SFCE

順風國際清潔能源有限公司

SHUNFENG INTERNATIONAL CLEAN ENERGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01165)**

# ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

## RESULTS HIGHLIGHTS

| | **For the year ended 31 December 2020** *RMB'000* | For the year ended 31 December 2019 *RMB'000* | % of Changes |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | | |
| — Solar power generation | **904,422** | 1,368,362 | (33.9)% |
| — Manufacturing and sales of LED products | **561,898** | 362,744 | 54.9% |
| Total revenue | **1,466,320** | 1,731,106 | (15.3)% |
| Gross profit | **688,094** | 726,828 | (5.3)% |
| Net loss | **(501,622)** | (1,884,833) | (73.4)% |
| EBITDA | **696,856** | (176,075) | 495.8% |
| Adjusted EBITDA* | **1,036,485** | 1,220,246 | (15.1)% |
| Basic loss per share | **RMB(11.08) cents** | RMB(38.17) cents | (71.0)% |

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

## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present the audited results of the Group for the year ended 31 December 2020. In 2020, due to a delay in receiving tariff subsidies payable by the relevant financial departments of China to the solar power plants of the Company across the country, and certain debts owed to financial institutions falling due, the Board and management devised clear and responsive strategies and allocated resources effectively in order to strike a balance between holding long-term assets and reducing short-term cash flow deficit for the interests of the Shareholders and the Company as a whole. During the year, the Group has completed the disposals of certain solar power plant assets and initiated the disposal procedure of the LED business, and has conducted sufficient and friendly negotiations with major financial institutions, with whom the Group has established long cooperation, in respect of the renewal of debts due, leading to substantial improvement of the Company's cash flow position, and significant reduction of the total debts and finance costs of the Group.

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

* *English name is for identification purpose only*

**Future Prospect**

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

On behalf of the Board, I would like to thank our management team and staff for their dedication and hard work, and our Shareholders and business partners for their staunch support and trust.

**Wang Yu**
*Chairman*

30 March 2021

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | | |
| Revenue | *4* | **1,466,320** | 1,731,106 |
| Cost of sales | | **(778,226)** | (1,004,278) |
| Gross profit | | **688,094** | 726,828 |
| Other income | *6* | **94,960** | 117,382 |
| Other gains and losses | *7* | **(224,203)** | (1,302,330) |
| Impairment losses under expected credit loss model, net of reversal | | **(4,517)** | (106,570) |
| Distribution and selling expenses | | **(11,143)** | (9,926) |
| Administrative expenses | | **(179,555)** | (203,948) |
| Research and development expenditure | | **(71,955)** | (60,020) |
| Share of profits of associates | | **1,629** | 636 |
| Finance costs | *8* | **(781,794)** | (1,163,046) |
| Loss before tax | *9* | **(488,484)** | (2,000,994) |
| Income tax expense | *11* | **(13,138)** | (12,909) |
| Loss for the year from continuing operations | | **(501,622)** | (2,013,903) |
| **Discontinued operations** | | | |
| Profit for the year from discontinued operations | *10* | **—** | 129,020 |
| Loss for the year | | **(501,622)** | (1,884,883) |
| Other comprehensive income: | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Share of other comprehensive income of associates and joint ventures | | **—** | (1,669) |
| Exchange differences on translating foreign operations | | **(16)** | (812) |
| Fair value gain on receivables at fair value through other comprehensive income ("**FVTOCI**") | | **56** | 167 |
| Other comprehensive income for the year | | **40** | (2,314) |
| Total comprehensive income for the year | | **(501,582)** | (1,887,197) |

| | NOTE | Year ended 31 December 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| (Loss)/Profit for the year attributable to owners of the Company | | | |
| — from continuing operations | | **(552,281)** | (2,030,746) |
| — from discontinued operations | | **—** | 129,020 |
| Loss for the year attributable to owners of the Company | | **(552,281)** | (1,901,726) |
| Profit for the year attributable to non-controlling interests | | | |
| — from continuing operations | | **50,659** | 16,843 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **(552,365)** | (1,903,892) |
| Non-controlling interests | | **50,783** | 16,695 |
| | | **(501,582)** | (1,887,197) |
| **From continuing and discontinued operations** | | ***RMB cents*** | *RMB cents* |
| Loss per share | | | |
| — Basic | *12* | **(11.08)** | (38.17) |
| — Diluted | | **(11.08)** | (38.17) |
| **From continuing operations** | | ***RMB cents*** | *RMB cents* |
| Loss per share | | | |
| — Basic | *12* | **(11.08)** | (40.76) |
| — Diluted | | **(11.08)** | (40.76) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | As at 31 December | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **257,989** | 232,383 |
| Right-of-use assets | | **155,315** | 203,496 |
| Solar power plants | | **4,650,831** | 6,782,957 |
| Intangible assets | | **2,410** | 2,816 |
| Interests in associates | | **33,764** | 32,135 |
| Interest in a joint venture | | **—** | — |
| Financial assets at fair value through profit or loss | | **2,207** | 3,096 |
| Other non-current assets | | **109,668** | 106,238 |
| Value-added tax recoverable — non-current | | **294,378** | 440,007 |
| Contract assets — non-current | | **346,664** | 310,394 |
| | | **5,853,226** | 8,113,522 |
| **Current assets** | | | |
| Inventories | | **83,092** | 92,150 |
| Trade and other receivables | *15* | **1,769,295** | 1,747,976 |
| Receivables at FVTOCI | | **9,527** | 17,069 |
| Financial assets of fair value through profit or loss | | **10,338** | — |
| Value-added tax recoverable | | **58,265** | 84,534 |
| Prepayments to suppliers | | **33,232** | 18,890 |
| Amounts due from the related parties | | **1,636,801** | 2,004,413 |
| Restricted bank deposits | | **27,948** | 67,856 |
| Bank balances and cash | | **226,746** | 89,703 |
| | | **3,855,244** | 4,122,591 |
| Assets classified as held for sale | *14* | **—** | 3,896,381 |
| | | **3,855,244** | 8,018,972 |

| | NOTES | As at 31 December 2020 RMB'000 | 2019 RMB'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | *16* | **1,141,654** | 2,001,291 |
| Contract liabilities | | **12,826** | 12,510 |
| Amounts due to the related parties | | **1,651,233** | 2,224,930 |
| Lease liabilities | | **17,194** | 19,940 |
| Provisions | | **187,646** | 177,100 |
| Tax liabilities | | **8,143** | 5,565 |
| Bank and other borrowings | | **3,219,869** | 5,097,942 |
| Derivative financial liabilities | | — | 6,078 |
| Convertible bonds | | **37,376** | 37,376 |
| Bond payables | | **618,363** | 824,778 |
| | | **6,894,304** | 10,407,510 |
| Liabilities associated with assets classified as held for sale | *14* | — | 2,429,815 |
| | | **6,894,304** | 12,837,325 |
| **Net current liabilities** | | **(3,039,060)** | (4,818,353) |
| **Total assets less current liabilities** | | **2,814,166** | 3,295,169 |
| **Capital and reserves** | | | |
| Share capital | | **40,756** | 40,756 |
| Reserves | | **(1,515,141)** | (909,856) |
| Equity attributable to owners of the Company | | **(1,474,385)** | (869,100) |
| Non-controlling interests | | **1,557,436** | 1,453,733 |
| **Total equity** | | **83,051** | 584,633 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | | **3,555** | 3,652 |
| Bank and other borrowings | | **2,220,106** | 2,229,301 |
| Lease liabilities | | **15,691** | 13,544 |
| Convertible bonds | | **491,763** | 464,039 |
| | | **2,731,115** | 2,710,536 |
| | | **2,814,166** | 3,295,169 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL AND BASIS OF PREPARATION

### (a) General Information

Shunfeng International Clean Energy Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and Portion C, 30/F, Bank of China Tower, 1 Garden Road, Central, Hong Kong, respectively. The Company and its subsidiaries (together with the Company hereinafter referred to as the "**Group**") are principally engaged in the business of providing clean energy and low-carbon energy-saving integrated solutions.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

### (b) Basis of preparation

The directors of the Company have given careful consideration to the going concern of the Group in light of the fact that the Group reported a loss of RMB501,622,000 for the year ended 31 December 2020 and, as at 31 December 2020 the Group's equity attributable to owners of the Company was a deficit of RMB1,474,385,000 and the Group's current liabilities exceeded its current assets by RMB3,039,060,000. However, the Group maintained cash and cash equivalents of RMB226,746,000 only as at 31 December 2020.

