrowings of RMB89 million.

(iv) Beijing Energy Holding Co., Ltd. ("BEH"), the single largest shareholder of the Company after the completion of the share subscription in (ii) above, had issued a letter to the Group to provide credit enhancement guarantee of RMB8 billion to RMB10 billion to support the Group to negotiate short-term or long-term borrowings from banks or other financial institutions for a period of 3 years up to 18 February 2023, depending on the actual funding need. From April to June 2020, the Group successfully obtained and has drawn down short-term borrowings of US$25 million and RMB200 million and long-term borrowings of US$125 million and RMB2,615 million. These loan facilities are guaranteed by BEH and certain of them are subject to certain restrictive undertaking requirements. The Directors will continue to monitor its compliance with the restrictive undertaking requirements and are confident that the Group and BEH would be able to comply with the restrictive undertaking requirements.

Subsequent to 31 December 2019, the Group was not able to comply with certain non-financial related loan covenants in respect of certain bank borrowings totalling of US$150 million, which were drawn down in April 2020. Under the relevant bank loan agreements, such non-compliance of covenant may cause the relevant bank borrowings of US$150 million (equivalent to approximately RMB1,037.5 million) become immediately due and payable should the lender exercise its rights under the loan agreements. Moreover, such non-compliance also triggered the cross default terms of certain other bank borrowings with outstanding balance as at 31 December 2019 of approximately RMB3,305 million and certain borrowings obtained subsequent to 31 December 2019 of approximately RMB3,541 million, which may also cause these borrowings to become immediately due and payable should the lenders exercise their rights under the loan agreements. The Directors of the Group is of the opinion that the bank will not take any action to exercise their rights in respect the non-compliance with the non-financial related loan covenants based on their communication with the bank. The Group will further discuss and negotiate with the respective banks and will seek to further revise the terms and covenant requirements or obtain a waiver of compliance with the covenant requirements from the banks, if needed. Moreover, the Group is in the process to obtain an additional loan of USD125 million which is guaranteed by BEH.

The Group has also obtained a letter of financial support from BEH in August 2020, who agreed to take measures and to provide financial support to the Group for a period of twelve months from 24 August 2020 and take measures so as to enable the Group to have sufficient working capital to meet its liabilities and obligations as and when they fall due and to continue to carry on its business.

(v) The Directors are also in the process of negotiating with various banks and other financial institutions to raise short-term or long-term financing of approximately RMB4,494 million with the credit enhancement guarantee provided by BEH. It is in the opinion of the Directors that the remaining unutilised guarantee limit is sufficient for the Group's funding need. They are confident that, with the credit enhancement guarantee provided by BEH, the Group will be able to further obtain and draw down short-term or long-term financing from banks or other financial institutions as and when needed.

(vi) The solar power plants currently held by the Group have already achieved on-grid connection. They are expected to generate operating cash inflows to the Group. The Directors are confident that all existing solar power plants currently held by the Group, if not registered in the previous Renewable Energy Tariff Subsidy Catalogue are eligible for entering the list of the national financial subsidy.

In the opinion of the directors, in light of the above plans and measures, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2019. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainty exists as to whether management of the Group can achieve the plans and measures described in (iv) to (vi) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability (i) to secure the short-term and long-term borrowings from banks and other financial institution as and when needed, (ii) to continuously comply with the restrictive undertaking requirements of the borrowings and, where appropriate, to successfully negotiate with the lenders to obtain waiver or to revise the terms and conditions of the borrowings for the continuous compliance thereof as and when needed, such that the existing borrowings and facilities will continue to be available to the Group and be repaid in accordance with the agreed repayment schedules; (iii) to obtain the financial support from BEH as and when needed, and (iv) to generate adequate operating cash inflow in the expected timeframe from its existing renewable energy projects as well as those to be constructed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

(c) Changes in accounting policy and disclosures

(i) New and amended standards, improvements and interpretation adopted by the Group

The following new and amendments to HKFRSs, improvements and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
HKFRS 9 Amendments	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HKAS 19 Amendments	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
Annual Improvements Project	Annual Improvements 2015-2017 Cycle

Save as disclosed in Note 2(d) below, the adoption of other new and amended standards, improvements and interpretation did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(ii) New and amended standards, interpretations and revised framework that have been issued but were not yet effective

Effective for accounting periods beginning on or after 1 January 2020

HKAS 1 and HKAS 8 Amendments	Definition of Material
HKAS 39, HKFRS 7 and HKFRS 9 Amendments	Interest Rate Benchmark Reform
HKFRS 3 Amendments	Definition of a Business
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

Effective for accounting periods beginning on or after 1 January 2021

HKFRS 16 Amendments	Covid-19 Related Rent Concessions
HKFRS 17	Insurance Contracts

Effective for accounting periods beginning on or after 1 January 2022

HKFRS 3 Amendments	Reference to the Conceptual Framework
HKAS 16 Amendments	Property, Plant and Equipment: Proceeds before intended use
HKAS 37 Amendments	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements 2018 – 2020 Cycle

Effective for accounting periods beginning on or after 1 January 2023

HKAS 1 Amendments	Classification of Liabilities as Current or Non-current

Effective for accounting periods beginning on or after a date to be determined

HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group has commenced an assessment of the impact of these new and amended standards, interpretations and revised framework but is not yet in a position to state whether they would have a significant impact of its results of operations and financial position.