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

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

Although the completion of the disposal of the Disposal Group in 2019 (as defined in Note 10), the 11 Target Companies (as defined in Note 14) and the 6 Target Companies (as defined in Note 18(b)) could relieve the Group's highly indebted position, the Group's short term debt repayment pressure currently is still very high, since a number of outstanding debts (including bank and other borrowings and bond payables) have expired or will expire in the near future.

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

In order to enable the Group to meet with its immediate financing needs, the Group continues to implement a series of plans and measures which comprise, inter alia, (i) progressing the collection of the remaining proceeds from the disposal of the 11 Target Companies and the 6 Target Companies; (ii) proceeding the proposed disposal of Lattice Power (Jiangxi) Group (as defined in Note 19); (iii) proceeding with the Possible Disposals of Further Solar Power Plants (as defined below); and (iv) continuing to negotiate with banks, financial institutions and bondholders for alternative refinancing and/or extension of due dates of the relevant debts (collectively, the "**Development Plan**"). Details of the Development Plan are set out below:

***Progress of proceeds received from the disposal of the 11 Target Companies and 6 Target Companies***

During the year ended 31 December 2020, the Group completed the disposal of the 11 Target Companies and the 6 Target Companies at a total consideration of RMB1,395 million and RMB509 million respectively. Up to the date of approval of these consolidated financial statements, certain amount of remaining consideration receivable as disclosed in Note 15(vii) has been settled. Management of the Company expects that remaining amount of the consideration will be received prior to June 2021.

***The proposed disposal of Lattice Power (Jiangxi) Group***

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

***Possible Disposals of Further Solar Power Plants***

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

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

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

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

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

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

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

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

Upon continuing negotiation and discussion between management of the Company and Sino Alliance and True Bold separately, as of the date of approval of these consolidated financial statements, management of Sino Alliance and True Bold have been aware of the progress and details of the Development Plan that the Company will repay the overdue borrowings with the proceeds received from the disposal of solar power plants held by the Group and they stand for the Development Plan proposed by management of the Company.

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

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

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

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

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

(iii) Bondholders A of the Fourth CB

The Group has made settlement (as detailed in Note 40(d) to the consolidated financial statements) to Bondholders A. As at 31 December 2020 and up to the date of approval of these consolidated financial statements, there was only one bondholder of Bondholders A in outstanding. On 26 March 2021, the Group entered into an extension agreement with that bondholder to further extend the due dates and the settlement of the outstanding principal of HK$350,000,000 (equivalent to RMB294,560,000) by instalment, including:

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

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

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

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

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

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

(v) Other remaining expired borrowings

Other than the borrowings which are individually specified above, there are still other bank and other borrowings with aggregate balances of RMB83,018,000 overdue on 31 December 2020.

Management of the Company assessed that RMB729,018,000 out of the total overdue balance of RMB1,524,713,000 as at 31 December 2020 and RMB738,066,000 out of total overdue balance of RMB1,872,817,000 on the date of approval of these consolidated financial statements were held by the subsidiaries holding the solar power plants in the PRC and therefore, the bank and other borrowings held by these entities are expected to be eventually assumed by the purchasers according to the relevant sale and purchase agreements and under similar terms and conditions of the disposal of the 11 Target Companies and the 6 Target Companies.

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

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

(vi) 2015 Corporate Bond

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

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

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

Management of the Company is optimistic that these bondholders of the 2015 Corporate Bond will support the Development Plan and agree to extend the due date to the time that a sufficient amount of proceed from the disposal of solar power plants held by the Group will be received by the Group.

(vii) 2016 Corporate Bond

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

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

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

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

Since there is no detailed repayment priority or ranking or partial repayment portion of each creditor specified in the Group's relevant arrangements with creditors as stated above regarding how the Group may apply remaining proceeds from the disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds from proposed disposal of Lattice Power (Jiangxi) Group and Possible Disposals of Further Solar Power Plants, if any, management of the Company has assumed the repayment to the lenders at its best estimate.

In addition, given that (i) the extension of loans obtained by the Group as at the end of the reporting period, and the possible extension of loans which the Group anticipated based on the current negotiation with creditors which is not yet committed as at the end of the reporting period, are mostly short-term; and (ii) the exact timing of the completion of, and the collection of proceeds from the proposed disposal of Lattice Power (Jiangxi) Group and the Possible Disposals of Further Solar Power Plants are inherently uncertain, which may not occur in a way that enables the Group to honour its current repayment commitment/agreement in the short term, and the disposal timetable may be further delayed or may not occur as the Group has expected, the directors of the Company is of the view that the actual timing of collection of the relevant proceeds from the proposed disposal of Lattice Power (Jiangxi) Group and the Possible Disposals of Further Solar Power Plants may not match with the Group's current agreements or settlement arrangements with its creditors. Therefore, the Group must use its best endeavour to renegotiate with its creditors on an ongoing basis to further revise/extend the repayment timing beyond the period currently agreed by the Group's creditors, or to make payment in an amount which is less than that as expected by its creditors, in order to enable the Group to effect the collection and application of disposal proceeds in an orderly manner for the repayment of loans in the next twelve months from the end of the reporting period. If the creditors do not agree with the settlement plan/further extension plan as planned by the management of the Company, the Group will not have sufficient working capital for the next twelve months from the end of the reporting period.

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

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

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

The directors of the Company, after due and careful enquiry and after taking into account the Development Plan and the financial resources available to the Group, including cash and cash equivalents on hand, cash flows from operating activities and available facilities, and based on the assumptions that the above events will be materialised, are of the opinion that the Group will have sufficient working capital for its present operating requirement and for at least the next twelve months commencing from the date of approval of these consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its Development Plan as described above. Whether the Group will be able to continue as a going concern would depend upon the Group' s ability to generate adequate financing and operating cash flows through the successful fulfilment of all the following conditions:

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

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

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

(iv) convincing its certain major creditors of RMB1,593,053,000 (including bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment priority or ranking or partial repayment portion to each creditor and allow the Group to further extend to the extent and in accordance with the timetable and milestones of payment of the remaining proceeds from the Group's disposal of the 11 Target Companies and the 6 Target Companies, and the proceeds from the proposed disposal of Lattice Power (Jiangxi) Group and the Possible Disposals of Further Solar Power Plants;

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

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

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

(viii) seeking other financing resources (including but not limited to obtain financial support from controlling shareholder to the Group to meet its liabilities and obligations as and when they fall due, advances from its shareholders and/or from those entities owned and controlled by the shareholders) and on the basis that the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group so as to enable the Group to have adequate working capital in the next twelve months and to repay the matured and maturing debts from time to time.