The Group does not intend to early adopt these standards before their respective effective dates.

(d) Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's consolidated financial statements.

The Group had to change its accounting policies as a result of adopting HKFRS 16. In accordance with the transition provisions of HKFRS 16, the Group has adopted the modified retrospective application for existing leases as at 1 January 2019 with certain transition reliefs and under which comparative figures are not restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised the lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged between 3.68% to 4.92%.

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous; and
- accounting for operating leases with a remaining lease term of less than 12 months as short-term leases.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities

	RMB'million
Operating lease commitments disclosed as at 31 December 2018	**224**
Discounted using the lessee's incremental borrowing rate at the date of initial application	**(81)**
Lease liabilities recognised as at 1 January 2019	**143**
Of which are:	
Current lease liabilities	**18**
Non-current lease liabilities	**125**
	143

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 1 January 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The right-of-use assets as at 1 January 2019 are reconciled as follows:

	RMB'million
Lease liabilities recognised as at 1 January 2019	**143**
Rental prepayments recognised as at 31 December 2018	**29**
Land use rights recognised as at 31 December 2018	**180**
Right-of-use assets recognised as at 1 January 2019	**352**

Adjustments recognised in the consolidated statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

– Property, plant and equipment – decrease by RMB180 million

– Other receivables, deposits and prepayments – decrease by RMB29 million

– Right-of-use assets – increase by RMB352 million

– Lease liabilities – increase by RMB143 million

– There was no impact on retained earnings as at 1 January 2019

Accounting policies applied from 1 January 2019 – Leases

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments).

Lease payments to be made under reasonably certain options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

(i) where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

(ii) uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and

(iii) makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonable certain to exercise a purchase option, the right-of-use is depreciated over the underlying asset's useful life. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The Group is pursuing expansion and involvement in clean energy technologies, including solar power and hydropower. During the year ended 31 December 2018 and 2019, the Group has one reportable segment which is solar energy segment. No material revenue, EBITDA, segment profit nor total assets had been attributed by the hydropower segment as it is still under development stage and therefore CODM does not regard hydropower as a reportable segment. Information relating to segment assets and liabilities is not disclosed as such information is not regularly reported to the CODM. Accordingly, reconciliation of segment profit to the Group's profit is not separately presented.

For the year ended 31 December 2019, the major operating entities of the Group are domiciled in the PRC and accordingly, all of the Group's revenue was derived in the PRC (2018: revenue was derived in the PRC and the UK). During the year ended 31 December 2019, the Group completed the disposal of its business in the UK (the "Disposed Business"). Accordingly, the financial results of the Disposed Business are presented in the consolidated statement of profit or loss as discontinued operation.

The Group's non-current assets other than financial instruments and deferred tax assets by geographical area is as follows:

	2019	2018
	RMB'million	*RMB'million*
		(Restated)
The PRC	**15,722**	19,755
Hong Kong	**6**	9
	15,728	19,764

For the year ended 31 December 2019, there were four customers (2018: four) which individually contributed over 10% of the Group's total revenue. During the Year, the revenue contributed from each of these customers was as follows:

	2019	2018
	RMB'million	*RMB'million*
Customer A	**436**	386
Customer B	**255**	274
Customer C	**245**	246
Customer D	**220**	217

4 FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB'million	*RMB'million*
Call options in relation to acquisition of investments accounted for using equity method	**(7)**	(72)
Guaranteed electricity output	**(11)**	–
Unlisted investments	**(150)**	(42)
	(168)	(114)

5 FAIR VALUE GAINS/(LOSSES) ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	RMB'million	*RMB'million*
Contingent consideration payables	**13**	(7)

6 OTHER INCOME

	2019	2018
	RMB'million	*RMB'million*
		(Restated)
Government grant	**11**	2
Operation and maintenance service income	**14**	7
Compensation income from vendors	**17**	–
Others	**8**	5
	50	14

7 FINANCE INCOME

	2019	2018
	RMB'million	*RMB'million*
Interest income on bank balances and deposits	**38**	43
Interest income on loan	**–**	29
Amortisation of imputed interest income on pledged deposits	**39**	12
	77	84

8 FINANCE COSTS

	2019 *RMB'million*	2018 *RMB'million* (Restated)
In relation to bank and other borrowings		
Interest expenses	**1,121**	1,011
Loan facilities fees	**113**	172
	1,234	1,183
In relation to convertible bonds		
Interest accretion	**–**	143
Subsequent re-measurement gains on derivative portion	**–**	(7)
	–	136
In relation to lease liabilities		
Interest expenses	**5**	–
Total finance costs	**1,239**	1,319

9 IMPAIRMENT CHARGE ON CONCESSION RIGHT

As at 31 December 2019, the Group had concession rights from a vendor to develop and operate various solar power plant projects due by November 2020. Majority of these solar power plants projects under the concession rights, particularly those located in Shanxi, Hunan and Anhui, have been experiencing regional electricity curtailment due to low industry and household consumption in these provinces. This market condition may continue and may result in an adverse effect on the future revenue generated by such solar power plants. As the concession right is close to expiry and due to the electricity curtailment, there is an uncertainty as to the probability of exercising the concession rights before its expiry.