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

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

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

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

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

The application of these new and amended IFRSs have no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

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

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

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

## 4. REVENUE

**Disaggregation of revenue**

***A. Disaggregation of revenue from contracts with customers***

*For the year ended 31 December 2020*

| Segments | Sales of LED Products *RMB'000* | Revenue from sales of electricity *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Types of goods or service** | | | |
| Sales of electricity | — | **244,790** | **244,790** |
| Tariff subsidies | — | **659,632** | **659,632** |
| Sales of goods | **561,898** | — | **561,898** |
| **Total** | **561,898** | **904,422** | **1,466,320** |
| **Geographical markets** | | | |
| Mainland China | **545,378** | **904,422** | **1,449,800** |
| Other countries | **16,520** | — | **16,520** |
| **Total** | **561,898** | **904,422** | **1,466,320** |
| **Timing of revenue recognition** | | | |
| A point in time | **561,898** | **904,422** | **1,466,320** |

*For the year ended 31 December 2019*

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

***B. Performance obligations for contracts with customers***

*Sales of GaN-on-Silicon substrate light-emitting diode ("**LED**") epitaxial wafers and chips (collectively known as "**LED Products**")*

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

*Sales of electricity*

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

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

*Tariff subsidies*

Tariff subsidies represent subsidies received and receivable from the government authorities in respect of the Group's solar power generation business. Tariff subsidies are recognised at their fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

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

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

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

## 5. SEGMENT INFORMATION

Information has been reported to the Executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance. During the year ended 31 December 2019, (i) manufacturing and sales of Solar Products (as defined in Note 10) and installation services of PV Systems (as defined in Note 10); (ii) provision of Plant Operations and Services (as defined in Note 10); and (iii) solar power generation in overseas regions were presented as discontinued operations details of which set out in Note 10. The Group's reportable and operating segments in respect of continuing operations were presented for the both years as follows:

(1) Solar power generation in the PRC; and

(2) Manufacturing and sales of LED Products.

**Segment revenue and results**

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

***Continuing operations***

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

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

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

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

**Segment assets and liabilities**

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

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

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than bank balances and cash, restricted bank deposits, financial assets at FVTPL, interests in associates and amounts due from the related parties; and

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

**Entity-wide disclosures**

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

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

*Note:* The amount represents the tariff subsidies which were approximately 37% to 91% (2019: 37% to 92%) of the total electricity sales, adjusted with the amount of significant financing component. The amount is subject to the allocation of funds by the relevant government authorities and was determined in accordance with the on-grid unit tariff rate approval document and the electricity supply contracts.

## 6. OTHER INCOME

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Continuing operations** | | |
| Bank interest income | **3,598** | 1,921 |
| Compensation income | **5,932** | — |
| Government grants *(Notes i and 15(iv))* | **45,560** | 66,041 |
| Gain on sales of raw and other materials | **3,004** | 284 |
| Imputed interest income of accrued revenue on tariff subsidies classified as trade receivables and contract assets *(Note ii)* | **23,645** | 47,220 |
| Contingent tariff subsidies received *(Note 17)* | **10,161** | — |
| Others | **3,060** | 1,916 |
| | **94,960** | 117,382 |

*Notes:*

(i) The government grants represent the amount received from the local government by the PRC operating entities of the Group. Government grants of approximately (a) RMB16,761,000 (2019: RMB13,711,000) represent unconditional incentive received and recognised; (b) as set out in Note 15(iv), RMB28,139,000 (2019: RMB51,174,000) represents unconditional subsidies to support the Group's business development of the LED industry in Nanchang City, Jiangxi Province, PRC; and (c) RMB660,000 (2019: RMB1,156,000) represents subsidies on acquisitions of land use rights and machineries amortised to profit or loss over respective useful life of land use right and machines.

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

## 7. OTHER GAINS AND LOSSES

| | 2020<br>*RMB'000* | 2019<br>*RMB'000* |
|---|---|---|
| **Continuing operations** | | |
| Gain/(Loss) on change in fair value of derivative financial liabilities *(Notes i)* | **1,293** | (2,742) |
| Gain on derecognition of derivative financial liabilities | **4,785** | — |
| Gain on disposal of property, plant and equipment | **744** | 104 |
| Impairment loss on assets classified as held for sale *(Notes 14)* | **—** | (851,428) |
| Impairment loss on solar power plants *(Note ii)* | **(79,109)** | (282,794) |
| Loss on disposal of subsidiaries *(Notes 18(a) and 18(b))* | **(252,635)** | — |
| Loss on deemed disposal of a subsidiary *(Note 18(c))* | **(79,054)** | — |
| Loss on change in fair value of financial assets at FVTPL | **(551)** | — |
| Waiver of EPC payables *(Note iii)* | **123,053** | — |
| Written off of property, plant and equipment | **(19,108)** | — |
| Written off of prepayments to suppliers | **(2,271)** | — |
| Net foreign exchange gain/(loss) | **85,567** | (155,448) |
| Others | **(6,917)** | (10,022) |
| | **(224,203)** | (1,302,330) |

*Notes:*

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

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

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

## 8. FINANCE COSTS

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

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

## 9. LOSS BEFORE TAX

**Continuing operations**

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

*Note:* Included in cost of inventories recognised as expense was the write-down of inventories to net realisable values of approximately RMB4,156,000 during the year ended 31 December 2020 (2019: Nil)

## 10. DISCONTINUED OPERATIONS

**For the year ended 31 December 2019**

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

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

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

ii. Provision of solar plant operation related services, representing the operation of an internet monitoring portal which enables the generation of yield reports, solar energy forecasts, system ratings, satellite controlled historic and current solar irradiation data, solutions for network management as well as services covering all aspects of plant operation, plant monitoring and plant optimisation, and in the long term, the repowering, dismantling and recycling of plants ("**Provision of Plant Operation and Services**"); and

iii. Solar power generation in overseas regions.

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

| | Manufacturing and sales of Solar Products and installation services of PV Systems | Provision of Plant Operation and Services | Solar power generation in overseas regions | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Profit/(Loss) of the discontinued operations for the period from 1 January 2019 to 30 September 2019 | 73,139 | (999) | 16,522 | 88,662 |
| Gain on disposal of discontinued operations *(Note 18)* | | | | 40,358 |
| | | | | 129,020 |

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

## 11. INCOME TAX EXPENSE

**Continuing operations**

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

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from Hong Kong for the both years.

Certain subsidiaries of the Group, being enterprises engaged in solar power generation projects, under the PRC Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived.

On 14 September 2020, the Lattice Power Group renewed the "High Technology Enterprise" status for 3 years that entitled them a preferential tax rate of 15% for a period of three years starting from 2020 to 2022 according to the PRC Tax Law.

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

## 12. LOSS PER SHARE — BASIC AND DILUTED

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

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

*Note:* The computation of diluted loss per share for both years does not assume the conversion of convertible bonds, because this would result in a decrease in loss per share.

**From discontinued operations**

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

## 13. DIVIDENDS

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

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

**As at 31 December 2019**

On 15 November 2019, the Company entered into 11 sale and purchase agreements with the Zhonghe Shandong Energy Co., Ltd.* (中核山東能源有限公司) ("**ZSEC**"), an independent third party, pursuant to which the Company has conditionally agreed to sell, and ZSEC has conditionally agreed to purchase each of equity interest in i) Hami Hengxin New Energy Technology Co., Ltd.* (哈密恒鑫新能源科技有限公司) ("**Hami Hengxin**"), ii) Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司) ("**Hami Junxin**"), iii) Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司) ("**Hami Tianhong**"), iv) Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司) ("**Hami Yixin**"), v) Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司) ("**Hebei Guowei**"), vi) Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司) ("**Jinchang Zhongke**"), vii) Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司) ("**Pingluo Zhongdianke**"), viii) Shangde (Hami) Solar Power Generation Co., Ltd.* (尚德（哈密）太陽能發電有限公司) ("**Shangde (Hami)**"), ix) Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司) ("**Sunan Yugur**"), x) Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) ("**Wuwei Jiuyuan**") and xi) Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司) ("**Wuwei Huadong**"), (collectively referred to as the "**11 Target Companies**"), which owned and operated 11 solar power plants in total in the PRC. The proceeds arising from of the disposal of the 11 Target Companies were estimated to be RMB1,466,566,000, comprising the following:

1) the cash consideration of RMB641,420,000, to be payable by ZSEC to the Group by four to five tranches;

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

3) relevant payables representing the relevant amount payable by the relevant 11 Target Companies to the Group by two to three tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and certain conditions and, as stipulated in the relevant sale and purchase agreements, are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor engaged by ZSEC of the relevant 11 Target Companies and certain remedial step (as defined and detailed in the Company's circular dated 29 December 2019). The management of the Company assessed that the relevant payables amounted to RMB628,298,000 as at 31 December 2019.

Details of terms and conditions in respect of payment of consideration, dividends payables and relevant payables to the Group were set out in the circular of "Very Substantial Disposal" dated 29 December 2019.

The disposal was underway as at 31 December 2019 as certain conditions precedent had not yet been met. The transaction was approved by the shareholders of the Company on 17 January 2020. The management of the Company has assessed that the sale of each of the 11 Target Companies is highly probable to be completed within twelve months from the date of classification. Assets and liabilities of each of the 11 Target Companies, which were expected to be sold within twelve months, had been classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively, and were presented separately in the consolidated statement of financial position as at 31 December 2019 (see below). The results, assets and liabilities in relation to the 11 Target Companies were included in the Group's solar power generation in the PRC for segment reporting purposes. The major classes of assets and liabilities of the 11 Target Companies as at 31 December 2019, which had been presented separately in the consolidated statement of financial position, were as follows:

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

*Note:* As at 31 December 2019, taking into account the consideration payable by ZSEC to the Group, the dividends payables and the relevant payables payable by the relevant 11 Target Companies to the Group, the expected total proceeds received by the Group were estimated to be less than the net carrying amount of the relevant assets and liabilities, and an impairment loss of RMB851,428,000 was recognised in other gains and losses during the year ended 31 December 2019, accordingly.

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

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

The disposal of the 11 Target companies was completed during the year ended 31 December 2020. For details please refer to Note 18(a).

## 15. TRADE AND OTHER RECEIVABLES

| | **2020** ***RMB'000*** | 2019 *RMB'000* |
|---|---|---|
| Trade receivables | **244,870** | 326,899 |
| Accrued revenue on tariff subsidies *(Note (i))* | **1,178,650** | 1,217,930 |
| | **1,423,520** | 1,544,829 |
| Less: Allowance for credit losses | **(28,673)** | (28,061) |
| Total trade receivables and accrued revenue on tariff subsidies | **1,394,847** | 1,516,768 |
| Other receivables | | |
| Prepaid expenses | **7,998** | 8,146 |
| Amounts due from independent third parties *(Note (ii))* | **19,840** | 42,514 |
| Amounts due from disposed subsidiaries *(Notes (iii) and 18)* | **—** | 1,134 |
| Consideration receivable for disposal of subsidiaries *(Note (vii) and 18)* | **213,245** | 12,030 |
| Consideration receivable from deemed disposal of a subsidiary *(Notes (viii) and 18(c))* | **21,940** | — |
| Dividend receivable from an associate | **—** | 490 |
| Government subsidies receivable arising from the sales of LED Products *(Note iv)* | **—** | 51,174 |
| Security deposit *(Note v)* | **103,532** | 107,000 |
| Others *(Note vi)* | **7,893** | 8,720 |
| | **374,448** | 231,208 |
| | **1,769,295** | 1,747,976 |

*Notes:*

(i) The Group's accrued revenue on tariff subsidies are receivables from the state grid company. Generally, the trade receivables are due within 30 days from the date of billing, except for collection of the accrued revenue on tariff subsidies, which is subject to settlement by the state grid company upon finalisation of the allocation of funds by relevant government authorities to the state grid company. The collection of accrued revenue on tariff subsidies is expected in the normal operating cycle, which may be recovered after twelve months from the reporting date. Accrued revenue on tariff subsidies is discounted at an effective interest rate ranged from 2.65% to 2.76% (2019: 2.65% to 2.67%) per annum as at 31 December 2020.

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

(ii) All balances are unsecured, interest-free and repayable on demand. The management of the Group expects the balances would be settled within the next 12 months after the end of the reporting period.

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

(iv) The amount represented the receivable balance in respect of the incentive provided by the local government of Nanchang City, Jiangxi Province, PRC to support the business development of LED industry in the PRC. During the year ended 31 December 2020, RMB96,734,000 (2019: RMB79,053,000) was received.

(v) The amount represented deposits placed by the Group in the security deposits account opened in the independent financial institution, which was one of the corporate bondholders of one subsidiary of the Group. Pursuant to the maturity notice dated on 15 June 2018, an offsetting right had been granted by the Group to the independent financial institution, allowing it to offset the entire security deposits against the Group's outstanding corporate bonds payable upon the maturity of the corporate bond. As set out in Note 43 to the consolidated financial statements, during the current year, the Group and the bondholder have entered into another supplementary agreement to further extend the due dates of the remaining outstanding amounts of corporate bond payable to 25 April 2021. As at 31 December 2020, impairment loss allowance of RMB3,468,000 was recognised (2019: Nil).

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

(vii) As at 31 December 2020, the amount included consideration receivable from the disposal of 11 Target Companies and 6 Target Companies amounting to RMB213,245,000 (net of impairment loss allowance of RMB70,276,000). As at 31 December 2019, the amount represented consideration receivables in relation to the disposal of subsidiaries in 2016. The amount was non-trade in nature, unsecured, interest-free and repayable within one year.

(viii) As at 31 December 2020, the amount included consideration receivable from the deemed disposal of Jinta Wancheng (as defined in Note 18(c)) amounting to RMB21,940,000 (net of impairment loss allowance of RMB1,339,000).

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

| | **2020** | 2019 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 30 days | **96,713** | 102,050 |
| 31 to 60 days | **78,312** | 72,544 |
| 61 to 90 days | **79,299** | 69,398 |
| 91 to 180 days | **145,519** | 212,942 |
| Over 180 days | **995,004** | 1,059,834 |
| | **1,394,847** | 1,516,768 |

The Group normally requests prepayments from customers before delivery of goods and allows credit period up to 180 days (2019: 180 days) to certain trade customers on a case by case basis.

## 16. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade payables | **95,125** | 121,280 |
| Bills payables | **18,740** | — |
| Payables for acquisition of property, plant and equipment | **11,073** | 17,542 |
| Payables for EPC of solar power plants *(Note i)* | **374,036** | 1,276,421 |
| Other tax payables | **41,528** | 19,331 |
| Amounts due to independent third parties *(Note ii)* | **1,372** | 21,740 |
| Accrued expenses | **535,717** | 495,701 |
| Accrued payroll and welfare | **50,272** | 21,668 |
| Consideration payable for previous acquisition of subsidiaries *(Note iii)* | **10,525** | 14,497 |
| Others | **3,266** | 13,111 |
| | **1,141,654** | 2,001,291 |

*Notes:*

(i) Amount represented payables incurred for EPC of solar power plants. The amounts would be repayable within 12 months after the end of the reporting period and such amounts were therefore classified as current liabilities at the end of the reporting period.

(ii) As at 31 December 2020 and 2019, the amounts were non-trade in nature, unsecure, interest-free and repayable on demand.