Management performed annual impairment assessment to determine the recoverable amount of the concession rights based on the fair value less costs of disposal. The fair value measurement was categorised under level 3 fair value hierarchy. In this connection, management has prepared cash flow forecasts of each of concession right taking into account factors, including but not limited to, the revision of government policy, operational status of the solar power plants planned to be acquired; and the probability to exercise the concession rights before its expiry. The Group has engaged an independent external valuer to assess the recoverable amount of concession rights. As a result of the impairment test, an impairment charge of approximately RMB531 million (2018: RMB279 million) on concession rights was recognised during the year ended 31 December 2019.

10 IMPAIRMENT CHARGE ON DEVELOPMENT RIGHT

Management performed annual impairment assessment to determine the recoverable amount of the development rights based on fair value less costs of disposal. In this connection, management has prepared cash flow forecasts for the hydropower projects, taking into account of factors, including but not limited to, the revision of government policies, probability as well as the estimated extent of the revision of FIT after year 2020, construction costs, development plans. The Group has engaged an independent external valuer to assess the recoverable amount of development rights. As a result of the impairment test, an impairment charge of approximately RMB831 million (2018: Nil) on development rights was recognised for the year ended 31 December 2019.

11 IMPAIRMENT CHARGE ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

As at 31 December 2019, the Group had more than 50 solar power plants with an aggregated installed capacity of 1.9 GW. Majority of these solar power plants are located in provinces in the northwestern part of the PRC. Certain of these plants, particularly those located in Gansu, Qinghai, Xinjiang and Ningxia, have been experiencing prolonged period of regional curtailment of renewable energy due to low industry and household consumption in these provinces whereby the actual sales of electricity output to the State Grid are persistently less than the output capacity of the Group's power plants. While the Central Government has implemented measures to alleviate the national-wide curtailment rate of renewable energy, management considers that this market condition may continue in the short to medium term and may result in an adverse effect on the future revenue to be generated by certain solar power plants of the Group.

Management performed an impairment assessment on property, plant and equipment with impairment indicator as at 31 December 2019 and has reflected the latest market conditions and other relevant parameters in the assessment. Each solar power plant is identified as a cash generating unit. The estimated recoverable amounts of solar power plants are determined based on value-in-use calculations using discounted cash flow approach ("DCF"). The calculation uses cash flow projections covering the useful lives of those property, plant and equipment in relation to the relevant solar power plants. The Group has engaged an independent external valuer to assess the recoverable amount of property, plant and equipment. As a result of the impairment test, impairment charges of approximately RMB958 million and RMB18 million on property, plant and equipment and right-of-use assets, respectively, were recognised during the year ended 31 December 2019.

12 INCOME TAX CREDIT

The Group's operations in the PRC are subject to the corporate income tax law of the PRC (the "PRC Corporate Income Tax"). The standard PRC Corporate Income Tax rate is 25%. Certain subsidiaries of renewable energy projects are entitled to preferential tax concession. Income tax on profits assessable outside the PRC has been provided at rates prevailing in the respective jurisdictions.

13 DIVIDEND

No dividend has been paid or declared by the Company during the year ended 31 December 2019 (2018: Same).

14 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share was calculated by dividing (loss)/profit from continuing operations and discontinued operation attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 December 2019.

	2019	2018 (Restated)
(Loss)/earnings *(RMB'million)*		
(Loss)/earnings attributable to the equity holders of the Company		
Continuing operations	**(3,279)**	(466)
Discontinued operation	**4**	15
	(3,275)	(451)
Weighted average number of ordinary shares in issue *(million shares)*	**14,013**	9,530
Basic and dilutive (loss)/earnings per share *(RMB cents)*		
Continuing operations	**(23.40)**	(4.89)
Discontinued operation	**0.03**	0.16
	(23.37)	(4.73)

Diluted (loss)/earnings per share was calculated based on (loss)/profit from continuing operations and discontinued operation attributable to the equity holders of the Company and by adjusting the weighted average number of ordinary shares outstanding to assume conversion/exercise of all dilutive potential ordinary shares. For the year ended 31 December 2019, the Group has two (2018: three) categories of potential ordinary shares, including share options and warrants (2018: convertible bonds, share options and warrants).

For the share options and warrants, a calculation has been done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options/warrants. (2018: convertible bonds certain share options and warrants) Share options and warrants were not assumed to be exercised as they would have an anti-dilutive impact to the profit or loss attributable to the equity holders of the Company for the year ended 31 December 2018 and 2019. Accordingly, diluted (loss)/earnings per share for the years ended 31 December 2018 and 2019 for both continuing operations and discontinued operation are same as that of basic (loss)/earnings per share.

15 TRADE, BILLS AND TARIFF ADJUSTMENT RECEIVABLES

	2019 *RMB'million*	2018 *RMB'million*
Trade receivables	**49**	72
Tariff adjustment receivables	**3,695**	2,929
Trade and tariff adjustment receivables	**3,744**	3,001
Bills receivables	**64**	1,092
Trade, bills and tariff adjustment receivables	**3,808**	4,093

As at 31 December 2019, trade receivables of approximately RMB49 million (2018: approximately RMB72 million) represented receivables from sales of electricity and are usually settled within three to twelve months.

Tariff adjustment receivables mainly represented the central government subsidies on renewable energy projects to be received from the State Grid Corporation of China and Inner Mongolia Power Company Limited based on the respective electricity sale and purchase agreements for each of the Group's solar power plants and prevailing nationwide government policies.

The directors of the Company consider that the expected credit loss for trade, bills and tariff adjustment receivables is insignificant as at 31 December 2018 and 2019.

The ageing analysis by invoice date of trade and tariff adjustment receivables was as follows:

	2019 *RMB'million*	2018 *RMB'million*
Current	**3,625**	2,535
1–30 days	**17**	63
31–60 days	**–**	39
61–90 days	**–**	36
91–180 days	**2**	91
181–365 days	**–**	103
Over 365 days	**100**	134
	3,744	3,001

The maturity dates of bills receivable were within twelve months. The maximum exposure to credit risk at the reporting date was the carrying value of each of the receivables mentioned above. The Group did not hold any collateral as security. Trade, bills and tariff adjustment receivables are denominated in RMB.

16 BANK AND OTHER BORROWINGS

	2019			2018		
	Current portion	**Non-current portion**	**Total**	Current portion	Non-current portion	Total
	RMB'million	***RMB'million***	***RMB'million***	*RMB'million*	*RMB'million*	*RMB'million*
Bank borrowings	**2,643**	**6,181**	**8,824**	3,249	7,401	10,650
Loans from leasing companies	**756**	**4,464**	**5,220**	593	4,946	5,539
Senior notes	**2,506**	**–**	**2,506**	–	2,451	2,451
Corporate bonds	**1,530**	**–**	**1,530**	–	1,800	1,800
Medium-term notes	**32**	**300**	**332**	103	331	434
Other loans	**237**	**30**	**267**	1,577	60	1,637
	7,704	**10,975**	**18,679**	5,522	16,989	22,511
Unamortised loan facilities fees	**(80)**	**(298)**	**(378)**	(99)	(340)	(439)
	7,624	**10,677**	**18,301**	5,423	16,649	22,072

17 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

(a) Issuance of new senior notes

In January 2020, the Group has successfully issued an aggregate of approximately US$372 million guaranteed 8% senior notes due in year 2022, which includes Exchange Notes in an aggregate principal amount of approximately US$112 million and New Notes in an aggregate principal amount of US$260 million for the settlement of the existing senior note of US$350 million which matured in January 2020. For details, please refer to the announcements of the Company dated 17 January 2020 and 20 January 2020. The New Notes were issued to two associates of a substantial shareholder of the Group. Subsequently, the New Notes were fully repaid in June 2020.

(b) Issuance of new shares

In February 2020, the Company completed the allotment and issuance of 7,176,943,498 subscription shares at the subscription price of HK$0.25 per share. The net proceeds from the share subscriptions amounted to approximately HK$1,766 million (equivalent to approximately RMB1,573 million). For details, please refer to the announcements of the Company dated 2 August 2019, 19 November 2019, 10 December 2019, 12 December 2019, 24 December 2019, 30 December 2019, 16 January 2020 and 18 February 2020 and the circular of the Company dated 11 December 2019.

(c) COVID-19 outbreak

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the COVID-19 outbreak.

EXTRACTS FROM THE AUDITOR'S REPORT

The Board would like to draw attention of the Company's shareholders that the Auditor of the Company, PricewaterhouseCoopers (the "Auditor"), issued a modified opinion on the consolidated financial statements of the Group for the year ended 31 December 2019. An extract of the Auditor's report which states the modified opinion is as follows:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

As disclosed in Note 2.1(a) to the Company's consolidated financial statements, the Board of Directors of the Company established an independent investigation committee which had engaged an independent external professional advisor to conduct an independent investigation (the "Investigation") on certain matters brought to the attention of the Board of Directors. The Board of Directors, based on the findings of the Investigation, had identified certain matters relating to (a) certain deposits made to New Energy Exchange Limited ("NEX", which owned less than 5% of the Company's shares as at 31 December 2019) and its related entities ("NEX Group") of HK$598 million ("Deposits to NEX"), together with certain other payments to NEX Group of HK$88 million; (b) certain deposits made to Shenzhen Zhiyuan Renewable Energy Company Limited ("SZZY") of RMB500 million ("Deposits to SZZY"); and (c) certain payments of RMB303.7 million made to one of the limited partners of Changzhou Haozhen Venture Investment Center Limited Partnership ("Haozhen Limited Partnership"), a then joint venture of the Group. Based on the findings of the Investigation, the Board of Directors, based on the best available information, considered it is appropriate to make certain adjustments to the Company's consolidated financial statements as at and for the year ended 31 December 2019 in respect of these matters.