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

The credit period on purchases of goods is 0 to 180 days (2019: 0 to 180 days) and certain suppliers allow longer credit period on a case-by-case basis. The following is an aged analysis of the trade payable presented based on the invoice date at the end of the reporting period:

| | 2020 | 2019 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| **Age** | | |
| 0 to 30 days | **38,081** | 37,802 |
| 31 to 60 days | **12,325** | 18,547 |
| 61 to 90 days | **4,999** | 14,993 |
| 91 to 180 days | **3,332** | 26,725 |
| Over 180 days | **36,388** | 23,213 |
| | **95,125** | 121,280 |

## 17. ACQUISITION OF ASSETS

On 17 September 2020, the Group acquired 100% of the equity interests in Xinjiang Puxin Cheng Da Energy Technology Co., Ltd.# (新疆普新誠達能源科技有限公司) ("**Puxin Cheng Da**") at a cash consideration of RMB54,096,000.

Puxin Cheng Da possess the right to payment of tariff subsidies generated from a solar power plants operated by the Group's subsidiary, Wujiaqu Xuyang Photovoltaic Power Generation Co., Ltd ("**Wujiaqu Xuyang**") since 2015. As at 17 September 2020, an amount of RMB159,395,000 was recorded as tariff receivable in the book of Puxin Cheng Da with respect to sales of electricity from 2015 to the date of acquisition generated by the solar power plants operated by Wujiaqu Xuyang. The management of the Company is of the opinion that such receivable is not recognised in the financial statements of the Group after acquiring Puxin Cheng Da since this may result in the recognition of income that may never be realised. The Group recognised the sum received from the state grid companies after the acquisition amounted to RMB10,161,000 as other gains since the realisation of income is virtually certain.

As at the date of acquisition, Puxin Cheng Da did not engage in any business or operation. Given the underlying set of assets acquired were not integrated in forming businesses to generate revenue, the directors of the Company are of the opinion that the acquisition was purchase of net assets which did not constitute business combinations for accounting purpose.

The identifiable assets and liabilities of Puxin Cheng Da as at the date of acquisition are as follows:

| | *RMB'000* |
|---|---|
| **Assets:** | |
| Property, plant and equipment | 42,794 |
| Right-of-use assets | 12,749 |
| Receivables at FVTOCI | 1,000 |
| Bank balances and cash | 26,517 |
| | 83,060 |
| **Liabilities** | |
| Trade and other payables | (28,154) |
| Net assets acquired | 54,906 |
| Satisfied by: | |
| Cash consideration | 54,906 |
| Net cash outflow arising on acquisition: | |
| Cash consideration | (54,906) |
| Less: Cash and cash equivalents acquired | 26,517 |
| | (28,389) |

## 18. DISPOSAL OF SUBSIDIARIES

**For the year ended 31 December 2020**

***(a) Disposal of the 11 Target Companies***

As referred to in Note 14, the Group completed the disposal of the 11 Target Companies during the year ended 31 December 2020. The net assets of the 11 Target Companies at the respective disposal dates were as follows:

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 362 |
| Right-of-use assets | 87,432 |
| Solar power plants | 3,518,553 |
| Other non-current assets | 2,169 |
| Value-added tax recoverable | 120,092 |
| Trade and other receivables | 958,766 |
| Receivables at FVTOCI | 6,825 |
| Restricted bank deposits | 4,253 |
| Bank balances and cash | 814 |
| Trade and other payables | (338,693) |
| Tax liabilities | (2,535) |
| Bank and other borrowings | (2,022,184) |
| Deferred income | (7,461) |
| Lease liabilities | (50,173) |
| Impairment loss recognised on asset classified as held for sale as at 31 December 2019 | (851,428) |
| Net assets disposed of | 1,426,792 |
| Loss on disposal of subsidiaries included in profit or loss | (31,939) |
| | 1,394,853 |
| Satisfied by: | |
| Cash consideration | 641,420 |
| Dividend payables | 196,848 |
| Relevant payables | 556,585 |
| | 1,394,853 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 641,420 |
| Less: bank balances and cash disposed of | (814) |
| | 640,606 |

In respect of the collection of sales proceed from the disposal of the 11 Target Companies, apart from the successful completion of the share transfer of the equity interests of the 11 Target Companies to ZSEC in accordance with the relevant share transfer agreements with the relevant 11 Target Companies, the timing of payment of cash consideration to be payable by ZSEC by four to five tranches and dividends payment to be payable by the relevant Target Companies by two tranches, and the timing and amount of payment of relevant payables to be payable by the relevant Target Companies by two to three tranches, are also subject to the completion of (i) the transitional period audit to be performed by the local auditor in the PRC engaged by ZSEC and (ii) certain remedial steps to be taken by the Group.

During the year ended 31 December 2020, a substantial portion of total consideration has been settled. The management of the Company expects that remaining amount of the consideration will be received prior to June 2021.

***(b) Disposal of the 6 Target Companies***

On 16 March 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd# (江西順風光電投資有限公司) ("**Jiangxi Shunfeng**") and Shanghai Shunneng Investment Co., Ltd# (上海順能投資有限公司) ("**Shanghai Shunneng**"), two indirect wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements with Zhejiang Zhengtai New Energy Development Co., Ltd. ("**Zhengtai**") pursuant to which Jiangsu Shunfeng and Shanghai Shunneng have conditionally agreed to sell, and Zhengtai has conditionally agreed to purchase 100% of the equity interest in Akesu Datang New Energy Co., Ltd.# (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.# (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.# (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.# (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.# (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.# (和靜益鑫新能源科技有限公司), (collectively referred to as the "**6 Target Companies**"), which owned and operated 6 solar power plants in total in the PRC. The proceeds arising from of the disposal of the 6 Target Companies were RMB509,392,000, comprising the following:

— the cash consideration of approximately RMB181,140,000, to be payable by Zhengtai to the Group by three tranches;

— relevant payables representing the relevant amount payable by the relevant 6 Target Companies to the Group by three to four tranches, the timing and amount of payment to the Group of which are conditional upon the completion of the disposal and certain conditions and, as stipulated in the relevant sale and purchase agreements, are subject to adjustment from the result of transitional period audit to be performed by the PRC local auditor engaged by Zhengtai of the relevant 6 Target Companies and certain remedial steps (as defined and detailed in the Company's circular dated 15 June 2020). The relevant payables were amounted to RMB328,252,000 as at disposal date.

Details of terms and conditions in respect of payment of consideration and relevant payables to the Group were set out in the circular of the Company "Very Substantial Disposal" dated 15 June 2020.

The Group completed the disposal of the 6 Target Companies during the year ended 31 December 2020. The net assets of the 6 Target Companies at the respective disposal dates were as follows:

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 202 |
| Right-of-use assets | 44,264 |
| Solar power plants | 986,210 |
| Value-added tax recoverable | 12,997 |
| Trade and other receivables | 340,598 |
| Receivables at FVTOCI | 500 |
| Bank balances and cash | 2,313 |
| Trade and other payables | (103,362) |
| Bank and other borrowings | (553,634) |
| Net assets disposed of | 730,088 |
| Loss on disposal of subsidiaries included in profit or loss | (220,696) |
| | 509,392 |
| Satisfied by: | |
| Cash consideration | 181,140 |
| Relevant payables | 328,252 |
| | 509,392 |
| Net cash inflow arising on disposal: | |
| Cash consideration | 181,140 |
| Less: bank balances and cash disposed of | (2,313) |
| | 178,827 |

In respect of the collection of sales proceed from the disposal of the 6 Target Companies, apart from the successful completion of the share transfer of the equity interests of the 6 Target Companies to Zhengtai in accordance with the relevant share transfer agreements with the relevant 6 Target Companies, the timing of payment of cash consideration to be payable by Zhengtai by three tranches, and the timing and amount of payment of relevant payables to be payable by the relevant Target Companies by three to four tranches, are also subject to the completion of (i) the transitional period audit to be performed by the local auditor in the PRC engaged by Zhengtai and (ii) certain remedial steps to be taken by the Group.

During the year ended 31 December 2020, a substantial portion of total consideration has been settled. The management of the Company expects that remaining amount of the consideration will be received prior to June 2021.

### *(c) Deemed disposal of Jinta Wancheng*

金塔萬晟光電有限公司 (Jinta Wancheng Photovoltaics Co., Ltd) ("**Jinta Wancheng**") was a non-wholly-owned subsidiary of the Company. As at 31 December 2019, in respect of the bank and other borrowings, a principal balance of RMB490,000,000 was advanced from JIC Trust Co., Ltd to Jinta Wancheng. Such loan has been overdue on 16 August 2019. Jinta Wancheng received the first-instance judgement from High People's Court of Zhejiang in January 2020 regarding the overdue borrowings.

On 26 July 2020, Jinta Wancheng received a petition filed by its creditor for an order that Jinta Wancheng maybe wound up by the High People's Court of Gansu. The petition was filed against the Jinta Wancheng for its failure to settle a sum of approximately RMB237 million for EPC payable of solar power plants.

On 5 November 2020, the Intermediate People's Court of Jiu Quan agreed a restructuring plan submitted by the receiver, pursuant to which an independent third party of the Group, ZSEC, agreed to acquire the entire equity interest of Jinta Wancheng at a zero consideration. ZSEC will inject RMB707,150,000 to Jinta Wancheng for repayment of liabilities, any balance due over this amount will become irrecoverable and waived. The receiver has allocated the injected fund based on the priority of debts. Consequently, the Group will receive RMB24,212,000 for repayment of intercompany loan. Following the restructuring plan implemented by the Intermediate People's Court of Jiu Quan, Jinta Wancheng ceased to be a subsidiary of the Group and its financial performance and financial position will not be consolidated.

The net assets of Jinta Wancheng at the date of disposal were as follows:

| | *RMB'000* |
|---|---|
| Property, plant and equipment | 29 |
| Solar power plants | 727,399 |
| Right-of-use assets | 14,211 |
| Trade and other receivables | 256,757 |
| Value-added tax recoverable | 74,347 |
| Bank balances and cash | 3 |
| Trade and other payables | (479,480) |
| Bank and other borrowings | (490,000) |
| Net assets disposed of | 103,266 |
| Loss on disposal of subsidiaries included in profit or loss | (79,054) |
| Satisfied by: | |
| Cash consideration | — |
| Relevant receivables | 24,212 |
| | 24,212 |
| Net cash inflow arising on disposal: | |
| Cash consideration | — |
| Less: bank balances and cash disposed of | 3 |
| | 3 |

Out of total consideration of RMB24,212,000, RMB933,000 was settled in cash during the year ended 31 December 2020 whereas the remaining balance of RMB23,279,000 was included in "Trade and other receivables" as at 31 December 2020.

**For the year ended 31 December 2019**

As referred to in Note 10, on 30 September 2019, the Group discontinued its several operations at the time of the disposal of the Disposal Group. The net assets of the Disposal Group at the date of disposal (i.e., 30 September 2019) were as follows:

| | 30 September 2019 *RMB'000* |
|---|---|
| **Total consideration satisfied by** | |
| The loan facility of HKD1,200 million *(Note i)* | 1,055,000 |
| Consideration receivable — Current assets *(Notes ii)* | 1,745,000 |
| Cash consideration received *(Note ii)* | 200,000 |
| | 3,000,000 |

| Analysis of assets and liabilities over which control was lost: | 30 September 2019 *RMB'000* |
|---|---|
| Property, plant and equipment | 1,730,946 |
| Right-of-use assets | 387,790 |
| Solar power plants | 461,658 |
| Intangible assets | 28,935 |
| Interests in associates | 119,888 |
| Interests in joint ventures | 246,280 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | 100 |
| Other non-current assets | 670,111 |
| Deferred tax assets | 80,143 |
| Inventories | 893,657 |
| Trade and other receivables | 1,451,743 |
| Contract assets | 5,939 |
| Receivables at FVTOCI | 101,466 |
| Value-added tax recoverable | 67,397 |
| Tax recoverable | 6,120 |
| Prepayments to suppliers | 769,172 |
| Amount due from the Group | 1,985,656 |
| Amount due from joint ventures | 127,244 |
| Restricted bank deposits | 1,562,275 |
| Bank balances and cash | 522,758 |
| Trade and other payables | (4,421,617) |
| Contract liabilities | (178,665) |
| Amount due to the Group | (512,122) |
| Amount due to a joint venture | (124,920) |
| Lease liabilities — current | (45,214) |
| Provisions | (785,083) |
| Tax liabilities | (2,143) |
| Bank and other borrowings — current | (411,066) |
| Deferred income | (5,238) |
| Derivative financial liability | (23,272) |
| Deferred tax liabilities | (32,684) |
| Bank and other borrowings — non-current | (396,911) |
| Lease liabilities — non-current | (15,725) |
| Deferred income | (9,559) |
| Net assets in the Disposal Group's standalone financial statements | 4,255,059 |
| Intragroup elimination of ECL recognised on amount due from the Group | 185,982 |
| Intragroup elimination of time value adjustment on amount due from the Group | 356,620 |
| Net assets disposed of | 4,797,661 |

| | 30 September 2019 *RMB'000* |
|---|---|
| **Impact of the disposal to profit or loss *(Note iii)*** | |
| Cumulative exchange differences in respect of the foreign operation included in the Disposal Group reclassified from equity to profit or loss *(Note iii)* | 41,365 |
| Cumulative FVTOCI reserve of the Disposal Group reclassified from equity to profit or loss *(Note iii)* | (1,007) |
| | 40,358 |
| **Impact of the disposal to equity** | |
| Consideration | 3,000,000 |
| Net assets disposed of | (4,797,661) |
| Loss debited to special reserve as deemed distribution *(Note iv)* | (1,797,661) |
| **Net cash outflow arising on disposal:** | |
| Cash consideration received *(Note ii)* | 200,000 |
| Less: bank balances and cash disposed of | (522,758) |
| | (322,758) |

*Notes:*

(i) As at 30 September 2019, the total amount of borrowings from Sino Alliance to the Group was HKD2,500 million. As part of the Consideration, the Group had entered into an agreement and all relevant legal documents with Sino Alliance and other relevant parties, to the effect that (1) the debt amount of HKD1,200 million out of the HKD2,500 million loan facility provided by Sino Alliance was assigned and assumed by the Asia Pacific Resources; and (2) the Group was not required to assume the repayment obligation of the principal amount and interests in respect of the HKD1,200 million loan facility upon the assignment of loan. HKD1,200 million was re-translated to approximately RMB1,055 million using the fixed exchange rate of HKD1.00 to RMB0.88 as at the dated of 30 June 2019.

(ii) During the year ended 31 December 2019, consideration of RMB200 million has been received by the Group. Pursuant to the original share purchase agreement, the remaining portion of the consideration amounting to RMB1,745 million will be paid in cash free of interest within three months after the completion date of the disposal of the Disposal Group. The latest term is now amended to nine months (i.e. 30 June 2020) after the completion date pursuant to the latest supplementary agreement dated 30 December 2019, while other terms remained unchanged.

(iii) The carrying amounts of the net assets in the Disposal Group's standalone financial statements as at 30 September 2019 approximate its fair value as at 30 September 2019, which is determined with reference to the valuation report prepared by an independent professional valuer not connected to the Group. As such, no disposal gain or loss was recognised in relation to the Disposal. In addition, the cumulative exchange differences in respect of the foreign operation (i.e., the solar power generation in overseas regions) held by and controlled by the Disposal Group and the cumulative FVTOCI reserve of the Disposal Group were reclassified from equity to profit or loss upon the completion of the disposal of the Disposal Group.