The Investigation had a number of limitations in respect of the nature and extent of the procedures conducted, including those described in the Company's public announcement dated 31 July 2020. In response to the above-mentioned matters and the limitations of the Investigation, we have planned to conduct certain extended procedures during the course of our audit of the Company's consolidated financial statements as at and for the year ended 31 December 2019. However, we also encountered similar and other limitations when we conducted the extended procedures as detailed below.

(a) Deposits made to NEX Group of HK$598 million and certain other payments to NEX Group of HK$88 million

As described in Note 2.1(a)(1) to the consolidated financial statements, the Group made deposits to NEX Group of HK$598 million (equivalent to approximately RMB522 million) for the purported purpose of acquisition and construction of certain specific power plant projects. The Investigation also revealed that there were certain other payments to NEX Group of HK$88 million (equivalent to approximately RMB72 million) (collectively "Total Payments to NEX"). It was identified by the Investigation that the payments were not used by NEX Group in accordance with the purposes stated in the underlying agreements or supporting documents.

Based on the findings of the Investigation, it is alleged that the subsequent movements and usage of the funds were instructed by either both, or one of the two then directors of the Company (the "Former Directors"), although one of the Former Directors subsequently denied his involvement. Furthermore, based on the findings of the Investigation, a substantial portion of the funds relating to the Total Payments to NEX might have been ultimately used to purchase the Company's shares by certain shareholders of the Company (the "First Purported Share Purchases"). The Investigation also revealed that part of the Total Payments to NEX were purported to have subsequently been paid to the personal bank account of one of the Former Directors or utilised as prepayments for certain purported purchase of solar plant components (which is uncertain as to whether it is related to the Group or not) while the remaining fund were kept by NEX Group for its operation usage (collectively "Other Purported Usage of the Funds").

(b) Deposits made to SZZY of RMB500 million

As described in Note 2.1(a)(2), pursuant to the underlying agreements entered into between the Group and SZZY, the Group had made deposits to SZZY of RMB500 million for the acquisition of certain power projects. Based on the findings of the Investigation, the Deposits to SZZY had not been used by SZZY in accordance with the purposes set out in the agreements.

As revealed by the Investigation and based on the direct interview with the former legal representative of SZZY, who is a current employee of NEX and a former employee of the Group, it is alleged that the Former Directors had knowledge in the subsequent usage of the fund and all the affairs of SZZY (including the transactions and arrangements described below) were conducted based on the instruction of one of the Former Directors, although such involvement was subsequently denied by him. The Investigation report revealed that the RMB500 million funds obtained by SZZY were injected into Jiaxing Huaqiao Jiqian Investment Limited Partnership ("Jiaxing") as a limited partner. The general partner of Jiaxing is Huarong Huaqiao Investment Co Ltd., which is a related company of a substantial shareholder of the Company ("Shareholder H"). Jiaxing guaranteed a loan of HK$1,100 million borrowed by Sunshine Business Investments Limited ("Sunshine") from Speedy Worldwide Logistic Limited ("Speedy") (the "Sunshine Borrowing"). In relation to the Sunshine Borrowing, SZZY in turn entered into an undated guarantee agreement with Jiaxing under which SZZY provided a counter-guarantee in favour of Jiaxing with its partnership interest in Jiaxing of the amount of RMB500 million (collectively the "Guarantee Arrangement"). The underlying proceeds of the Sunshine Borrowing were used to subscribe 99% equity interest in New Modern Management Limited ("New Modern") while the remaining 1% equity interest of New Modern was subscribed at HK$50 million by Top Merchant Group Limited ("Top Merchant"). New Modern acquired 904,104,000 Shares of the Company through share subscriptions and from the open market during the period from April to October 2017. The Investigation revealed that the funds used in the acquisitions of these shares of the Company were allegedly sourced from the above-mentioned capital injection by Sunshine and Top Merchant (the "Second Purported Share Purchases"). Based on the findings of the Investigation, Jiaxing, Speedy, Sunshine and New Modern are purported or appeared to be directly or indirectly related to Shareholder H, while Top Merchant is purported or appeared to be controlled by NEX and the fund of HK$50 million invested in New Modern was purported to be from the Total Payments to NEX as described in section (a) above.

(c) Certain payments of RMB303.7 million made to one of the limited partners of Haozhen Limited Partnership"), a then joint venture of the Group

As described in Note 2.1(a)(3), in July and August 2019, the Group paid approximately RMB303.7 million to one of the limited partners of Haozhen Partners ("Haozhen Partner A") ("Payments to Haozhen Partner A"). Haozhen Limited Partnership has a 95% interest in Changzhou Ranchen Solar Investment Limited ("Ranchen"), which in turn holds certain power plants in the PRC. Based on the documents obtained from the Investigation, it is revealed that the Group, a subsidiary of NEX and Haozhen Partner A entered into a Three-Party agreement dated 31 October 2019 under which the contracting parties agreed that the above payment had been made by the Group on behalf of NEX Group to Haozhen Partner A for the settlement of consideration payable by NEX Group to Haozhen Partner A for the acquisition of Haozhen Partner A's interest in Haozhen Limited Partnership. Pursuant to the Three-Party Agreement, the amount of RMB303.7 million was recorded by the Group as an amount due from NEX

Group and included in the outstanding amount due from NEX Group as at 31 December 2019 (for which a significant impairment provision was made by the Group in 2019 against the outstanding amounts due from NEX Group as at 31 December 2019 as described below).