(iv) RMB1,797,661,000 is debited to special reserve in equity, representing the excess of the carrying amount of net assets disposed of over the consideration, which was considered as a deemed distribution made to the owner of the Company, since Asia Pacific Resources is indirectly wholly owned and controlled by Mr. Cheng, a substantial shareholder of the Company, constituting transaction with owner in its capacity as owner.

The impact of the Disposal Group on the Group's results for the year ended 31 December 2019 is disclosed in Note 10.

## 19. EVENTS AFTER THE END OF THE REPORTING PERIOD

**The proposed disposal of Lattice Power (Jiangxi) Co., Ltd and its subsidiaries ("Lattice Power (Jiangxi) Group")**

As disclosed in the announcement published on 31 December 2020, the Group has entered into a sale and purchase agreement with a connected person, pursuant to which the Group has conditionally agreed to sell, and the purchaser has conditionally agreed to purchase 100% of the equity interests in Lattice Power (Jiangxi) Group, at an aggregate consideration of RMB670 million.

## MANAGEMENT DISCUSSION AND ANALYSIS

Upon completion of the disposal 100% of the equity interests of Jiangsu Shunfeng Photovoltaic Technology Company Limited* (江蘇順風光電科技有限公司) which was engaged in (i) manufacturing and sales of solar products and installation services of PV systems, (ii) plant operation and services and (iii) solar power generation in the overseas regions on 30 September 2019, the Group still retains two segments with solar power generation in the PRC and manufacturing and sales of LED products during the Year.

## BUSINESS REVIEW

The Group has evolved from engaging purely in solar power business into a diversified leading integrated provider of clean energies and low-carbon and energy-saving solutions with global influences. The Group continues to proactively explore various kinds of clean energy resources with an aim to lay a solid foundation for its development into a global leading supplier which provides low-carbon and energy-saving integrated solutions.

### Solar power generation in the PRC

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

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

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

### Manufacturing and sales of LED products

During the Year, the sales of LED chips, LED packages and other LED products within the Group's production business amounted to RMB561.9 million while such amounted to approximately RMB362.7 million in 2019.

### Geographical information

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

## FINANCIAL REVIEW

### Revenue

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

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

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

### Solar power generation in the PRC

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

### LED products

Revenue from the sales of LED chips, LED packages and other LED products increased by RMB199.2 million or 54.9% from RMB362.7 million for the year ended 31 December 2019 to RMB561.9 million for the Year.

### Cost of sales

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

**Gross profit**

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

**Other income**

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

**Other gains and losses and other expenses**

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

**Distribution and selling expenses**

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

**Administrative expenses**

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

**Research and development expenditure**

Research and development expenditure increased by RMB12.0 million, or 20.0%, from RMB60.0 million for the year ended 31 December 2019 to RMB72.0 million for the Year, primarily due to the increase in the expenses on research and development investment and related costs in the manufacturing and sales of LED products segment.

**Share of profits of associates**

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

**Finance costs**

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

**Loss before tax**

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

**Income tax expense**

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

**Loss for the Year**

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

**Inventory turnover days**

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

**Trade receivables turnover days**

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

**Trade payables turnover days**

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

**Indebtedness, liquidity, gearing ratio and capital structure**

The Group's principal sources of working capital included cash flow from operating activities, bank and other borrowings. As at 31 December 2020, the Group's current ratio (current assets divided by current liabilities) was 0.56 (31 December 2019: 0.62) and it was in a negative net cash position.

The Group has always adopted a prudent treasury management policy. The Group places a strong emphasis on having funds readily available and accessible and is in a stable liquidity position with sufficient funds in standby banking facilities to cope with daily operations and meet its future development demands for capital. As at 31 December 2020, the Group was in a negative net cash position of RMB6,360.8 million (31 December 2019: a negative net cash position of RMB8,563.7 million), which included cash and cash equivalents of RMB226.7 million (31 December 2019: RMB89.7 million), bank and other borrowings of RMB5,440.0 million (31 December 2019: RMB7,327.2 million), convertible bonds of RMB529.1 million (31 December 2019: RMB501.4 million) and bonds payable of RMB618.4 million (31 December 2019: RMB824.8 million).

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

During the Year, the Group did not enter into any financial instrument for hedging purposes nor did the Group have any currency borrowings and other hedging instruments to hedge against foreign exchange risks (31 December 2019: Nil).

**Contingent liabilities and guarantees**

As at 31 December 2020, the Group provided guarantees to independent third parties and a related party with a total amount of RMB187.6 million (31 December 2019: RMB307.1 million), of which RMB187.6 million (31 December 2019: RMB177.1 million) has been provided and recognised as provision in the statement of financial position. As at 31 December 2020, save as disclosed above, the Group had no significant contingent liabilities.

**Charges on the Group's assets**

At the end of the reporting period, saved as restricted bank deposits and the leased asset (i.e., machineries) under lease liabilities (2019: obligation under finance lease), the Group had pledged its 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited (2019: 59% of equity interest in Lattice Power Group and 100% of equity interest in Shunfeng Photovoltaic Holdings Limited). Meanwhile, for 31 (2019: 40) subsidiaries of the Group which operated solar power generation, their entire equity interests and related assets were also pledged in order to obtain bank and other borrowings.

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

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

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

Save as disclosed above, as at 31 December 2020 and 31 December 2019, none of the other assets of the Group was pledged in favour of any financial institution.

**Exposure to the fluctuation in exchange rates**

Certain bank balances and cash, restricted bank deposits and pledged bank deposits and bank and other borrowings are denominated in currencies other than RMB, which exposes the Group to foreign exchange risks. The Group currently does not have a foreign currency hedging policy. However, the Directors closely monitor the foreign exchange risk profile and control exchange exposure through arrangements of foreign currency forward contracts, and will consider hedging significant foreign currency exposure should the need arise.

**Significant investments held and material acquisitions or disposals**

As disclosed in the announcement of the Company dated 26 November 2019 and the circular of the Company dated 29 December 2019, on 15 November 2019 (after trading hours), Jiangxi Shunfeng Photovoltaic Investment Co., Ltd,* (江西順風光電投資有限公司) Shanghai Shunneng Investment Co., Ltd* (上海順能投資有限公司) and Shijiazhuang Yakai New Energy Development Ltd* (石家莊亞凱新能源開發有限公司) (the "**Vendors**", the indirectly wholly-owned subsidiaries of the Company), entered into 11 sale and purchase agreements (the "**2019 Disposal Sale and Purchase Agreements**") with Zhonghe Shandong Energy Co., Ltd,* (中核山東能源有限公司), pursuant to which the Vendors agreed to sell 100% of the equity interest in Hami Hengxin New Energy Technology Co., Ltd* (哈密恒鑫新能源科技有限公司), Hami Junxin Photovoltaic Power Generation Co., Ltd.* (哈密浚鑫光伏發電有限公司), Hami Tianhong Solar Power Technology Co., Ltd.* (哈密天宏陽光太陽能科技有限公司), Hami Yixin New Energy Technology Co., Ltd.* (哈密益鑫新能源科技有限公司), Hebei Guowei New Energy Technology Co., Ltd.* (河北國威新能源科技有限公司), Jinchang Zhongke New Energy Co., Ltd.* (金昌市中科新能源有限公司), Pingluo Zhongdianke Energy Co., Ltd.* (平羅中電科能源有限公司), hangde (Hami) Solar Power Generation Co., Ltd.* (尚德（哈密）太陽能發電有限公司), Sunan Yugur Autonomous County Zhongneng Changyeyuan Co., Ltd.* (肅南裕固族自治縣中能產業園有限公司), Wuwei Huadong Zhonghe New Energy Co., Ltd.* (武威華東眾合新能源有限公司), and Wuwei Jiuyuan Metal Components Co., Ltd.* (武威久源金屬構件有限公司) at aggregate consideration of RMB641,420,000 (the "**2019 Disposals**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2019 Disposal Sale and Purchase Agreements and the 2019 Disposals in aggregate exceed 75%, the 2019 Disposals constituted a very substantial disposal of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Shareholders' approval was obtained on 17 January 2020. The registration of share transfer of the 11 Target Companies was completed during the Year.