As at 31 December 2019, the Deposits to NEX Group of HK$598 million (equivalent to approximately RMB522 million) and the Deposits to SZZY of RMB500 million remained outstanding. As at the same date, the Group also had amounts due from NEX Group of approximately RMB1,488 million (before impairment provision and included the amount of HK$88 million as described in (a) above and RMB303.7 million as described in (c) above) and amounts due to NEX Group of approximately RMB1,132 million.

As detailed in Note 2.1(a), the Board of Directors of the Company has engaged external lawyers to send legal letters to SZZY and a subsidiary of NEX to demand repayment of the Deposits to NEX and the Deposits to SZZY. The Group was informed that SZZY has been required to honour the guarantee obligation under the Guarantee Arrangement as Sunshine has defaulted on the repayment upon the maturity of the Sunshine Borrowing, but neither SZZY nor Jiaxing have the ability to repay or honour its guarantee obligation. The current management have also attempted to contact certain of the relevant parties involved in the First and Second Purported Share Purchases in order to recover the funds allegedly to have been used in the First and Second Purported Share Purchases, but no responses were obtained from them. As detailed in Note 3.1(b)(ii) to the consolidated financial statements, management of the Group have also been in discussion with NEX Group about the repayment of the outstanding balances due from NEX Group. In this connection, on 24 August 2020 the Group had entered into an agreement with NEX Group on certain settlement arrangements in relation to the outstanding balances due from NEX Group. Based on the current management's impairment assessment which have taken into account the aforesaid settlement arrangement (Note 3.1(b)(ii)), and in view of the fact that the current management of the Company is uncertain whether the Group is able to recover the outstanding amounts from NEX Group and SZZY in the near future, the Group has recorded impairment loss of approximately RMB1,022 million for the Deposits to NEX and SZZY and approximately RMB72 million for the amounts due from NEX Group, resulting in a total impairment loss of approximately RMB1,094 million in the consolidated statement of profit or loss of the Group during the year ended 31 December 2019.

In our prior years' audits, the then management (the "Then Management") represented to us that the Total Payments to NEX and the Deposits to SZZY were made in the Group's ordinary course of business for purposes described in the first paragraphs of section (a) and (b) above. We were not made aware of nor were we informed by the Then Management or the then Board of Directors of the Company of the purported movements and usage of funds after payments were made by the Group to NEX Group and SZZY (including but not limited to those relating to the Total Payments to NEX, the Deposits to SZZY as well as the arrangements, and/or transactions with respect to the First and Second Purported Share Purchases, the Other Purported Usages of the Funds, the Sunshine Borrowing, and the Guarantee Arrangement), the alleged involvement of the Former Directors in these transactions and arrangements as described above, nor the identities of the various parties that were allegedly involved in these transactions and arrangements.

The current management were unable to provide us with sufficient documentary evidence and satisfactory explanation about the nature, business rationale and commercial substance of the Total Payments to NEX of HK$686 million (equivalent to approximately RMB594 million) and Deposits to SZZY of RMB500 million; and their relationships, if any, with the purported subsequent usage of funds, the arrangements, and/or any other transactions with respect to the First and Second Purported Share Purchases, the Other Purported Usages of the Funds, the Sunshine Borrowing and the Guarantee Arrangement; nor the propriety of these payments, arrangements and transactions. We were also unable to obtain satisfactory explanations and adequate evidence from the current management to ascertain the background and identities of SZZY; and the relevant counterparties identified in the Investigation involved in the First and Second Purported Share Purchases, the Other Purported Usages of the Funds, the Sunshine Borrowing and the Guarantee Arrangement; as well as their relationship, if any, with the Group, and/or with NEX, and/or amongst themselves. We had requested but were unable to obtain corroborative evidence from these counterparties, including performing interviews with these counterparties, the Former Directors and certain former employees of the Group to ascertain the nature, rationale and underlying intention of these payments, arrangements and transactions as well as their relationship with the Group. The current management was unable to provide us with satisfactory explanation about the business rationale of the Payment to Haozhen Partner A and the Three-Party Agreement given the significant impairment loss made on the amount due from NEX subsequently. The current management was unable to provide us with adequate and appropriate documentary evidence to support the impairment assessments of the Deposits made to NEX Group and SZZY as well as the outstanding amounts due from NEX Group as at 31 December 2019.

Because of the above scope limitation, there were no alternative audit procedures that we could perform to satisfy ourselves as to:

(i) the business rationale and commercial substance, legitimacy, existence, occurrence, accuracy, completeness, classification, presentation and disclosures of the Total Payments to NEX of HK$686 million (equivalent to approximately RMB594 million) and Deposits to SZZY of RMB500 million; and as to whether the effects, if any, of these payments, relevant arrangements, and/or any other transactions with respect to the First and Second Purported Share Purchases, the Other Purported Usage of the Funds, the Sunshine Borrowing; and the Guarantee Arrangement had been properly accounted for, classified, presented and disclosed in the Company's consolidated financial statements as at and for the year ended 31 December 2019 and the corresponding period;

(ii) the business rationale of the Payment to Haozhen Partner A and the Three-Party Agreement;

(iii) the accuracy, valuation and completeness of the outstanding amounts due from NEX Group of RMB1,488 million as at 31 December 2019;

(iv) whether the impairment loss of RMB1,022 million in respect of Deposits to NEX and SZZY recognised during the year ended 31 December 2019 as well as the net carrying amounts of the Deposits to NEX and SZZY of nil as at 31 December 2019 were fairly stated;

(v) whether the impairment loss of RMB72 million recognised against the amounts due from NEX Group during the year ended 31 December 2019 and the outstanding amounts due from NEX Group of RMB1,488 million as at 31 December 2019 were fairly stated; and

(vi) the accuracy and completeness of the disclosures in the Group's consolidated financial statements in respect of contingent liability, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in the Investigation.

Consequently, we were unable to determine whether any adjustments or disclosures to these amounts and disclosures were necessary.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1(b) to the consolidated financial statements, which states that the Group reported a loss of RMB3,495 million during the year ended 31 December 2019 and the Group's current liabilities exceeded its current assets by RMB2,857 million as at 31 December 2019, and that the Group has certain financial obligations and capital expenditures under various contractual and other arrangements. In addition, the Group was unable to comply with certain non-financial loan covenants of certain bank borrowings from a bank that had been drawn down by the Group subsequent to the year end date and caused an event of default of such borrowings. Such default may cause certain bank borrowings to become immediately due and payable. These matters, along with other matters as described in Note 2.1.(b) to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. This matter did not contribute to our issuance of the disclaimer of opinion.

ACTIONS TAKEN BY THE COMPANY IN RESPONSE TO THE AUDITOR'S DISCLAIMER OF OPINION

The Incidents

As disclosed in this announcement under the section headed "Extracts from the Auditor's Report", the Company's auditors issued a disclaimer of opinion (the "Disclaimer of Opinion") relating to: (i) the Deposits to NEX Group, together with certain other payments made to NEX Group of HK$88 million; (ii) Deposits to SZZY, (together with the deposits made to NEX Group are collectively referred to as the "Deposits"); and (iii) Payments to Haozhen Partner A (collectively referred to as the "Incidents"), the current management of the Company would like to emphasise that:–

(a) in May 2020, upon receipt the letter from the Company's Auditors relating to the Deposits in certain renewable energy projects and the Payments to Haozhen Partner A, the Company has immediately formed the Independent Investigation Committee comprising Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony and Mr. Chen Hongsheng, who are independent non-executive Directors of the Company. Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony have been appointed as the co-chairmen of the Independent Investigation Committee to investigate the Incidents. After clarified the Incidents with the auditors, in early June 2020, KPMG Advisory (China) Limited Beijing Branch ("KPMG") has been engaged by the Independent Investigation Committee as an external independent professional adviser to conduct the Investigation on certain matters as agreed with the Independent Investigation Committee relating to the Deposits in response to the concerns raised by the auditors;

(b) in July 2020, KPMG submitted a draft investigation report ("Draft Investigation Report") to the Independent Investigation Committee and KPMG's investigation revealed that the Incidents only relate to the Former Directors, namely Mr. Alan Li, a former executive Director and chief executive officer of the Company from June 2013 to June 2019 and a former chairman of the Board from January 2014 to June 2019; and Mr. Li Hong, a former chief financial officer of the Company from April 2014 to June 2019 and a former executive Director of the Company from August 2015 to June 2019, both of whom had already resigned from directorship and senior management of the Company in June 2019 and there is no evidence of them exerting any influence on the current Directors and the current management of the Company;

(c) based on the findings of the Investigation, there has been no evidence identified, as provided in the Independent Investigation Report, to indicate that any existing Director (i) was involved in or has authorised any payments relating to the Incidents or (ii) has connections with any Former Director at the material time;

(d) although the Company provides its best efforts to cooperate and take all reasonable and necessary actions to facilitate the Investigation, however, it has exceeded the capacity of the Company to provide relevant documents and information that are not in the possession of the existing Directors and the current management of the Company, in response to the requests of further documents or information from the auditors to clarify the limitations contained in the Independent Investigation Report, so as to formulate explanations about the nature, business rationale and commercial substance of the payments made relating to the Incidents to the satisfaction of the auditors. In light of such limitations, as disclosed in the announcement of the Company dated 19 July 2020, the Company has been taking further recovery related actions and consulting external independent professional advisers to report the matter together with available evidence to relevant enforcement authorities in light of the potential criminal liability implications unfolded in the Investigation. With the involvement of, and proceedings to be conducted by, relevant enforcement authorities, the Company believes that their investigation may effectively extend beyond the capacity of the Company and limitations of the Investigation. The Company will update its Shareholders and the public if there is any progress on further legal actions taken by the Company and the investigations by the relevant enforcement authorities. and