As disclosed in the announcement of the Company dated 18 March 2020, Jiangxi Shunfeng Photovoltaic Investment Co., Ltd* (江西順風光電投資有限公司) and Shanghai Shunneng Investment Co., Ltd* (上海順能投資有限公司), the indirectly wholly-owned subsidiaries of the Company, entered into 6 sale and purchase agreements (the "**2020 Disposal Sale and Purchase Agreement**") with Zhejiang Zhengtai New Energy Development Co., Ltd.* (浙江正泰新能源開發有限公司) on 16 March 2020, pursuant to which Jiangxi Shunfeng Photovoltaic Investment Co., Ltd and Shanghai Shunneng Investment Co., Ltd agreed to sell 100% of the equity interest in Akesu Datang New Energy Co., Ltd.* (阿克蘇大唐新能源有限公司), Yuepuhu Gaoke New Energy Power Generation Co., Ltd.* (岳普湖高科新能源發電有限公司), Heshuo Hengxin New Energy Technology Co., Ltd.* (和碩恒鑫新能源科技有限公司), Tulufan Lianxing New Energy Co., Ltd.* (吐魯番聯星新能源有限公司), Wensu Riyuehui New Energy Co., Ltd.* (溫宿縣日月輝新能源有限公司), and Hejing Yixin New Energy Technology Co., Ltd.* (和靜益鑫新能源科技有限公司) at an aggregate consideration of RMB181,140,000 (the "**2020 Disposals**").

As one or more of the applicable percentage ratios calculated in accordance with the Listing Rules in respect of the 2020 Disposal Sale and Purchase Agreements and the 2020 Disposals in aggregate exceed 75%, the 2020 Disposals constituted a very substantial disposal of the Company which is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

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

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

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

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

A circular is expected to be dispatched to the Shareholders on or before 31 March 2021.

**Human resources**

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

**Final dividend**

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

**Events subsequent to the Year**

Except as disclosed in note 19, there was no other significant events after the Year up to the date of this announcement.

## IMPACTS OF THE COVID-19 OUTBREAK ON THE GROUP

The COVID-19 pandemic has caused a global health emergency and significant disruptions to travel, tourism and economy worldwide. In the first half of 2020, due to the epidemic of COVID-19 and the restrictive measures and quarantine policies adopted and/or implemented by the PRC government since February 2020, the satisfaction of the conditions precedent to completion of the 2019 Disposals was significantly delayed. As a result, the collection of sales proceeds in connection with the 2019 Disposals was inevitably postponed.

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Except for the following deviation, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Year.

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

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

## COMPLIANCE WITH THE MODEL CODE

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Year.

## REVIEW OF AUDITED ANNUAL RESULTS

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

## SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year as approved by the Board of Directors on 30 March 2021. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this announcement.

## EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2020.

## "DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group because we have not been able to obtain sufficient appropriate audit evidence and due to the potential interaction of multiple uncertainties and their possible cumulative effect on the consolidated financial statements a 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. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### 1. Multiple uncertainties relating to going concern

As set out in Note 1(b) to the consolidated financial statements, the Group incurred a net loss of RMB501,622,000 during the year ended 31 December 2020. As at 31 December 2020, the Group's equity attributable to owners of the Company had a deficit of RMB1,474,385,000 and the Group' s current liabilities exceeded its current assets by RMB3,039,060,000. The Group maintained cash and cash equivalents of RMB226,746,000 as at 31 December 2020.

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

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

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

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

The details of the plans and measures have been set out in Note 1(b) to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the plans and measures as detailed in Note 1(b) to the consolidated financial statements and also subject to multiple uncertainties, including:

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

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

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

(iv) whether the Group is able to convince its certain major creditors of RMB1,593,053,000 (including bank and other borrowings and bond payables) to allow the Group to repay or partially repay the amounts due according to the Group's expected repayment priority or ranking or partial repayment portion to each creditor and allow the Group to further extend to the extent and in accordance with the timetable and milestones of payment of the proceeds from the Group's disposal of the 11 Target Companies, the 6 Target Companies, Lattice Power (Jiangxi) Group and the Possible Disposal of Further Solar Power Plants;

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

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

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

(viii) whether the Group is able to seek for other financing resources (including but not limited to obtain financial support from controlling shareholder to the Group to meets its liabilities and obligations as and when they fall due, advances from its shareholders and/or from those entities owned and controlled by the shareholders) and whether the shareholders and/or those entities owned and controlled by the shareholders are financially viable to provide finance to the Group as to enable the Group to have adequate working capital in the next twelve months and to repay the matured and maturing debts from time to time.

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

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

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

On 15 November 2019, the Company entered into 11 sale and purchase agreements with an independent third party to dispose of its 100% equity interest in the 11 Target Companies. As detailed in Note 27 to the consolidated financial statements, the disposal has not been completed as at 31 December 2019, and the assets and liabilities of the 11 Target Companies were classified as "assets classified as held for sale" and "liabilities associated with assets classified as held for sale" respectively. As disclosed in Note 50(a) to the consolidated financial statements, the disposal of the 11 Target Companies have been completed during the year ended 31 December

2020. The financial performance of the 11 Target Companies for the period from 1 January 2020 to the respective disposal dates and the loss on disposal of the 11 Target Companies amounted to RMB31,939,000 has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

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

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

As stated in the section headed "EXTRACT OF INDEPENDENT AUDITOR'S REPORT" above, BDO Limited, the Group's auditor, has issued a disclaimer of opinion on, among others, the limitation of scope of work on disposal of the 11 Target Companies (as defined in Note 14 to the consolidated financial statements).

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

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

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

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.sfcegroup.com). The annual report of the Company for the year ended 31 December 2020 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the aforementioned websites in due course.

## DEFINITIONS

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

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| "Audit Committee" | the audit committee of the Board |
| "Board" | the board of director(s) of the Company |
| "Company" | Shunfeng International Clean Energy Limited |
| "Corporate Governance Code" | the Corporate Governance Code contained in Appendix 14 to the Listing Rules |
| "Directors(s)" | the director(s) of the Company |
| "Fourth CB" | the convertible bond issued by the Company on 16 June 2014 with an aggregated amount of HKD2,137,230,000 |
| "Group" | the Company and its subsidiaries |
| "GW" | gigawatt, which equals one billion watts |

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|---|---|
| "HKD" or "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Lattice Power" | Lattice Power Corporation, a company incorporated in Cayman Islands and a non-wholly owned subsidiary of the Company |
| "Lattice Power Group" | Lattice Power and its subsidiaries |
| "LED" | light-emitting diode |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| "MW" | megawatt, which equals one million watts |
| "MWh" | megawatt hour |
| "PRC" or "China" | the People's Republic of China |
| "PV" | photovoltaic |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong |
| "Share(s)" | ordinary share(s) of HK$0.01 each in the share capital of the Company |
| "Shareholder(s)" | shareholder(s) of the Company |
| "United States" or "U.S." | the United States of America |
| "USD" or "US$" | U.S. dollar, the lawful currency of the U.S. |

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|---|---|
| "we", "our" or "us" | the Company or the Group (as the context requires) |
| "the year" | twelve months ended 31 December 2020 |

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

Hong Kong, 30 March 2021

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