(e) in view of the Deposits made to NEX and the Deposits made to SZZY taking place during the service of the Former Directors from 2014 to 2017, based on the findings of the investigation, it appeared that the purposes for payments of the Deposits were not indicated clearly in the payment requisition documents, while the supporting documentation appeared to have been prepared after the payments had already been made, the current management of the Company consider that it is uncertain whether the Group is able to recover the outstanding Deposits from NEX Group and SZZY in the near future and accordingly, the amounts of which have been recognised as impairment losses for the year ended 31 December 2019 and thus the Deposits would not have a continuing effect on the Company going forward;

(f) relating to the Payments to Haozhen Partner A of RMB303.7 million which made to one of the limited partners of Haozhen Limited Partnership, the amounts have been recovered by the Company through settlement arrangement, details of which are set out in the announcement of the Company dated 19 July 2020 and thus the Payments to Haozhen Partner A would not have a continuing effect on the Company going forward;

(g) the current management is aware that the Incidents were mainly attributable to the weaknesses of the internal control system that was unveiled under the management of the Former Directors with the progress of the Investigation, the Company decided to take and will take proactive actions and committed to implement the action plans in rectifying those issues with its best endeavours. KPMG Advisory (China) Limited has been engaged by the Company to conduct an internal control review of the Group. As the review is still in progress, the Company will provide further update as and when appropriate;

(h) both the Independent Investigation Committee and the Directors, having regard to the Draft Investigation Report, agree with the findings of KPMG and recommendations of the Independent Investigation Committee on: (1) engaging an internal control review expert to carry out an internal control review; and (2) seeking external professional/legal advices to recover the Deposits from NEX Group and SZZY. The Company has engaged KPMG Advisory (China) Limited to carry out an internal control review. As the legal actions are still in progress, the Company will provide further update as and when appropriate; and

(i) the Company commits to keep its Shareholders and public informed of all material information to appraise the Company's position by way of announcements on the website of the Stock Exchange and the Company, including but not limited to market updates of all material information where applicable.

THE COMPANY'S RESPONSE TO GOING CONCERN

As disclosed in this announcement under the section headed "Extracts from the auditor's report", the Company's auditors issued a Material Uncertainty opinion report related to going concern of the Company.

Though the Company had certain indicators that the Group might have doubt on going concern, the Group has carried out certain measures and plans in improving the liquidity of the Group and thus, based on the cash flow projections of the Group for the coming twenty months from 31 December 2019, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due.

The management of the Company will continue its efforts in implementing the plans and measures set out in the action plans as detailed in note 2.1(b) to the consolidated financial statements of the Company with the intention of mitigating the Group's liquidity problems of the Group.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

AUDIT COMMITTEE

Audit Committee currently consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Sui Xiaofeng. The Audit Committee is chaired by Mr. Kwan Kai Cheong who possesses relevant professional qualification and expertise in financial reporting matters. The Audit Committee acts as an important link between the Board and the Company's auditors. It is responsible for making recommendations to the Board on the appointment and re-appointment of the external auditor, and to approve the remuneration and terms of engagement of the external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and reports to the Board on findings relating to the financial statements, reports and accounts, financial reporting system, internal control procedures and compliance issues. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the annual report and annual results for the year ended 31 December 2019 before the annual results were submitted to the Board for approval. The audited annual results as set out in this announcement have been reviewed and agreed by the Board (including the independent non-executive Directors) and the Audit Committee.

PUBLICATION OF ANNOUNCEMENT, ANNUAL REPORT AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This announcement is required to be published on the website of the Stock Exchange and on the website of the Company at http://www.pandagreen.com/. The annual report containing all the information required under Appendix 16 to the Listing Rules and the Group's Environmental, Social and Governance Report will be published on the Stock Exchange's website in due course.

APPRECIATION

The Board would like to take this opportunity to thank every stakeholder of the Group for their contributions to the Group during the Year.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares (stock code: 686) and debt securities (stock code: 40127) of the Company on the Stock Exchange has been halted from 9:00 a.m. on 25 August 2020 pending the release of this announcement. An application has been made to the Stock Exchange for resumption of trading in the shares (stock code: 686) and debt securities (stock code: 40127) of the Company with effect from 1:00 p.m. on 25 August 2020.

For and on behalf of
Panda Green Energy Group Limited
Zhang Ping
Chairman of the Board

Hong Kong, 25 August 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Ping (Chairman and Chief Executive Officer), Mr. Lu Zhenwei and Mr. Xu Jianjun; the non-executive directors of the Company are Mr. Sui Xiaofeng, Mr. Chen Dayu, Mr. Li Hao, Ms. Xie Yi and Mr. Yu Qiuming; and the independent non-executive directors of the Company are Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony, Mr. Shi Dinghuan and Mr. Chen Hongsheng.